



Commodity Futures
Trading Commission

FY 2003 Annual Report

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The Commissioners

James E. Newsome, Chairman

James E. Newsome confirmed by the U.S. Senate on December 20, 2001, to serve as Chairman of the CFTC. He was sworn in on December 27, 2001, to a term expiring in June 2006. Chairman Newsome has served as a Commissioner of the CFTC since August 10, 1998, and as Acting Chairman from January 20, 2001, until becoming Chairman.

Prior to joining the CFTC, Chairman Newsome served for nine years as Executive Vice President of the Mississippi Cattlemen's Association and Beef Council. Additionally, he served as Chairman of the Mississippi Agribusiness Council, which is devoted to the development of domestic and international agribusiness opportunities within the state of Mississippi.

Chairman Newsome's involvement in agriculture led to his association with numerous organizations in both Mississippi and his home state of Florida. He has served as President of the Association of Mississippi Agriculture Organizations; as a member of the Governor's Task Force on the Future of Florida's Small Farms; as a Delegate to the National Council for Agricultural Research, Extension and Teaching; as President of the Florida Future Farmers of America; and as President of the University of Florida Agriculture Council.

Since joining the Commission, Chairman Newsome has actively encouraged industry participation in regulatory initiatives, and has served as Chairman of the CFTC's Technology Advisory Committee. His conservative approach to Commission responsibilities has been open and inclusive and has contributed to major regulatory reform of the U.S. futures and derivatives markets.

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.

Barbara P. Holum, Commissioner

Barbara Pedersen Holum was nominated to be a Commissioner of the CFTC by President Clinton on November 8, 1993, confirmed by the Senate on November 19, 1993, and 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.

Walter L. Lukken, Commissioner

Walter L. Lukken was sworn in on August 7, 2002, as a Commissioner of the Commodity Futures Trading Commission. He was nominated by President George W. Bush on April 16, 2002, and confirmed by the Senate on August 2, 2002, to a term expiring April 13, 2005.

Mr. Lukken joins the Commission after serving four years on the staff of the U.S. Senate Committee on Agriculture, Nutrition, and Forestry under Ranking Member Richard Lugar. While working for the committee, Mr. Lukken specialized in futures and derivatives markets, agricultural banking, and agricultural tax issues. Before joining the committee, Mr. Lukken worked for five years in the 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.

Sharon Brown-Hruska, Commissioner

Sharon Brown-Hruska was sworn in as a Commissioner of the CFTC August 7, 2002. Dr. Brown-Hruska was nominated by President George W. Bush on April 9, 2002, and confirmed by the Senate on August 2, 2002, to a term expiring April 13, 2004.

Dr. Brown-Hruska came to the Commission from George Mason University, where she was an Assistant Professor of Finance in the School of Management. 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 through 2005.

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 2003, 1,205,359,450 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 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	1993-2003	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

Record Number of New and Innovative Products

Two major features of the CFMA were:

- elimination of prescriptive regulations and approval requirements for listing new products; and
- removal of the ban on trading futures on single stocks.

The regulations to implement these provisions came to fruition in fiscal year 2003, as exchanges took advantage of the new opportunities provided and launched a record number of new products. During the fiscal year, exchanges filed with the Commission 348 new futures and option products, far surpassing the previous record of 92 new products filed in fiscal year 1996. Of the total, 214 filings were security futures products representing futures on single stocks, exchange-traded funds and narrow-based stock indexes – all of these futures products were impermissible prior to the CFMA. Only 6 of the 348 total filings were submitted to the Commission for approval; the remaining filings were submitted under exchange self-certification procedures.

In addition, exchanges filed 134 other new products, many of which were quite innovative, covering a wide range of commodity types. These included several TRAKRs products, which enable traders to track an index of stocks, bonds, currencies or other financial instruments; energy futures designed to replicate products offered in the OTC markets; new weather derivatives that are more closely tailored to the heating or cooling season; and new agricultural products designed to enhance risk management by small producers and other firms in that sector.

CME/CBOT Common Clearing Link

In April of 2003, the Chicago Board of Trade (CBOT) entered into an arrangement by which it will clear contracts with the Chicago Mercantile Exchange (CME), establishing a clearing link between them. The clearing link is intended to provide efficiencies both in processing transactions and in utilization of capital. This arrangement furthers the CFMA's goal of supporting innovation in the futures industry. The Commission approved rules submitted by the CBOT and CME to ensure orderly implementation of the arrangement and to enhance legal certainty, financial integrity, and customer protection in the futures markets.

Modernization of CPO and CTA Rules to Allow Greater Participation In Futures

The Commission modernized a number of key regulations regarding commodity pool operators (CPOs) and commodity trading advisors (CTAs) to rationalize requirements, remove unnecessary regulatory burdens, and to facilitate greater participation in the commodity futures and options markets, which can benefit all market participants by increasing liquidity. These revisions adopted in August 2003 include:

- Providing that institutions excluded from the definition of CPO under Rule 4.5 will no longer be restricted in the amount of futures transactions they can enter into to remain eligible for the exclusion;
- Providing additional exemptions from CPO and CTA registration requirements for those entities that have limited futures activity or that restrict participation to highly sophisticated persons;
- Facilitating communications by CPOs and CTAs with prospective and existing pool participants and clients, including permitting electronic communications;
- Eliminating duplicative regulatory requirements for "master/feeder fund" structures; and
- Addressing certain issues related to calculation and presentation of past performance by CPOs and CTAs.

These rule changes are responsive to SRO and futures industry trade group requests as well as the requests made at the CFTC's September 2002 Roundtable on CPO and CTA Issues. Among other things, the new rules will allow security futures exchanges to approach a broader market, reduce overlap between CFTC and SEC regulatory requirements, and eliminate unnecessary burdens, all without sacrificing appropriate investor protection. Separately, the Commission expanded the availability of bunching customer orders for execution.

Based on figures obtained from the National Futures Association as of September 30, 2003, the vast majority of the more than 500 persons who have claimed a registration exemption – over 90% – were CPOs and CTAs who had not previously been registered with the CFTC.

New Risk-Based Approach to Industry Oversight

Similar to the approach of other Federal financial regulators and certain overseas financial supervisors, and in close consultation with these organizations, the Commission has begun to enhance its supervision of exchanges, clearinghouses, and other self-regulatory organizations with risk-based examination cycles and risk-focused reviews. Both the scheduling and scope of the CFTC's supervisory reviews will now be based on careful analysis of the underlying risks to which an institution is exposed and the controls which it has in place to address those risks. This approach promises to better utilize supervisory resources and to help ensure even greater financial integrity and risk management within the firms and clearing houses that are the backbone of the futures clearing system.

Foreign Currency Fraud

During FY 2003, the Commission continued its initiative to battle retail foreign currency (Forex) fraud. 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 off-exchange foreign currency futures or option contracts to retail customers unless the counterparty is a regulated financial entity enumerated in the CFMA, such as an FCM or financial institution. 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 tout purportedly high return, low-risk investment opportunities or even highly paid currency-trading employment opportunities. The Commission filed enforcement actions against both registered firms (both for fraud and for other CEA violations, such as failure to maintain net capital requirements) and unregistered bucket shops.

In FY 2003, the Commission filed 23 enforcement actions against firms and individuals selling illegal foreign currency futures and option contracts, bringing the total of such actions to 43 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 but one of these cases. Among the Enforcement program's successes in this area was the recent default judgment in the CFTC's favor that it obtained in *CFTC v. International Financial Services (New York), Inc., et al*, No. 02 CIV 5497 (S.D.N.Y. June 24, 2003). Among other sanctions, the court ordered the defendants to disgorge ill-gotten gains and repay injured investors a total of more than \$25 million, and to also pay a civil monetary penalty of over \$76 million.

Surveillance of Energy Markets

During FY 2003, energy futures prices were high and volatile during the year as a result of geopolitical tensions, low inventories, supply disruption, and a strong demand for heating fuels stimulated by a cold winter and for gasoline resulting for increased driving levels. Commission staff closely monitored all energy markets, which presented challenges both in the number of energy contracts and their unique characteristics, such as daily and weekly expirations for electricity futures contracts and negative prices on several basis swaps.

Alleged Abuses in Energy Markets

Over the past year, the Commission's Enforcement program continued its extensive investigation of alleged abuses in energy-related markets. The investigation has focused on energy trading firms that allegedly engaged in: a) the reporting of false, misleading or knowingly inaccurate trading information, including price and volume information; b) attempted manipulation; and/or c) "round tripping," a risk-free trading practice that

produces wash results and the reporting of non-*bona fide* prices, in violation of the Commodity Exchange Act. The Commission's aggressive enforcement actions in the energy sector reflect an approach to market oversight that emphasizes tough enforcement actions against wrongdoers without creating overly burdensome regulations. As a result of its efforts, the Commission filed during FY 2003 eight major enforcement actions, six of which were settled with sanctions imposed that included civil monetary penalties totaling \$96 million, and assisted the Department of Justice with several criminal matters related to these matters.

Commodity Pool Operator and Commodity Trading Advisor Fraud

Investors continue to fall prey to unregistered CPOs and CTAs that 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 investors' funds. 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. Every year, the Enforcement program commits substantial resources to prosecuting such cases, many of which require immediate action to stop ongoing fraud, freeze assets, and preserve books and records. During FY 2003, the Commission filed fourteen actions in this program area.

In addition, the Commission addresses this conduct through investor education. In November 2002, the Commission issued a Consumer Advisory warning the public to be wary of companies making false promises of profits from heating oil and other commodity futures and options trading based on the possible effect of the impending war with Iraq on the prices of these commodities. All seven of the Commission's Consumer Advisories are available on its website at <http://www.cftc.gov/cftc/cftccustomer.htm>.

Enforcement Program Reorganization/Cooperative Enforcement.

In FY 2003, the Commission completed its reorganization of its Enforcement program with the goal of ensuring that its trial attorneys, investigators, and support staff have the necessary tools and streamlined structure to efficiently and effectively do their jobs. A key component of this reorganization was the development of smaller, five to six person litigation teams that have provided greater flexibility to the program, including optimizing our senior litigators to "be on the front lines" litigating enforcement actions. The Enforcement program also opened an Office of Cooperative Enforcement whose task is to reach out to financial regulators on the Federal and state level, to ensure that they are coordinating investigations and prosecutions of commodities violators, and to ensure that the government addresses misconduct whenever appropriate. The Enforcement program has also been actively representing the Commission's interests in various meetings with colleagues from the President's Corporate Fraud Task Force.

Pay Parity

The Farm Security and Rural Investment Act (FSRIA) allowed the Commission to establish a new system of pay in order to recruit and retain the highly qualified staff required to implement the agency's mission, in parity with other financial regulatory agencies. During FY 2003, the agency implemented a new pay system that was justified, timely, understandable, and equitable. To meet these goals, management sought and received employee input and feedback at each stage of its pay parity study. By using regular email Bulletins, all-employee webcast presentations and surveys, and in-person focus groups with professional facilitators, the agency achieved its goal of understanding and acceptance of this major change in a very abbreviated timeframe.

The Commission's new pay system has met its objective of reducing turnover and improving recruitment success. Turnover of full-time permanent employees decreased by more than half, from nearly 14% in FY 2002 to just under 7% in FY 2003, and managers continue to attest to the quantity and quality of applicants since pay parity implementation.

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 activities that directly or indirectly affect 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 or State criminal authorities 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 2003

During FY 2003, the Division had the most active year since the agency began. The Commission instituted more enforcement actions than it has in over fifteen years, filing a total of 64 enforcement actions (31 civil injunctive actions and 33 administrative proceedings) against a total of 143 respondents/defendants. The Commission also achieved impressive results in this program area during the fiscal year, including the record assessment of over \$210 million in civil monetary penalties against 102 respondents/defendants and the ordering of approximately \$105 million in restitution and disgorgement to be paid by a total of 44 respondents/defendants. The full range of sanctions that became final in Commission enforcement actions during FY 2003 are set forth in detail in Table 4 on page 50 and include *ex parte* restraining orders, preliminary injunctions, permanent injunctions, cease and desist orders, trading prohibitions, and registration suspensions, denials, or revocations.

Enforcement Cases Filed & Results Achieved During FY 2003

The cases filed and results achieved by the Commission's Enforcement program during FY 2003 are described below. Notably, although the cases are presented by subject area, these groupings do not reflect rank or priority.

Energy Markets

During FY 2003, the Commission filed a total of eight enforcement actions in this program area. Of these actions, six have been settled while two remain in litigation along with a related subpoena enforcement action. These enforcement actions are discussed in detail below:

Pending Energy Market Enforcement Actions

- *CFTC v. Enron Corp., et al.* On March 12, 2003, the Commission filed a civil injunctive action against Enron Corp. (Enron), and Hunter S. Shively, who was the supervisor of the Central Desk of Enron's natural gas trading operation. The complaint alleged that the defendants engaged in manipulation or attempted manipulation, and further alleged that Enron operated an illegal futures exchange, and traded an illegal, off-exchange agricultural futures contract.

Until its bankruptcy in December 2001, Enron was one of the largest energy companies in the United States. Its natural gas trading unit was based in Houston and managed several natural gas over-the-counter (OTC) products. Enron's natural gas trading unit was divided into geographical regions and included a natural gas futures desk. Shively was the supervisor and trading manager of Enron's Central Desk from May 1999 through December 2001. From November 1999 through at least December 2001, Enron Online (EOL) was Enron's web-based electronic trading platform for wholesale energy, swaps, and other commodities, including the Henry Hub (HH) natural gas next-day spot contract that was delivered at the HH natural gas facility in Louisiana. The HH is the delivery point for the natural gas futures contract traded on the New York Mercantile Exchange (NYMEX), and prices in the HH Spot Market are correlated with the NYMEX natural gas futures contract. During its existence, EOL became a leading platform for natural gas spot and swaps trading.

The complaint alleged that on July 19, 2001, Shively, through EOL, caused Enron to purchase an extraordinarily large amount of HH Spot Market natural gas within a short period of time, causing artificial prices in the HH Spot Market and impacting the correlated NYMEX natural gas futures price. The complaint also alleged that in September 2001, Enron modified EOL to effectively allow outside users to post bids and offers. Enron listed at least three swaps on EOL that were commodity futures contracts. The complaint alleged that with this modification, Enron was required to register or designate EOL with the CFTC or notify the CFTC that EOL was exempt from registration. Enron failed to do either of these things, and the complaint charged that, because of this failure, EOL operated as an illegal futures exchange. Finally, the complaint alleged that Enron with offering an illegal agricultural futures contract on EOL. According to the complaint, between at least December 2000 and December 2001, Enron offered a product on EOL it called the US Financial Lumber Swap. The complaint alleged that the EOL lumber swap was an agricultural futures contract that was not traded on a designated exchange or otherwise exempt, and therefore was an illegal agricultural futures contract. *CFTC v. Enron Corp., et al.*, No. H-03-909 (S.D.Tex. filed March 12, 2003).

- *CFTC v. American Electric Power Company, Inc., et al.* On September 30, 2003, the Commission filed a civil injunctive complaint against American Electric Power Company, Inc. (AEP), and its wholly-owned subsidiary, AEP Energy Services, Inc. (AEPES). The complaint alleged that the defendants, from at least November 2000 through October 2002, knowingly reported false natural gas trading information, including price and volume information, to certain reporting firms that used such information in publishing surveys or indexes (indexes) of natural gas prices with the intent to skew the indexes to benefit their trading positions. Specifically, the complaint alleged that the defendants knowingly delivered to one reporting firm, Platts, over 3,600 purported natural gas trades, 78% of which were false, misleading or knowingly inaccurate. The complaint further alleged that defendants conduct constitutes an attempted manipulation, which, if successful, could have affected prices of NYMEX natural gas futures contracts. *CFTC v. American Electric Power Company, Inc., et al.*, No. C2 03 891 (S.D.Ohio filed Sept. 30, 2003).

Settled Energy Market Enforcement Actions

In re Dynegy Marketing and Trade, et al. On December 18, 2002, the Commission simultaneously filed and settled an administrative action against Dynegy Marketing and Trade and West Coast Power LLC. The Order found that, from at least January 2000 through June 2002, the respondents reported false natural gas trading information, including price and volume information, to certain reporting firms in an attempt to manipulate the price of natural gas in interstate commerce. The Order further found that this manipulation, if successful, could have affected prices of NYMEX natural gas futures contracts. Without admitting or denying its findings, the respondents consented to the entry of the Order that: 1) ordered them to cease and desist from further violations; and 2) imposed a \$5,000,000 civil monetary penalty. The Federal Energy Regulatory Commission and the Department of Justice provided assistance to the Commission in its investigation of this matter. *In re Dynegy Marketing and Trade, et al.*, CFTC Docket No. 03-03 (CFTC filed Dec. 18, 2002).

- *In re El Paso Merchant Energy, L.P.* On March 25, 2002, the Commission simultaneously filed and settled an administrative action against energy company El Paso Merchant Energy, L.P. (EPME), a division of El Paso Corporation (El Paso), finding that the respondent committed attempted manipulation and false reporting. Specifically, the Order found that from at least June 2000 through November 2001, EPME reported false natural gas trading information, including price and volume information, and failed to report actual trading information, to certain reporting firms. According to the Order, price and volume information is used by the reporting firms in calculating published indexes of natural gas prices for various hubs throughout the United States. The order finds that EPME knowingly submitted false information to the reporting firms in an attempt to skew those indexes for EPME's financial benefit. According to the order, natural gas futures traders refer to the published indexes for price discovery and for assessing price risks. The order also found that EPME's employees provided false trade data because they believed it benefited their trading positions or derivative contracts. In addition, the Order found that EPME did not maintain required records concerning the information that it provided to the reporting firms or the true source of the information relayed to those firms, as required by Commission regulations. The order further found that EPME specifically intended to report false or misleading or knowingly inaccurate market information concerning, among other things, trade prices and volumes, and withheld true market information, in an attempt to manipulate the price of natural gas in interstate commerce, and that EPME's provision of the false reports and failure to report true market information were overt acts that furthered the attempted manipulation. According to the order, EPME's conduct constituted an attempted manipulation under the CEA, which, if successful, could have affected prices of NYMEX natural gas futures contracts. Without admitting or denying its findings, EPME consented to the entry of the Order that: 1) ordered it to cease and desist from further violations; and 2) imposed, jointly and severally on EPME and El Paso, a civil monetary penalty of \$20 million; and ordered EPME and El Paso to comply with various undertakings, including an undertaking to cooperate with the Commission in this and related matters, including any investigations of matters involving the reporting of natural gas trading information.

EPME provided significant cooperation in the course of the Commission's investigation by, among other things, conducting an internal investigation through an independent law firm, waiving work product privilege as to the results of that investigation, and compiling and analyzing trading data which detailed all reported and actual trades in the natural gas markets. The Commission took that significant cooperation into consideration in its decision to accept EPME's settlement offer. *In re El Paso Merchant Energy, L.P.*, CFTC Docket No. 03-09 (CFTC filed March 26, 2003).

- *In re WD Energy Services Inc.* On July 28, 2003, the Commission simultaneously filed and settled an administrative action against WD Energy Services, Inc (WD Energy), the U.S. based energy trading unit of EnCana Corporation (EnCana). The order found that from at least June 2000 through at least August 2001, WD Energy reported false natural gas trading information, including price and volume information, to certain reporting firms. The order further found that one employee of WD Energy discussed false reporting with traders at two other energy companies. The order also found that WD Energy specifically intended to report false or misleading or knowingly inaccurate market information concerning trade prices

and volume of trading in an attempt to manipulate the price of natural gas in interstate commerce, and that WD Energy's provision of the false reports and failure to report true market information were overt acts that furthered the attempted manipulation. According to the order, WD Energy's conduct constituted an attempted manipulation under the CEA, which, if successful, could have affected prices of NYMEX natural gas futures contracts. Without admitting or denying the findings, WD Energy consented to entry to the order that: 1) orders it to cease and desist from further violations; 2) orders it to pay a \$20,000,000 civil monetary penalty; and 3) requires WD Energy and EnCana Corporation to comply with certain undertakings, including an undertaking to cooperate with the CFTC in this and related matters. WD Energy provided cooperation to staff of the CFTC's Division of Enforcement during the course of this investigation. The CFTC factored this cooperation into its decision to accept WD Energy's settlement offer. *In re WD Energy Services Inc.*, CFTC Docket No. 03-20 (CFTC filed July 28, 2003).

- *In re Williams Energy Marketing And Trading, et al.* On July 29, 2003, the Commission simultaneously filed and settled an administrative action against The Williams Companies, Inc. and its subsidiary, Williams Energy Marketing and Trading. The order found that from at least January 2000 through June 2002, respondents reported false natural gas trading information, including price and volume information, to certain reporting firms. The order found that the respondents specifically intended to report false or misleading or knowingly inaccurate market information concerning, among other things, trade prices and volumes, to attempt to manipulate the price of natural gas in interstate commerce, and that respondents' false reports and failure to report true market information were overt acts that furthered the attempted manipulation. According to the order, respondents' conduct constituted an attempted manipulation under the CEA, which, if successful, could have affected prices of NYMEX natural gas futures contracts. Without admitting or denying the findings, respondents consented to entry to the order that: 1) orders respondents to cease and desist from further violations; 2) orders the respondents to pay, jointly and severally, a \$20,000,000 civil monetary penalty; and 3) required respondents to comply with certain undertakings, including an undertaking to cooperate with the CFTC in this and related matters. The order recognizes respondents' cooperation in this matter. *In re Williams Energy Marketing And Trading, et al.*, CFTC Docket No. 03-21 (CFTC filed July 29, 2003).
- *In re Enserco Energy, Inc.* On July 31, 2003, the Commission simultaneously filed and settled an administrative action against Enserco Energy, Inc., a subsidiary of Black Hills Corporation. The order found that, from at least May 2000 through at least June 2002, Enserco reported false information, including price and volume information, concerning natural gas cash transactions to certain reporting firms. During the relevant period, Enserco knowingly reported trades that did not occur, reported certain actual trades at false prices and/or volumes, and did not disclose other actual trades, in an attempt to benefit the Respondent's trading positions. According to the order, respondents' conduct constituted an attempted manipulation under the CEA, which, if successful, could have affected prices of NYMEX natural gas futures contracts. Without admitting or denying the findings, Enserco consented to entry to the order that: 1) orders it to cease and desist from further violations; 2) orders it to pay a \$3,000,000 civil monetary penalty; and 3) required respondents to comply with certain undertakings, including an undertaking to cooperate with the CFTC in this and related matters.

In the order, the Commission recognized Enserco's extraordinary level of cooperation in its decision to settle this matter. In less than three months, Enserco swiftly and aggressively investigated its trade reporting activities and provided DOE with detailed reports of its analyses and findings, as well as transcriptions of over one hundred relevant telephone recordings, and all other details related to its internal investigation, without asserting claims of attorney-client privilege or attorney-work product or requiring a limited waiver agreement. The Commission also took into consideration the small size of Enserco's trading operation and how it addressed the misconduct discussed in this Order. *In re Enserco Energy, Inc.*, CFTC Docket No. 03-22 (CFTC filed July 31, 2003).

- *In re Duke Energy Trading And Marketing, L.L.C.* On September 17, 2003, the Commission simultaneously instituted and settled an administrative action against Duke Energy Trading And

Marketing, L.L.C. (DETM), an affiliate of Duke Energy Corporation. The Order found that, from at least January 2000 through August 2002, DETM knowingly reported false natural gas trading information, including price and volume information, to certain reporting firms that used such information in publishing surveys or indexes (indexes) of natural gas prices. Specifically, the Order found that DETM intended to skew the indexes to benefit DETM's trading positions. The Order further found that DETM's false reports were overt acts in furtherance of its attempt to manipulate the price of natural gas in interstate commerce, which, if successful, could have affected prices of NYMEX natural gas futures contracts. Without admitting or denying its findings, DETM consented to the entry of the Order that: 1) ordered it to cease and desist from further violations; and 2) imposed a \$28,000,000 civil monetary penalty. *In re Duke Energy Trading And Marketing, L.L.C.*, CFTC Docket No. 03-26 (CFTC filed Sept. 17, 2003).

Pending Subpoena Enforcement Action

- *CFTC v. The McGraw-Hill Companies, Inc.* On May 19, 2003, the Commission filed an application to enforce its administrative subpoenas to The McGraw-Hill Companies, Inc. (MGH). The application stated that MGH obtains energy price information from energy trading companies and uses it to create surveys or indexes of natural gas prices for various natural gas trading hubs throughout the United States. Platts, a division of MGH, calculates these indexes, which are then used by market participants, including natural gas futures traders, for price discovery and for assessing price risks. The application alleged that MGH failed to comply with two Commission subpoenas seeking documents related to trade data submitted by various energy trading companies to MGH. The application further alleged, and Commission orders have found (see Settled Energy Market Enforcement Cases, above), that certain energy companies made false reports of trade data to MGH. *CFTC v. The McGraw-Hill Companies, Inc.*, No. MC-03-187 (S.D.Tex. filed May 19, 2003).

Foreign Currency Cases

The Commission's work in fighting fraud during FY 2003 continued in the foreign currency (forex) trading arena. Below is a detailed description of the cases filed and results achieved during FY 2003 with respect to the offer and sale of illegal foreign currency futures and option contracts to the general public.

- *CFTC v. Sterling Forex LLC, et al.* On October 2, 2002 the Commission filed a civil injunctive action against Sterling Forex LLC ("Sterling") and Sterling's chief executive officer and chairman, Maurice Mills. The complaint alleged that, since at least March 2002, the defendants have fraudulently solicited retail customers to engage in speculative trading of FOREX futures contracts. Specifically, the complaint alleged that the defendants claimed profitable trading for their managed accounts every month starting in December 1998, and further claimed annual profits for those accounts in excess of 60 percent during the years 1999 through 2001, when, in fact, Sterling's managed accounts did not first trade until June 2002 and lost in excess of \$1.8 million in trading. On October 4, 2002, the court entered a consent order of preliminary injunction against Sterling and Mills enjoining them from further violations and requiring them to disclose to current and prospective customers that they had been sued by the CFTC for alleged fraud violations. *CFTC v. Sterling Forex LLC, et al.*, No. 02-2076 (W.D. Wash. Filed Oct. 3, 2002).
- *In re SK's Forex International, Inc., et al.* On January 6, 2003, the Commission simultaneously filed and settled an administrative enforcement action against SK's Forex International, Inc., d/b/a S.K.'s Forex International, Inc. ("SK") and its president, Elizabeth Miskus Kemp. Kemp was SK's office manager with responsibility for maintaining its financial and trading records from October 1999 through April 20, 2000 when she became SK's president. The Order found that, between October 1999 and September 2000, the respondents fraudulently solicited over \$400,000 from unsophisticated retail customers to trade illegal futures on foreign currencies. The Order further found that the respondents in fact misappropriated the customers' funds for personal expenses, produced fictitious account statements and falsely misrepresented to some investors that their funds had been used to purchase futures contracts. Without admitting or denying the findings, the respondents consented to the entry of the Order that: 1) directed them to cease and desist from further violations; 2) imposed a permanent trading ban; 3) imposed a \$220,000 civil

monetary penalty pursuant to a payment plan; and 4) ordered SK and Kemp to comply with their undertakings never to seek registration. *In re \$K's Forex International, Inc.*, CFTC Docket No. 03-06 (CFTC filed January 6, 2003).

- *CFTC v. Tambiev, et al.* On January 7, 2003, the Commission filed a civil injunctive action against Tamb International, Inc. and its sole owner, officer and director, Russell Tambiev, neither of whom has ever been registered. The complaint alleged that the defendants fraudulently solicited retail customers to trade illegal foreign currency futures. Specifically, the complaint alleged that, from December 22, 2000 through October 2002, the defendants, through e-mails and two Internet web sites, misrepresented that: a) customer funds would be held in segregated accounts “used only for trading purposes;” b) their trading business was merged with a state-chartered commercial bank and that customer funds would be covered by FDIC insurance; and c) that they were either a Swiss bank or a Montenegrin bank with headquarters in Switzerland. In fact, as the complaint further alleged, the defendants commingled and misappropriated customer funds, there was no merger, and they were never associated with any legitimate foreign bank or regulatory system. *CFTC v. Tambiev, et al.*, No. CV 03 177 (E.D.N.Y. filed Jan. 7, 2003).
- *CFTC v. Investors Freedom Club, L.C., et al.* On January 13, 2003, the Commission filed a civil injunctive action against Investors Freedom Club L.C., William Anthony Folino and George Belanger (individually and doing business as: 1) from January 2001 through at least October 2002, IFC, L.C., Investment Freedom Club, Venture Freedom Fund, Ltd. and Venture Freedom Foundation; and 2) from April 9, 2001 to the present, Investors Freedom Club, L.C. (IFC)), none of whom have ever been registered with the Commission. The complaint alleged that the defendants fraudulently solicited retail customers to trade illegal, off-exchange foreign currency futures contracts. Specifically, the complaint alleged that from August 8, 2001 through late September 2002, the defendants solicited more than \$1.5 million from over 150 customers by falsely representing to potential customers that they would receive consistent profits with annual yields as high as 100% with little or no risk of loss. The complaint further alleged that the defendants solicited customers through IFC’s Internet website, e-mails, and an Internet chat forum accessed via the IFC website. In fact, the complaint alleged that Folino misappropriated more than half of the customers’ funds, and used them for personal goods or services for himself and his family, and diverted other funds to accounts his family controlled, including the account of his wife, Tina Folino, who was named as a relief defendant. *CFTC v. Investors Freedom Club, L.C., et al.*, No. 8:03-CV-54-T-17TGW (M.D.Fla. filed Jan. 13, 2003).
- *CFTC v. World-Wide Currency Services, Corp., et al.* On January 14, 2003, the Commission filed a civil injunctive complaint against World-Wide Currency Services, Corp. (World-Wide), Genady Spivack a.k.a George Spivack (a World-Wide director), and Ellison Kent Morrison (salesman for World-Wide and self-described vice-president), none of whom have ever been registered with the Commission. The complaint alleged that, since at least December 21, 2000, the defendants fraudulently solicited approximately \$767,000 from retail customers to trade illegal, off-exchange foreign currency contracts. Specifically, the complaint alleged that the defendants lured customers through aggressive telemarketing and false statements including boasts of large profits to be made in a short period of time, usually with little or no risk. In fact, the complaint alleged that the defendants rarely invested customer funds to purchase currency futures or options contracts, and instead misappropriated nearly all the funds solicited for their personal uses. *CFTC v. World-Wide Currency Services Corp., et al.*, No. 03-80032 CIV-HURLEY (S.D.Fla. filed Jan. 14, 2003).
- *CFTC v. InterTrade Forex, Inc., et al.* On January 29, 2003, the Commission filed a civil injunctive action against InterTrade Forex, Inc. (InterTrade), InterTrade’s managing director, Stanley Craig Wakefield, and its CEO, Pritesh Patel; none of whom have ever been registered with the Commission. The complaint alleged that the defendants fraudulently solicited retail customers through InterTrade’s website to trade illegal, off-exchange foreign currency contracts. Specifically, the complaint alleged that, since at least March 2001, the defendants made material misrepresentations regarding the profitability of InterTrade’s historical performance record (e.g. on November 4, 2002, InterTrade claimed that its trading gains from

inception to that date had been +114.26%, with average monthly returns of +5.19%, when, in fact, its trading resulted in losses). On January 30, 2003, the Court entered a statutory restraining order freezing the assets of the defendants and preventing the destruction of documents. On March 6, 2003, the Court entered a consent preliminary injunction order against defendant Wakefield preliminarily restraining him against further violations of the Act. On June 6, 2003 and July 8, 2003, the Court entered default judgments against defendants Patel and InterTrade, respectively. *CFTC v. InterTrade Forex, Inc., et al.*, No. 6:03-CV-119 (M.D.Fla. filed Jan. 29, 2003).

- *CFTC v. Wheeler, et al.* On January 30, 2003, the Commission filed a civil injunctive action against John A. Wheeler and two limited liability companies he formed and operated, Long Point Investments, LLC (Long Point) and CDM Technologies, LLC (CDM), none of whom are registered with the Commission. On June 9, 2003, the court entered a consent order of permanent injunction against Wheeler, Long Point and CDM. The order found that the defendants, from at least November 2000, fraudulently solicited at least \$35 million from at least 810 investors to trade foreign currencies, among other alleged high-yield investment schemes, through a pooled investment. Specifically, the order found that while the Wheeler lost some customer funds trading foreign currency futures and used some other funds received from “new” customers to repay “earlier” customers in the manner of a Ponzi scheme, he spent at least \$8.4 million – and perhaps as much as \$18 million – of customer funds for personal and luxury items. The defendants consented to entry of the order that: 1) permanently enjoins defendants from further violations; 2) permanently prohibits them from seeking registration with the Commission or engaging in any activity that requires such registration; 3) imposes permanent trading bans; 4) orders them to pay, jointly and severally, restitution of \$23,157,505; and 5) orders them to pay, after they have paid the full amount of restitution, a civil monetary penalty of \$8,400,000. *CFTC v. Wheeler, et al.*, No. 6:03CV42 (E.D.Tex. filed January 30, 2003).
- *CFTC v. EuroBancorp, Inc., et al.* On February 3, 2003, the Commission filed a civil injunctive action against Paris DeLesseppes (a/k/a Nancy LeMay Cassidy a/k/a Nancy Rae Newman), John Lassen, EuroBancorp, and EuroBancorp’s precursor, Global Interbank, Inc. (Global), none of whom have ever been registered with the Commission. The complaint alleged that Global (from January through March 2001) and Eurobancorp (from March 2001 through January 2002) solicited retail customers to purchase illegal, off-exchange foreign currency futures contracts. The complaint further alleged that DeLesseppes and Lassen misappropriated customer funds and made false statements to EuroBancorp customers regarding profits and investment risks. The complaint further alleged that DeLesseppes issued false account statements to EuroBancorp customers that showed profitable trading when in fact the accounts were losing money. On February 6, 2003, the court entered a statutory restraining order against defendants, enjoining further violative conduct and preventing them from soliciting or accepting money from customers and from engaging in any commodities-related activities. *CFTC v. EuroBancorp, Inc., et al.*, No. 03-767 FMC JWJx (C.D.Calif. filed Feb. 3, 2003).
- *CFTC v. Ouyang, et al.* On February 5, 2003, the Commission filed a civil injunctive action against Ben Ouyang, Yuen Kwong “Anthony” Wong (doing business as IBF Capital Limited Company) and Victo Financial Services, Inc. (Victo). The complaint alleged that from at least February 2001, the defendants have defrauded customers they solicited to trade illegal, off-exchange foreign currency futures contracts through advertisements in local foreign language newspapers and on the Internet. Specifically, the complaint alleged that the defendants: issued fictitious account statements, falsely guaranteed trading profits, falsely led customers to believe that Victo was CFTC-registered and an NFA member, and falsely represented that customers funds were being deposited in a United Kingdom bank, when in fact, some of their funds were deposited in the defendants’ own bank accounts in Los Angeles County, California. On the same day that the complaint was filed, the court issued a restraining order freezing the defendants’ assets and preserving books and records. *CFTC v. Ouyang, et al.*, No. 03-0833 (C.D.Calif. filed Feb. 5, 2003).

- *CFTC v. Hawker, et al.* On March 12, 2003, the Commission filed a civil injunctive action against Bryan Keith Hawker and his firm G, Hawker & Stone, LLC, neither of whom have ever been registered with the Commission. The complaint alleged that, from approximately October 2002 through February 2003, the defendants fraudulently solicited approximately \$311,000 from at least 12 retail customers to trade foreign currencies upon their behalf. Specifically, the complaint alleged that the defendants misrepresented the potential risk of foreign currency trading and Hawker's trading experience (e.g., he claimed to be a successful trader with 90% winning trades). The complaint further alleged that the defendants failed to disclose material facts regarding Hawker's criminal background (on February 15, 2000, he pled guilty to one third-degree felony count of attempted false/fraudulent insurance and on January 16, 2002, he was charged with state securities fraud, or in the alternative theft by deception) and that Hawker provided at least one customer with a false trading statement that showed large profits. In fact, the complaint alleged that the defendants did not use customer funds to trade foreign currencies; instead, they misappropriated most of the funds they accepted. On March 13, 2003, the court entered a statutory restraining order freezing the defendants' assets and preventing the destruction of their books and records. On April 17, 2003, the court entered an agreed preliminary injunction continuing the asset freeze, enjoining defendants from further violations, and ordering defendants to make a full accounting subject to assertions of claims of privilege under the 5th Amendment. *CFTC v. Hawker, et al.*, No. 2:03CV-0260 (D.Utah filed March 12, 2003).
- *CFTC v. Holston, Young, Parker & Associates, et al.* On March 14, 2003, the Commission filed a civil injunctive action against Holston, Young, Parker & Associates (Holston), Conetto Holding Company, Ltd., and Holston's president and day-to-day manager, Aleksander Aizen, none of whom have been registered with the Commission. The complaint alleged that the defendants fraudulently solicited retail customers to trade in illegal, off-exchange foreign currency futures contracts, and that they misappropriated customer funds. Specifically, the complaint alleged that, since at least May 2002, the defendants fraudulently solicited approximately \$6.4 million from 230 retail customers by misstating the risk of futures trading and making false statements regarding Holston and Conetto that were intended to create the impression that they were legitimate firms operating within the requirements of the CFMA. The complaint further alleged that the defendants: issued false account statements reflecting modest profits; instead of trading customer funds, immediately sent them to offshore banks located in Cyprus and elsewhere; and misappropriated customer funds. On the same date that the complaint was filed, the court entered a statutory restraining order freezing the defendants' assets and preventing the destruction of their books and records. On May 23, 2003, the court entered an agreed preliminary injunction continuing the asset freeze, enjoining defendants from further violations, and ordering defendants to make a full accounting subject to assertions of claims of privilege under the 5th Amendment. *CFTC v. Holston, Young, Parker & Associates, et al.*, No. 03 CV 1796 (S.D.N.Y. filed March 14, 2003).
- *CFTC v. DBS Capital, Inc., et al.* On March 31, 2003, the Commission filed under seal a civil injunctive action against DBS Capital, Inc. (DBS) and its president Douglas Stevens. DBS was registered as a CPO from July 1997 through October 1998, and Stevens was registered as an AP of DBS during this time, and was also registered as an AP of registered CPO/CTA Premier Trading Group from May 1999 until the present. The complaint alleged that, since at least 1998 through the present, the defendants solicited retail customers to trade illegal, off-exchange foreign currency futures contracts. Specifically, the complaint alleged that the defendants solicited at least \$5 million from at least 200 customers using word of mouth and the Internet. The complaint further alleged that the defendants misappropriated customer funds for personal and business uses, including funding a gambling trip to a Reno, Nevada casino, and issued false written and oral account statements and reports to conceal their misappropriation and trading losses. On May 15, 2003, the court entered a consent order for preliminary injunction enjoining defendants from further violations, ordering defendants to make a full accounting of all customer funds, and ordering defendants to transfer all foreign-held assets and documents to the United States. *CFTC v. DBS Capital, Inc., et al.*, No. C 03-1379 VRW (N.D.Calif. filed under seal March 31, 2003).

- *CFTC v. Elsesser, et al.* On April 11, 2003, the Commission filed a civil injunctive action against Keith Elsesser and his firm Phoenix Global Trading, Inc., neither of whom have ever been registered with the Commission. The complaint alleged that, beginning in or around September 2001, the fraudulently solicited at least \$72,000 from retail customers to trade illegal, off-exchange foreign currency options. Specifically, the complaint alleged that the defendants' written and oral misrepresentations concealed that: no customer funds were actually being traded in options on foreign currencies as promised; a small amount of trading in foreign currencies did take place, but that such trading resulted in losses, not profits as they reported to customers; customers' accounts never grew in value and the defendants, in fact, misappropriated customer funds for their personal use and benefit. *CFTC v. Elsesser, et al.*, No. 8:03-CV-681-T-23TBM (M.D.Fla. filed April 11, 2003).
- *CFTC and State of Oregon v. Orion International, Inc., et al.* On May 7, 2003, the Commission and the State of Oregon filed a joint civil injunctive action against Orion International, Inc. (Orion), Russel B. Cline (Orion's self-described president, director and head trader), April Duffy (an Orion account manager), Bangone Vorachith (who along with Duffy and Holt controlled a bank account into which customer funds were deposited), and Nancy Hoyt, none of whom were either registered with the Commission or licensed with the State of Oregon's Department of Consumer and Business Services (ODCBS). The complaint alleged that, from at least December 1998 through the present, the defendants fraudulently solicited at least \$27 million from over 600 retail customers to trade in illegal foreign currency futures contracts through a purported foreign currency fund (the Orion Fund). Specifically, the complaint alleged that the defendants: 1) falsely represented that trading in the fund had produced annual profits in excess of 150 percent and monthly profits from December 1998 through May 2002; 2) issued false written reports and made oral misrepresentations to customers showing consistently profitable trading; and 3) to the extent that they used customer funds for trading, they did so in the name of Orion, not in the name of the Orion Fund or the individual customers. In fact, it is alleged that the defendants misappropriated at least \$9 million in customer funds for personal purposes. The complaint further alleged that in August 2002, the defendants falsely reported to customers that 90% of pool funds were lost due to closing out of "unrealized long term positions." Finally, it is alleged that the defendants continued to misrepresent the value and trading success of the fund (a \$6.5+ million balance in December 2002, with a 210 percent trading gain between July and November 2002), when, in fact, its balance had dwindled as it continued to sustain trading losses (approximately \$240,000 balance in December 2002, with \$400,000 in trading losses between July and November 2002). The ODCBS charged the defendants with violations of the state anti-fraud and securities laws based upon the same conduct. On May 8, 2003, the court issued a statutory restraining order freezing the defendants' assets, preventing the destruction of their books and records, and appointing a temporary receiver. *CFTC and State of Oregon v. Orion International, Inc., et al.*, No. CV 03 603 (filed May 7, 2003).
- *In re Reliant Global Markets, LLC, et al.* On June 6, 2003, the Commission simultaneously filed and settled an administrative action against Reliant Global Markets, LLC (RGM) and its owner and operator Maria Cecille Maristela, neither of whom have ever been registered with the Commission. The Order found that, between December 2000 and October 2001, the defendants solicited retail customers to trade illegal, off-exchange foreign currency futures contracts. Specifically, the Order found that the defendants deposited customer funds into an omnibus trading account maintained in RGM's name at an FCM to trade forex futures contracts without disclosing either to FCM that they were trading customer funds in the omnibus account or to their customers that their funds would be traded through an FCM. The Order further found that RGM, while not an acceptable counterparty under the CEA, acted as a counterparty to retail customers in forex transactions. Finally, the Order found that the respondents did not execute the foreign currency futures contract on a contract market or derivatives transaction facility that had been registered or designated as a board of trade by the CFTC. Without admitting or denying its findings, the respondents consented to the entry of the Order that: 1) ordered them to cease and desist from further violations; 2) imposed a two year trading ban; and 3) ordered them to comply with certain undertakings, including their undertakings to not seek registration with the Commission for two years and to supervise

diligently the handling of all commodity futures and options trading by RGM. *In re Reliant Global Markets, LLC, et al.*, CFTC Docket No. 03-12 (CFTC filed June 6, 2003).

- *In re Pate, et al.* On June 6, 2003, the Commission simultaneously filed and settled an administrative action against Michael Gene Pate and his company, American FX, LLC. (AFX), neither of whom have ever been registered with the Commission. The order found that between April and July 2002 the respondents used an Internet website to fraudulently solicit customers to invest in illegal foreign currency futures contracts. Specifically, the order found that the respondents claimed that customer funds would be invested in the E-FX Fund, and falsely represented that this fund had a track record including a 62 percent annual return, when the fund in fact never traded. The order further found that the respondents falsely told customers that their funds would be maintained in a separate account when, in fact, the respondents mixed these funds with AFX operating funds. Without admitting or denying its findings, the respondents consented to the entry of the Order that: 1) ordered them to cease and desist from further violations; 2) imposed a \$15,000 civil monetary penalty; and 3) ordered them to comply with their undertaking to neither act in a capacity requiring registration nor apply for registration for a period of five years. *In re Pate, et al.*, CFTC Docket No. 03-13.
- *CFTC v. Thomas Dooley, Inc., et al.* On June 11, 2003, the Commission filed a civil injunctive action against Thomas Dooley, Inc., a/k/a Thomas Dooley Investments (TDI), Michael O'Keefe (TDI's vice president and telemarketer) and Natasha LaBruce (TDI's director and CEO). None of the defendants have ever been registered with the Commission. The complaint alleged that, since November 2002, the defendants a) fraudulently solicited retail customers to trade illegal, off-exchange options on foreign currency contracts and b) misappropriated nearly all of the \$178,000 solicited for personal and business uses. Specifically, the complaint alleged that the defendants fraudulently solicited customers through telemarketing cold calls in which they misrepresented that customer funds would be used to purchase option contracts and that customers would realize extraordinary profits by trading in these contracts through the firm. On the same day the action was filed, the court entered a statutory restraining order freezing assets, and prohibiting the destruction of documents. *CFTC v. Thomas Dooley, Inc., et al.*, No. 03-80526 CIV-HURLEY (S.D.Fla. filed June 11, 2003).
- *CFTC v. Moore, et al.* On June 19, 2003, the Commission filed a civil injunctive action against James Darren Moore and his firm, JDM Investments, neither of whom have been registered with the Commission. The complaint alleged that the defendants fraudulently solicited retail customers to trade illegal, off-exchange futures contracts as part of a group. Specifically, the complaint alleged that the defendants solicited almost \$1.2 million from approximately 50 retail customers and that Moore lost approximately \$500,000 of these funds in his personal accounts at FCMs, to whom he represented that no one else had a financial interest in the account. The complaint further alleged that despite the defendants' knowledge of its trading losses, they issued via the e-mail false account statements showing profits, and solicited new participants to the group with oral and written representations of this profitability. Finally, the complaint alleged that in or around January 2003, Moore sent an e-mail to the customers admitting his misrepresentations regarding profitability and trading results. On July 1, 2003, the court entered a consent order of preliminary injunction prohibiting further violations and ordering defendants to immediately allow the Commission to inspect their books and records. *CFTC v. Moore, et al.*, No. 1:03-CV-149 (M.D.N.C. filed June 19, 2003).
- *CFTC v. Fleury, et al.* On June 20, 2003, the Commission filed a civil injunctive action against Giovanni Fleury and his company Giovanni Fleury Investments, Inc., neither of whom have ever been registered with the Commission. The complaint alleged that from December 21, 2000, the defendants fraudulently solicited customers through their Internet website to trade in illegal, off-exchange foreign currency contracts. Specifically, the complaint alleged that the defendants claimed to have a highly profitable trading system when, in fact, the defendants trading resulted in enormous losses. Further, the complaint alleged that the defendants claimed to be offering contracts in "spot" and "cash" foreign currency to retail customers that were actually illegal commodity futures contracts. On the same day that the complaint was

filed, the court issued a restraining order freezing the defendants' assets and preserving books and records. *CFTC v. Fleury, et al.*, No. 03-61199 (S.D.Fla. filed June 30, 2003).

- *CFTC v. Zelener, et al.* On June 24, 2003, the Commission filed a civil injunctive complaint against two companies doing business as British Capital Group, Amigine, Inc.(Amigine) and Markham & Co. (Markham) (collectively referred to as BCG), BCG's president, Michael Zelener (a.k.a Mikhail Zelener), and the purported foreign currency dealer that held the customer funds, AlaronFX (AFX). While Zelener is not currently registered with the Commission, he had been registered as an AP of both Amigine (between April 25, 2001 and September 8, 2002) and Markham (December 11, 2001 to April 28, 2002). Also, while neither Amigine, Markham, nor AFX is currently registered with the Commission, Amigine was registered as a CTA (April 25, 2001 to September 8, 2002), CPO (April 25, 2001 to September 8, 2002) and IB (May 22, 2001 to July 5, 2002), and Markham was registered as an IB (December 11, 2001 to April 28, 2002). The complaint alleged that, since April 2001, BCG fraudulently solicited \$4 million in customer funds to trade foreign currency futures contracts through the firm's "Managed Currency Trading Accounts" program. Specifically, the complaint alleged that Zelener operated BCG as a "boiler room" sales operation that used high-pressure sales tactics that promised large profits – as much as 120 percent annually – with limited risk. Contrary to their claims that the forex trading program was a stable, high-yield, low-risk investment program with round-the-clock professional supervision, BCG customers lost virtually all of their funds, often within a few months of investing. The complaint further alleged that approximately \$4 million in BCG customer funds were deposited and traded at AFX, an affiliate of registered FCM Alaron Trading Corporation. It is alleged that, through a possibly exclusive IB business relationship in which BCG acted as AFX's agent, AFX paid BCG in excess of \$1.4 million in compensation and fees in connection with the introduced customer accounts. This compensation arrangement was not disclosed to BCG customers; rather, customers were led to believe that BCG would not make money unless the customers' accounts were profitable, according to the complaint. On the same day that the complaint was filed, the court issued a statutory restraining order freezing BCG's and Zelener's assets, and prohibiting all defendants from destroying documents. *CFTC v. Zelener, et al.*, No. 03C 4346 (N.D.Ill. filed June 24, 2003).
- *CFTC v. International Foreign Currency, Inc., et al.* On July 23, 2003, the Commission filed a civil injunctive complaint against International Foreign Currency, Inc. (d/b/a International Currency Exchange and I.F.C. Trading, Inc.) (IFC), IFC's president (Michael Kourmolis), and account executive (Thomas Qualls). None of the defendants have ever been registered with the Commission. The complaint alleged that, from November 27, 2001, the defendants fraudulently solicited retail customers to trade illegal, off-exchange foreign currency futures contracts. Specifically, the complaint alleged that the defendants misleadingly implied that customer funds would be deposited in personal accounts when in fact customer funds were commingled in an IFC corporate account, and falsely represented that the Chase Manhattan Bank insured customer funds up to \$25 million. On the same day that the complaint was filed, the court issued a restraining order freezing the defendants' assets and preserving books and records. *CFTC v. International Foreign Currency, Inc., et al.*, No. CV 03 3577 (E.D.N.Y. filed July 23, 2003).
- *CFTC v. Sun Platinum Group LLC, et al.* On September 12, 2003, the Commission filed a civil injunctive complaint against Sun Platinum Group LLC (Sun Platinum) and Eduard Dmanskiy aka Edward Dumankysy, neither of whom has ever been registered. The complaint alleged that the defendants fraudulently solicited retail customers to purchase illegal, off-exchange foreign currency futures contracts. Specifically, the complaint alleged that, since at least February 2003, the defendants solicited more than \$7 million from at least 373 customers and misrepresented that the funds deposited would be used for trading. In fact, the complaint alleged, none of the \$7 million has actually been traded and the defendants instead misappropriated most of the funds by sending the money offshore to banks located in Latvia, Costa Rica and elsewhere. On the same day that the complaint was filed, the court issued a restraining order freezing the defendants' assets and preserving books and records. *CFTC v. Sun Platinum Group LLC, et al.*, No. 03 CV 7112 (S.D.N.Y. filed Sept. 12, 2003).

- *CFTC v. International Funding Association, Inc., et al.* On September 18, 2003, the Commission filed a civil injunctive complaint against International Funding Association, Inc. (IFA), Cambridge Global Group, Inc., Global Management Group, and IFA's purported manager, Ronald Stephen Holt. None of the defendants have ever been registered with the Commission. The complaint alleged that, since 1997, the defendants fraudulently solicited as much as \$25 million from retail customers by offering illegal, off-exchange futures contracts. Specifically, the defendants marketed the investment as a form of asset protection plan providing a "high return, low risk" investment opportunity with returns of seven to ten percent per month. In fact, the complaint alleged, the defendants misappropriated most customer funds, diverting them to various trust accounts and then moving the funds offshore. On September 30, 2003, the court issued a preliminary injunction: enjoining further violations; freezing the defendants' assets; preserving books and records; and ordering the defendants to comply with the court's September 18, 2003 order appointing a receiver. *CFTC v. International Funding Association, Inc., et al.*, No. CIV 03 1826 PHXPGR (D.Az. filed Sept. 18, 2003).

During FY 2003, the Commission also achieved the following significant litigation results in actions filed in this practice area during previous fiscal years:

- *CFTC v. Garbe, et al.*, No. 01-8328-CIV-RYSKAMP/Vitunac, Default Judgment Order Of Restitution And Civil Monetary Penalty (S.D.Fla. entered Jan. 10, 2003). On January 3, 2003, the court entered a default judgment order against Ulrich Garbe, formerly the chief investment officer for SunState FX, Inc., in this civil injunctive action filed April 18, 2001. The court had previously entered a default judgment against Garbe on November 27, 2001, finding that Garbe had defrauded customers he solicited to trade illegal foreign currency futures and enjoining him from further violations and trading commodity foreign currency futures or options. The current order ordered Garbe to pay restitution (\$16,436,213), and, after he had paid the restitution, to pay a civil monetary penalty (\$580,000).
- *CFTC v. Infinite Trading Group, L.L.C., et al.*, No. 1:01-CV-1107-CAP, Order of Default Judgment (N.D.Ga. entered March 27, 2003). On March 27, 2003, the court entered a default judgment against Infinite Trading Group (ITG) and its former president, Anthony Garcia, in this civil injunctive action filed April 30, 2001. The order found that ITG and Garcia fraudulently solicited customers to trade foreign currency options using high-pressured sales tactics and misrepresentations regarding potential profits. ITC and Garcia were further found to have misappropriated customer funds for personal expenses in the manner of a Ponzi scheme. As sanctions, the order: 1) permanently enjoins ITG and Garcia from further violations; 2) permanently prohibits them from seeking registration with the Commission or engaging in any activity that requires such registration; 3) ordered them to pay \$219,250 in restitution; and 4) ordered them to pay a \$660,000 civil monetary penalty.
- *CFTC v. Advent Capital Partners, Ltd., et al.*, No. 1:02-CV-1381, Order For Entry Of Default Judgment (N.D.Ga. entered April 2, 2003). On April 2, 2003, the court entered a default judgment against Advent Capital Partners, Ltd. and Samuel Daley in this civil injunctive action filed May 21, 2002. The order found that the defendants solicited customers to trade what were purported to be "spot" foreign currency contracts, but were in fact illegal, off-exchange futures contracts. As sanctions, the order: 1) permanently enjoins them from further violations; 2) orders the payment of restitution pursuant to plans \$662,955, jointly and severally; 3) imposes permanent trading bans; and 4) permanently prohibits them from seeking registration with the Commission or engaging in any activity that requires such registration.
- *CFTC v. Clairmont Capital Corp., et al.*, No. 99-RB-1874, Consent Order (D.Colo. entered May 1, 2003). On May 1, 2003, the court entered a consent order of permanent injunction against Clairmont Capital Corp., Geoffrey L. Mann, and Charles W. Trench, in this civil injunctive action filed September 27, 1999. The complaint alleged that the defendants fraudulently solicited customers to trade illegal foreign currency options contracts. As sanctions, the order: 1) ordered the dissolution of Clairmont; 2) permanently prohibits Trench and Mann from seeking registration with the Commission or engaging in any activity that

requires such registration; and 3) ordered Trench and Mann to pay, jointly and severally a civil monetary penalty of \$50,000.

- *CFTC v. FX Advisors LLC, et al.*, No. SACV 02-173-DOC(ANX), Consent Orders Of Permanent Injunction (C.D.Calif. entered March 24, and June 3, 2003). On March 24, 2003 (Brian Moore, Dennis Heyburn, Don Lakin, Ron Rozillio, and Farzad Nafeiy) and June 3, 2003 (Christian Weber), the court entered consent orders in this civil injunctive action filed February 20, 2002. The orders found that the defendants fraudulently solicited customers to trade illegal, off-exchange foreign currency contracts. Without admitting or denying the findings, the defendants consented to the entry of the orders that: 1) permanently enjoined them from further violations; 2) ordered the payment of restitution to customers pursuant to payment plans by Moore (\$2,259,403), Heyburn (\$480,998, jointly and severally as part of Moore's restitution amount), Lakin & Nafeiy (\$1,097,466 jointly and severally); 3) ordered the payment of contingent civil monetary penalties pursuant to payment plans by Moore (\$490,047), Heyburn (\$251,370), Lakin (\$240,000), Nafeiy (\$181,000); ordered the payment of disgorgement pursuant to a payment plan by Roxillio (\$239,000); 4) imposed permanent (Lakin, Nafeiy) and three-year (Rozillo) trading bans; 5) imposed a permanent (Moore, Heyburn, Lakin, and Nafeiy) and three year (Rozillo) bans on engaging in customer-related commodity activity; 6) imposed permanent (Moore, Heyburn, Lakin, and Nafeiy) and three year (Rozillo) bans on seeking registration with the Commission or engaging in any activity that requires such registration.
- *CFTC v. Rego Gainer Financial, Inc., et al.*, No. CV 02-1417 DT (MCx), Order Of Default Judgment (C.D.Cal. entered June 19, 2003). On June 19, 2003, the court entered a default judgment against Rego Gainer Financial, Inc., Rego Gainer, Inc. and Kwok Lun Lam, in this civil injunctive action filed February 19, 2002. The complaint alleged that the defendants solicited retail customers to trade illegal foreign currency futures contracts by running employment ads in a local Korean newspaper and at www.hotjobs.com seeking persons interested in profiting in the international currency markets. As sanctions, the order: 1) permanently enjoins defendants from further violations; 2) orders them to pay, jointly and severally, restitution of \$497,258; and 3) orders them, after full payment of restitution, to pay a \$262,698 civil monetary penalty.
- *CFTC v. International Financial Services (New York), Inc., et al.*, No. 02 CIV 5497, Order Of Default Judgment (S.D.N.Y. entered June 24, 2003). On June 24, 2003, the court entered a default judgment against International Financial Services, Inc. (IFS) in this civil injunctive action filed July 17, 2002, which alleged that the defendants fraudulently solicited and obtained more than \$15 million dollars from as many as 400 retail customers to invest in illegal off-exchange foreign currency futures contracts. The order: 1) permanently enjoins IFS from further violations; 2) orders IFS to make a full accounting of all customer funds, and to transfer all foreign-held assets to the United States; and 3) orders IFS to pay \$25,428,840 in restitution and disgorgement; and 4) orders IFS to pay a \$76,286,520 civil monetary penalty.
- *CFTC v. Acro Information Service, Inc.*, No. 01-06926 JFW (RZx), Consent Orders Of Permanent Injunction (C.D.Cal. entered July 1, 2003). On July 1, 2003, the court entered a consent order against Acro Information Service, Inc. (Acro), Pakco Holdings Limited (Pakco), Dr. Florentius Chan (former owner of Acro), Sandy Chan (former president of Acro), and Andrew Tai Wai (current president of Acro and Pakco) in this civil injunctive action filed August 9, 2001. The complaint alleged that, since March 2000, the defendants fraudulently solicited customers to trade illegal, off-exchange foreign currency futures contracts. Without admitting or denying its findings, the defendants consented to entry of the order that: 1) permanently enjoins them from further violations; 2) imposes permanent trading bans; 3) permanently prohibits them from seeking registration with the Commission or engaging in any activity that requires such registration; 4) orders the payment of restitution pursuant to plans; and 5) orders the payment of civil monetary penalties pursuant to payment plans by the Chans (\$225,000 jointly and severally), Wai (\$110,000).

- *CFTC v. First Bristol Group, Inc.*, No. 02-61160-CIV-LENARD/SIMONTON, On March 24, 2003, the Court entered a default judgment order against Michael Desmond Biggs and Centurion Financial Group, L.C. The default order against Biggs: (1) permanently enjoins him from further violations of the Act; (2) permanently prohibits them from engaging in Commodities interest related activity and from seeking registration in any capacity; (3) requires him to pay restitution of \$362,533; and (4) requires him to pay a civil monetary penalty of \$480,000. The default judgment order against Centurion: (1) permanently enjoins the company from further violations of the Act; (2) permanently prohibits the Company from engaging in commodity interest related activity and from seeking registration with the Commission; (3) requires restitution to be paid of \$105,587 and (4) requires a civil monetary penalty of \$480,000 to be paid. Consent Orders Of Permanent Injunction (S.D.Fla. entered July 2, 2003). On July 2, 2003, the court entered consent orders against Bernard Sevilla and his two companies, Alliance Equity Group (AEG) and the Great Minister Group, Inc. (GMG); Staci Petok and her company, First Bristol Group, Inc. (First Bristol), and Jack Pomeroy in this civil injunctive action filed August 20, 2002. The orders found that the defendants fraudulently solicited customers to trade illegal, off-exchange foreign currency contracts. Without admitting or denying the findings, the defendants consented to the entry of the orders that: 1) permanently enjoins them from further violations; 2) imposes permanent trading bans; 3) permanently prohibits them from seeking registration with the Commission or engaging in any activity that requires such registration; 4) orders the payment of restitution pursuant to plans by Sevilla (\$350,721), AEG (\$194,997), GMG (\$51,778), Petok (\$103,945), First Bristol (\$103,945), and Pomeroy (\$65,495); and 5) orders the payment of contingent civil monetary penalties by Sevilla (\$480,000), AEG (\$480,000), GMG (\$240,000), Petok (\$240,000), First Bristol (\$240,000), and Pomeroy (\$240,000).
- *CFTC v. Offshore Financial Consultants, et al.*, No. 02-60769, Consent Order Of Permanent Injunction (S.D. Fla. filed June 4, 2002). On August 14, 2003, the court entered a consent order of permanent injunction against Daniel Fasciana, Anthony Russo and four companies they owned (Offshore Financial Consultants (Florida and Georgia), Global Financial Consultants, and International Currency Merchants) in this civil injunctive action filed February 20, 2002. The order found that the defendants fraudulently solicited customers to trade illegal, off-exchange foreign currency options. Without admitting or denying the findings, the defendants consented to entry of the order that: 1) permanently enjoined them from further violations; 2) ordered the payment, jointly and severally of \$1,964,478 in restitution to customers pursuant to a payment plan; 3) ordered the payment of contingent civil monetary penalties pursuant to payment plans by Fasciana (\$3,000,000), and Russo (\$3,000,000); 4) imposed permanent trading bans; 5) imposed permanent bans on engaging in customer-related commodity activity; 6) imposed permanent bans on seeking registration with the Commission or engaging in any activity that requires such registration.

Commodity Pools

During FY 2003, the Commission has filed the following enforcement actions in this program area:

- *CFTC v. Dias, et al.* On April 16, 2003, the Commission filed a civil injunctive action against Paulino Rene Dias, Jr., Victor Smith and Krute Corporation. While Krute has never been registered, Dias was registered as an AP with various IBs intermittently from 1993 until October 2002, when NFA suspended his registration for lying in the course of their investigation of Krute and Smith had been registered as an AP of various IBs and a CPO since 1996. The complaint alleged that, between at least November 2001 and October 2002, the defendants solicited in excess of \$2 million from retail customers to participate in, among other things, an unregistered commodity pool. The complaint further alleged that the defendants misappropriated approximately \$530,000 of the pool's funds, and transferred \$150,000 to Iceland Management Services, Inc. (IMS) and others who no legitimate entitlement to those funds. IMS was named as a relief defendant. On July 27, 2003, the Court entered a consent preliminary injunction order against defendants Dias and Krute corporation preliminarily restraining them from further violations of the Act during the pendency of the litigation. *CFTC v. Dias, et al.*, No. 03-2659 (C.D.Calif. filed April 16, 2003).

During FY 2003, the Commission also achieved the following significant litigation results in actions filed in this practice area during previous fiscal years:

- *CFTC v. O'Herron, et al.*, No. 1:00-CV-913, Consent Order Of Permanent Injunction (W.D.Mich. entered Oct. 2, 2003). On October 2, 2002, the court entered a consent order of permanent injunction against John O'Herron and his company, O'Herron Asset Management, in this civil injunctive action filed December 14, 2000. The order found that the defendants fraudulently solicited customers for the purpose of pooling the funds to trade in commodity futures contracts., and misappropriated \$467,144 of customer funds. As sanctions, the order: 1) permanently enjoins defendants from further violations; 2) permanently prohibits them from seeking registration with the Commission or engaging in any activity that requires such registration; 3) imposes permanent trading bans; 4) orders O'Herron to pay restitution of \$1,420,359 pursuant to a payment plan.
- *CFTC v. Rothlin & Windsor Capital Management, Inc., et al.*, No. AMD-01-CV 2320, Supplemental Consent Order (D.Md. entered Dec. 17, 2002). On December 17, 2002, the court entered a supplemental consent order against Peter Scott and Rothlin & Windsor Capital Management in this civil injunctive action filed August 6, 2001. The complaint alleged that the defendants fraudulently solicited customers to participate in a commodity pool for the purpose of trading commodity futures and options. The court had previously, on June 6, 2002, entered a consent order permanently enjoining them from committing further violations, from trading futures or options and from seeking registration or engaging in any activity requiring registration. The current consent order: orders defendants to pay, pursuant to a payment plan, restitution of \$5,276,863; and orders them, after full payment of restitution, to pay a \$7,131,865 civil monetary penalty.
- *CFTC v. Ferguson, et al.*, No. 1:00 CV 0300, Consent Orders Of Permanent Injunction (N.D.Ind. entered Feb. 12 and Aug. 29, 2003). The court entered consent orders of permanent injunction on February 12, 2003 (David G. Johnson, Thomas T. Miller and Geoffrey M. Eltzroth) and August 29, 2003 (James Wilson and JNW Management, Inc. (JNW)) in this civil injunctive action filed July 11, 2000, which alleged unregistered commodity pool fraud. Without admitting or denying the findings, the defendants consented to the entry of the orders that: 1) permanently enjoins them from further violations; 2) orders the payment of restitution by Eltzroth (\$75,000), and further payments of restitution jointly and severally with Ferguson pursuant to a payment plan by Miller (\$8,000,000) and Johnson (\$1,200,000); 3) orders the payment of civil monetary penalties by Eltzroth (\$25,000) and Wilson and JNW (\$110,000, jointly and severally), and further ordered contingent civil monetary penalties payable pursuant to a plan by Miller (\$780,000) and Johnson (\$150,000); ordered disgorgement by Miller (\$780,000) with payments of restitution decreasing this amount dollar for dollar, and lump sum payments of disgorgement by Johnson (\$150,000) and Wilson and JNW (\$100,183); 5) imposes permanent trading bans; and 6) permanently prohibits them from seeking registration with the Commission or engaging in any activity that requires such registration.
- *CFTC v. Weinberg*, No. 02-02084 RSWL (RNBx) (C.D. Cal. entered June 18, 2003). On June 18, 2003, the court entered a default judgment against Mark Weinberg in this civil injunctive action filed March 12, 2002. The order found that Weinberg fraudulently solicited and misappropriated \$421,000 in customer funds, including commodity pool funds, that were purportedly to be used to trade commodity futures contracts. The further found that Weinberg's conduct violated a 1994 Commission Order directing Weinberg to cease and desist from such fraudulent conduct. The order: 1) permanently enjoins the defendant from further violations; 2) orders him to pay restitution of \$570,199; and 3) orders him to pay a \$1,264,500 civil monetary penalty.

Commodity Trading Advisors, Managed Accounts, And Trading Systems

The Commission has filed the following enforcement actions in this program area during FY 2003:

- *In re Stenberg*. On November 7, 2002, the Commission simultaneously filed and settled an administrative enforcement action against John R. Stenberg, who was last registered as an AP in 1992. The Order found that Stenberg fraudulently solicited customers for his commodity trading software. Specifically, the Order found that, between the fall of 1988 and the summer of 2000, Stenberg misrepresented his trading success and, in promotional materials that were hyperlinked to a web page he controlled, he falsely claimed that his profitable trading enabled him to purchase luxuries such as a 70-foot motor yacht. The Order found, in fact, that the accounts Stenberg controlled closed with net trading losses and Stenberg admitted that the yacht was purchased for him by his wife with her own funds. Stenberg consented to the entry of the Order that: ordered him to cease and desist from further violations; imposed a \$25,000 civil monetary penalty; and required him to comply with his undertakings to, among other things, not misrepresent the profitability and risk associated with trading pursuant to any commodity futures or options trading system or advisory notice. *In re Stenberg*, CFTC Docket No. 03-01 (CFTC filed Nov. 7, 2002).
- *CFTC v. Varner*. On December 11, 2002, the Commission filed a civil injunctive action against Stanley E. Varner, who has never been registered. The complaint alleged that Varner fraudulently solicited over \$1.5 million for trading in commodity futures contracts. Specifically, the complaint alleged that, from at least August 1999, Varner misrepresented the profitability of his trading, guaranteeing a 20 percent profit, and further misrepresented that there was no risk of loss. The complaint further alleged that Varner lost approximately \$925,000 of the investors' funds trading futures, and misappropriated the remaining \$575,000, and that he also provided a false account statement concerning trading to at least one investor. On the same date that the complaint was filed, the court entered a consent order of preliminary injunction enjoining Varner from further violations, freezing his assets, and prohibiting him from destroying his books and records. Also on this date, the Utah Attorney General's Office filed state criminal charges against Varner for the same underlying conduct. *CFTC v. Varner*, No. 2:02CV 1373 (CFTC Dec. 11 2002).
- *In re Cox*. On December 24, 2002, the Commission filed and simultaneously settled an administrative action against Stephen C. Cox, who is a registered CTA. The Order found that Cox fraudulently solicited customers for his commodity trading method. Specifically, the Order found that, from January 2001 through August 2002, Cox fraudulently misrepresented in magazine advertisements that: he earned a successful living trading commodity futures contracts using his method and certain hypothetical trades were actual profitable trades he had made. Without admitting or denying the findings, Cox consented to the entry of the Order that: 1) ordered him to cease and desist from further violations; 2) imposed a \$25,000 civil monetary penalty; and 3) ordered him to comply with his undertakings, which include not making unsubstantiated claims of profits or risk in connection with the use of a commodity trading system. *In re Cox*, CFTC Docket No. 03-04 (CFTC Dec. 24, 2002).
- *In re Elliot, et al.* On January 21, 2003, the Commission filed an administrative action against Gregory W. Elliot, individually and doing business as SofTrade, Inc. and Softradeinc.com. On March 28, 2003, the ALJ entered an initial decision against Elliot, and this decision became a Final Order of the Commission on April 28, 2003. The complaint alleged, and the ALJ found, that from approximately March 2001 to September 2002, Elliot fraudulently marketed to the public a commodity futures trading system called the QuantumLevel S&P DayTrading System through advertisements on his Internet website, SofTradeinc.com. Specifically, the ALJ found that Elliot misrepresented hypothetical trades as actual trades, and that he overstated the profit potential of his trading system not only on his website but also in e-mail messages he sent to financial chat rooms and Internet newsgroups. The Final Order imposed sanctions including a cease and desist order and a \$25,000 civil monetary penalty. *In re Elliot, et al.*, CFTC Docket No. 03-07 (CFTC filed Jan. 21, 2003).
- *CFTC v. Wall Street Underground, Inc., et al.* On April 22, 2003, the Commission filed a civil injunctive action against Derek Abrahams, Frank Asaro and Nicholas A. Guarino, Jr., and the two firms they formed, Wall Street Underground, Inc. and Web Fulfillment Centre, Inc., none of whom have been registered with the Commission. The complaint alleges that, from at least January 1999 to the present, the defendants

fraudulently solicited \$5 million from at least 1,000 customers for a variety of commodity futures and options trading systems. Specifically, the complaint alleged that the defendants overstated the profit potential of their trading systems – including, among others the *Samurai Forecaster*, *Nick's Guerilla Trading Hotline*, and the *Electronic Wall Street Underground* – misstated the risks involved with trading futures and options, and issued false guarantees, including not only a money-back guarantee but also a guarantee in promotional statements that customers would make \$1 million when trading. The complaint also alleged that Guarino authored the *Wall Street Underground* political and investment newsletter, but failed to disclose to customers that he had been convicted of wire fraud in connection with a 1980's scheme to sell gold and silver to the public, was sentenced to 24 months in prison and failed to pay \$1,250,678 in criminal restitution. On April 23, 2003, the court issued a statutory restraining order freezing the defendants' assets and preventing the destruction of their books and records. On July 18, the Court entered an order of preliminary injunction that included the following conclusions of law: (1) Nicholas Guarino and Wall Street Underground, Inc. were CTAs and that they committed fraud in that capacity; (2) Web Fulfillment Centre, Inc. was part of a common enterprise with Wall Street Underground; and (3) Frank Asaro was a controlling person of Web Fulfillment Centre, Inc. *CFTC v. Wall Street Underground, Inc., et al.*, No. 03-2193 CM (D.Kan. filed April 22, 2003).

- *CFTC v. Goldman*. On May 9, 2003, the Commission filed a civil injunctive action against Oscar Goldman, who was never registered with the Commission. The complaint alleged that Goldman, acting as an unregistered CTA, fraudulently solicited 98 retail customers for the purpose of trading commodity futures in accounts directed by Goldman using his trading program. While his customers generally lost money, the complaint alleged that Goldman: 1) misrepresented his past trading success and the success of other traders; and 2) made false statements regarding both the risk and profit potential from trading. *CFTC v. Goldman*, No. 03-3265 JFW (RCx) (C.D.Calif. filed May 9, 2003).
- *In re Jones*. On June 30, 2003, the Commission simultaneously filed and settled an administrative action against Thomas Edward Jones, who has never been registered with the Commission. The Order found that, between November 2000 and August 2001, the respondent solicited 16 customers to open commodity trading accounts that he managed in exchange for a portion of any trading profits realized by his clients. In fact, the Order found that Jones did not receive any payment for his services, because Jones' trading resulted in losses for each of his clients. The Order further found that marketed his services in an advertisement in *Investor's Business Daily*, in which he presented hypothetical trading results without the required disclosure concerning the inherent risks of hypothetical trading results. Without admitting or denying its findings, the respondent consented to the entry of the Order that: 1) ordered him to cease and desist from further violations; 2) imposed a two year trading ban; and 3) ordered him to comply with certain undertakings, including his undertakings to not seek registration with the Commission for two years. *In re Jones*, CFTC Docket No. 03-15 (CFTC June 30, 2003).
- *In re Ebaugh* and *In re Guidino*. On June 30, 2003, the Commission simultaneously filed and settled separate administrative actions against Curtis M. Ebaugh, a registered CTA, and Robert Guidino, who has never been registered with the Commission. The Orders found that both Ebaugh (between December 2001 and July 2002) and Guidino (between July and November 2001) fraudulently solicited customers to purchase a commodity futures trading method called PinPoint through advertisements they placed on the Internet auction website eBay. Specifically, the Orders found that the respondents' eBay advertisements created the false impression that they made their livings from trading and did so profitably using the PinPoint method when, in fact, neither made their living trader, successfully traded commodities, or even maintained a commodity futures trading account. The Orders further found that the respondents also led customers to believe that hypothetical trades were actual, profitable trades made using their trading method. Without admitting or denying its findings, the respondents consented to the entry of the Orders that: 1) ordered them to cease and desist from further violations; 2) imposed \$15,000 (Ebaugh) and \$6,000 (Guidino) civil monetary penalties; 3) ordered them to comply with their undertaking to not make unsubstantiated claims of profits or risk in connection with the use of a commodity trading system or method; and 4) suspended Ebaugh's CTA registration for three months. *In re Ebaugh*, CFTC Docket No.

03-16 (CFTC filed June 30, 2003), and *In re Guidino*, CFTC Docket No. 03-17 (CFTC filed June 30, 2003).

- *In re Sidewitz, et al.* On June 30, 2003, the Commission filed an administrative action against Roy M. Sidewitz and his Internet-based commodity trading business, Qi2 Technologies, Inc., neither of whom has been registered with the Commission. The complaint alleged that the defendants fraudulently solicited customers to purchase commodity futures products and services through an Internet website Sidewitz created and controlled. Specifically, the complaint alleged that between late 1998 and January 2003 Sidewitz made false and misleading statements on this website to market his trading manual (*How I Double My Money Annually In The Market*) and subscription-based options advisory. Among Sidewitz's misstatements were his presentation of hypothetical trades as actual trades, and overstatements of the profit potential of his commodity trading system and advisory service. *In re Sidewitz, et al.*, CFTC Docket No. 03-18 (CFTC filed June 30, 2003).
- *In re Ingwerson.* On July 11, 2003, the Commission simultaneously filed and settled an administrative action against Michael Ingwerson, who has never been registered with the Commission. The Order found, that from at least January 2000 through March 2003, the respondent fraudulently solicited customers for his commodity-based advisory business through which he offered and sold, among other things, a trading manual called the "Magic Money Manual" (the Manual), containing a system for trading commodity futures. Specifically, the Order found that the respondent made misrepresentations, both on an Internet website he operated and in direct mail promotional letter he sent to thousands of people, as to the profit potential and associated risk of trading commodity futures. For example, the Order found that the respondent claimed that the Manual would explain how one could make \$10,000 a month working less than 20 minutes a day, and that through this trading system he had "perfected a wealth formula that generates money fast and easy." Ingwerson ultimately sold the Manual to approximately 3702 customers, collecting approximately \$277,464.90 in revenue, as found in the Order. Without admitting or denying its findings, Ingwerson consented to the entry of the Order that: 1) ordered him to cease and desist from further violations; 2) imposed a \$59,000 civil monetary penalty; and 3) ordered him to comply with certain undertakings, including never to seek registration with the Commission in any capacity. *In re Ingwerson*, CFTC Docket No. 03-19 (CFTC filed July 11, 2003).
- *CFTC v. Ownbey.* On September 17, 2003, the Commission filed a civil injunctive complaint against Cameron Ownbey (individually and d/b/a Ultimus and First National Investments), who is not currently registered, but had previously been registered as an AP of various registered CTAs. The complaint alleged that, from at least January 2001, Ownbey fraudulently solicited customers to purchase his directed trading services. Specifically, the complaint alleged that Ownbey misrepresented the success rate of his trading system and failed to disclose that, in January 2003, a Commission ALJ found in an Initial Decision that Ownbey had violated several anti-fraud provisions of the Act in connection with a prior CTA firm that he owned and operated. On September 18, 2003, the court entered a consent order of preliminary injunction, freezing the defendant's assets and prohibiting further violations. *CFTC v. Ownbey*, No. 03C 6592 (N.D.Ill. filed Sept. 17, 2003).
- *CFTC v. Allegheny Gulf Investments, Inc., et al.* On September 30, 2003, the Commission filed a civil injunctive complaint against Allegheny Gulf Investments, Inc. (Allegheny), and Allegheny's vice-president, neither of whom have ever been registered with the Commission. The complaint alleged that, between approximately November 1998 and January 1999, the defendants entered into separate joint trading agreements for the purpose of trading natural gas futures and options on futures contracts, but that the defendants misappropriated customer funds and failed to inform them that their trading accounts would be cross-marginalized with Allegheny's master trading account. Specifically, the complaint alleged that, between July 1999 and October 1999, Hale traded the Allegheny master account into a deficit of approximately \$2 million, causing two customers to lose approximately \$1 million of their investments to cover these losses. *CFTC v. Allegheny Gulf Investments, Inc., et al.*, No. H-03-3526 (S.D.Tex. filed Sept. 30, 2003).

During FY 2003, the Commission has also achieved the following significant litigation results in actions filed in this practice area during previous fiscal years:

- *In re Pierce*, CFTC Docket No. 02-15 (CFTC entered Jan. 21, 2003). On January 21, 2003, the Commission entered an order accepting the offer of settlement of registered CTA Stephen Alan Pierce in this administrative action filed July 30, 2002. The order found that Pierce, from approximately March 2000 through July 2002 fraudulently solicited customers for his futures trading recommendation services, which he marketed through various Internet websites. Specifically, Pierce overstated profit potential while understating risk, and touted his trading record without disclosing that it was based on hypothetical or simulated trading and not actual performance. Without admitting or denying the findings, Pierce consented to the entry of the order that: 1) orders him to cease and desist from further violations; 2) orders him to pay a \$25,000 civil monetary penalty; and 3) orders him to comply with certain undertakings regarding representations made on his website.
- *CFTC v. Wiles, et al.*, No. 3:02-CV-0952-K, Consent Order Of Permanent Injunction (N.D.Tex. entered April 11, 2003). On April 11, 2003, the court entered a consent order against Dewey V. Wiles in this civil injunctive action filed May 16, 2002. The complaint alleged that Wiles and Futures Exchange Company, Inc. (FEC) fraudulently solicited 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 the defendants guaranteed profits to many customers and fraudulently issued false monthly statements reflecting bogus profits. Without admitting or denying the findings in the order or allegations in the complaint, Wiles consented to the entry of the order that: The defendants, who did not contest the allegations in the complaint, consented to the entry of the order that: 1) permanently enjoins him from further violations; 2) permanently prohibits him from seeking registration with the Commission or engaging in any activity that requires such registration; 3) imposes permanent trading ban; 4) orders him to pay restitution of \$385,629 pursuant to a payment plan; and 5) orders him to pay a \$646,279 contingent civil monetary penalty pursuant to a payment plan. Previously, on October 16, 2002, the court entered a default judgment against FEC. On July 28, 2002, the court entered a supplemental order that: 1) orders FEC to pay restitution of \$379,302; and 2) further orders FEC to pay a \$646,279 civil monetary penalty.
- *CFTC v. Heffernan*, NO. CV101-141, Order Of Permanent Injunction (S.D.Ga. entered August 4, 2003). On August 4, 2003, the court entered an order of permanent injunction against George Heffernan in this civil injunctive action filed September 11, 2001. The court had previously (February 18, 2003) granted the Commission's motion for summary judgment finding that the defendant had fraudulently solicited customers for his trading systems and had violated a September 2000 Commission order prohibiting such conduct. The court: 1) ordered the payment of disgorgement (\$275,000) and a civil monetary penalty (\$125,000); and 2) ordered Heffernan to publish and disclose a statement summarizing the court's liability findings and sanctions imposed whenever he publishes any commodity- or securities-related "readable material."

Introducing Brokers And Their Associated Persons

During FY 2003, as in past years, the Commission devoted time and attention to matters involving violations by introducing brokers (IBs) and their associated persons (APs). Such cases often involve fraudulent misrepresentations, usually to retail customers, to induce them to invest.

- *CFTC v. Risk Capital Trading Group, et al.* On September 3, 2003, the Commission filed a civil injunctive complaint against Risk Capital Trading Group (Risk Capital), a registered IB, and several of Risk Capital's registered APs, Deron Baugh, Tyrone Edwards, Stephen Margol, Rick Siegel, Richard Tillman, and Juan Valentin. The complaint alleged that, since at least January 2002, the defendants fraudulently solicited retail customers to open accounts through Risk Capital to trade commodity futures and options. Specifically, the complaint alleged that the defendants misrepresented both the likelihood of

profits and the risks of trading. For example, the complaint alleged that the defendants told customers that events in the Middle East, including the (at that time) possibility of war with Iraq, made it likely that the customers' investments would be profitable. On the same day that the complaint was filed, the court issued a restraining order freezing the defendants' assets and preserving books and records. *CFTC v. Risk Capital Trading Group, et al.*, No. 1 03 CV-2633 (N.D.Ga. filed Sept. 3, 2003).

During FY 2003, the Commission has achieved the following significant litigation results in actions filed in this practice area during previous fiscal years:

- *CFTC v. Snively, et al.*, No. 02-40041, Consent Order Of Permanent Injunction (E.D. Mich. entered March 11, 2003). On March 11, 2003, the court entered a consent order against Todd James Snively, Commodity Consultants International, Inc. (CCI) and Futurewise Trading Group, Inc. (Futurewise) in this civil injunctive action filed February 8, 2002. The complaint alleged that the defendants misappropriated customer funds and otherwise fraudulently operated an Internet-based trading platform that purportedly permitted customers to place orders for commodity futures contracts through CCI and FutureWise. The defendants, who did not contest the allegations in the complaint, consented to the entry of the order that: 1) permanently enjoins defendants from further violations; 2) permanently prohibits them from seeking registration with the Commission or engaging in any activity that requires such registration; 3) imposes permanent trading bans; 4) orders defendants to pay, jointly and severally, restitution of \$6,274,987 pursuant to a payment plan; and 5) orders Snively to pay a \$360,000 contingent civil monetary penalty pursuant to a payment plan.
- *In re Madison Financial Group LLC, et al.*, CFTC Docket No. 01-09 (CFTC entered May 19, 2003). On May 19, 2003, the Commission issued an order accepting the offer of settlement of Ronald G. Scott, a principal and registered AP of IB Madison Financial Group LLC (Madison), in this administrative action filed June 6, 2001. The order found that, from April 1998 to March 2001, Madison's employees, under the direction and encouragement of Scott, fraudulently solicited customers to trade commodity options. The order further found that Scott failed to supervise diligently the solicitation and handling of customer accounts in violation of CFTC regulations. Without admitting or denying the findings, Scott consented to the entry of the order that: 1) orders him to cease and desist from further violations; 2) revoked his registration as a Madison AP; 3) imposed a permanent trading ban; 4) orders him to pay \$890,000 in restitution pursuant to a payment plan; 5) orders him to pay a contingent civil monetary penalty of \$110,000 pursuant to a payment plan; and 6) and orders him to comply with certain undertakings, including his undertaking to never seek registration with the Commission or engage in any activity that requires such registration.
- *In re Miller, et al.*, CFTC Docket No. 02-14 (CFTC entered June 6, 2003). On June 6, 2003, the Commission entered an order accepting the offers of settlement of Deirdre Anderson, George Lamborn, and Richard Lani Sr. in this administrative action filed July 15, 2002. The order found that that, during 1997 and 1998, Anderson and others at the now defunct IB, Lamborn Securities Futures (LSI), placed orders with clerks working for certain coffee floor brokers without providing sufficient customer account identification. The order further found that after the orders were executed, Anderson was able to determine which trades were profitable, and then allocated the winning trades to preferred customers and the losing trades to other customers. According to the order, Lamborn and Lani failed to detect this fraudulent allocation scheme because, among other things, they failed to take adequate measures to investigate suspicious trading activity by Anderson's customers, and they failed to review adequately office order tickets prepared by Anderson and her staff. The order found that these supervisory failures helped facilitate the fraudulent allocation scheme. Without admitting or denying its findings, the respondents consented to entry of the order that: 1) orders them to cease and desist from further violations; 2) imposed a permanent trading ban on Anderson; 3) orders the payment of a civil monetary penalty by Lani (\$25,000), and further civil monetary penalties pursuant to a payment plan by Anderson (\$110,000), and Lamborn (\$25,000); and 4) orders them to comply with certain undertakings. The Commission had previously, on October 25, 2002, entered an order accepting Daniel Lipton's offer of settlement in which

he neither admitted nor denied the charges but consented to the entry of the order that orders him to cease and desist from further violations, pay a \$7,500 civil monetary penalty, and restricted his registration for two years.

Financial, Supervision, Compliance, and Recordkeeping

During FY 2003, the Commission has filed the following enforcement actions in this program area:

- *In re Robbins Futures Inc., et al.* On December 30, 2002, the Commission filed an administrative action against Robbins Futures Inc. (“RFI”), a registered FCM, and its president, Joel Robbins, and on May 30, 2003, the Commission entered an order accepting the respondents’ offer of settlement. The order found that, from January 1999 through August 2001, the respondents failed to supervise the handling of several accounts either owned or managed by an individual, Andrew Duncan, and doing business as the Aurum Society, and repeatedly failed to recognize or ignored warning signs of Duncan’s illegal activities in these accounts. Specifically, the order found that RFI’s wire handling procedures did not include determining whether the remitter was also the RFI account holder. Because of its inadequate procedures, RFI accepted deposits in excess of \$2.4 million from third-party individuals and entities other than the account holder and failed to detect that these deposits indicated pooled customer funds. The order further found that RFI failed to investigate a suspicious pattern of large deposits followed by prompt withdrawals of funds in the Aurum accounts. Without admitting or denying the findings, the defendants consented to entry to the order that: 1) orders them to cease and desist from further violations; and 2) orders them to pay, jointly and severally, a \$120,000 civil monetary penalty. *In re Robbins Futures Inc.*, CFTC Docket No. 03-05 (CFTC filed Dec. 30, 2002).
- *CFTC v. U.S. Securities & Futures Corp.* On April 2, 2003, the Commission filed a civil injunctive action against U.S. Securities & Futures Corp. (USSFC), a registered FCM. The complaint alleged that USSFC had fallen below the net capital requirements it must meet to continue doing business as an FCM. The complaint further alleged that the net capital violations followed several instances during the past year when USSFC triggered the Commission’s “early warning” requirements and dangerously depleted its required assets. On the same day that the action was filed, the court issued a statutory restraining order freezing the defendant’s assets and preventing the destruction of its books and records. *CFTC v. U.S. Securities & Futures Corp.*, No. 03 CV 2258 (S.D.N.Y. filed April 2, 2003).
- *In re Carr Futures, Inc.* On April 22, 2003, the Commission simultaneously filed and settled an administrative action against Carr Futures, Inc. (Carr), a registered FCM. The Order found that Carr failed to produce certain trading records that it was required retain and produce for inspection as required by Commission representatives. Specifically, the Order found that Carr failed to produce certain of its cancelled and unfilled order tickets for its customers’ futures orders in the CME’s S&P 500 Stock Index futures contract, in response to Division of Enforcement’s request, and that Carr’s failure to produce these records impaired the Division’s ability to fully investigate a floor broker’s order-filling activities. Without admitting or denying its findings, Carr consented to the entry of the Orders that: 1) ordered it to cease and desist from further violations; and 2) imposed a \$75,000 civil monetary penalty. *In re Carr Futures, Inc.*, CFTC Docket No. 03-10 (CFTC filed April 22, 2003).
- *In re Professional Market Brokerage, Inc., et al.* On June 23, 2003, the Commission filed an administrative action against Professional Market Brokerage, Inc. (PMB), a registered non-clearing FCM, and PMB’s chairman, Huaya Lu Tung, who had filed an application to be a principal for PMB, but had never been registered with the Commission. The complaint alleged that the respondents failed to maintain required records and produce them in response to requests made by representatives of the Commission. Specifically, the complaint alleged that on or about December 1, 2001, PMB transferred to Refco, Inc. its open and active customer accounts and customer account balances, but that it failed to maintain its remaining records (such as closed customer accounts, account statements, trading tickets, etc.), and in fact abandoned these records when it ceased operations and vacated its office space on or about January 2002. *In re Professional Market Brokerage, Inc., et al.*, CFTC Docket No. 03-14 (CFTC filed June 23, 2003).

The Commission also achieved the following significant result in an action filed in this practice area during previous fiscal years:

- *In re Prudential Securities Incorporated, et al.*, CFTC Docket No. 97-8 (CFTC entered Oct. 9, 2002). On October 9, 2002, the Commission entered an order accepting the offer of settlement of registered FCM Prudential Securities Incorporated (PSI) in this administrative action filed May 20, 1997. The order found that, from May 1993 through March 1994, certain registered PSI APs accepted customer orders involving frozen concentrated orange juice without immediately recording on the order tickets the account identification information and the times the orders were received. The Order further found that the APs failed to retain and produce certain canceled and unfilled customer order tickets. Without admitting or denying the findings, PSI consented to the entry of the order that orders PSI: 1) to cease and desist from further violations; 2) to pay a \$65,000 civil monetary penalty; and 3) to comply with certain undertakings, including cooperating in any further investigations and proceedings related to the conduct at issue. In addition, on September 25, 2003, the Commission accepted offers of settlement submitted by individual respondents Kathleen Chiappone and Kathryn Sarabasa for their part in accepting orders without appropriate account identification.

Trade Practice

During FY 2003, the Commission has filed the following enforcement actions in this program area:

- *In re Chandler, et al.* On December 12, 2002, the Commission simultaneously filed and settled an administrative enforcement action against seven registered floor brokers, Henry Chandler, Robert Feriaoli, Michael Hammer, Ernest Penny, Tacho Sandoval, Stephen Seelenfreund, and William Wosnack, for conduct arising from their trading of gold options on the COMEX from September 27, 1999 through October 8, 1999, a period during which gold trading and volatility increased and gold options brokers received an unprecedented number of mostly small-lot retail customer orders. The Order found that the respondents, all of whom, except for Sandoval and Wosnack, were dual traders, engaged in noncompetitive trading. Specifically, the Order found that: a) Penny traded ahead of executable customer orders and illegally offset customer orders; b) Penny and Chandler fraudulently changed prices on their customers' executed gold options orders, thereby creating false reports; c) Hammer and Ferraioli falsely recorded trades as having occurred during the one-minute closing period, when each of those transactions actually occurred after the close of trading, and Sandoval and Wosnack, trading for their own account, took the opposite side of these noncompetitive trades; and d) Seelenfreund entered into COMEX's On Line Trade Entry System for clearing as if they had been executed on September 27, 1999, although they actually were executed on September 28, 1999. The Order further found that Sandoval committed a recordkeeping violation by failing to maintain and/or produce his September 28, 1999 trading records to the Commission. Without admitting or denying the findings, the respondents consented to the entry of the Order that: 1) ordered them to cease and desist from further violations; 2) imposed civil monetary penalties of \$20,000 (Chandler, Penny and Sandoval) and \$15,000 (Ferraioli, Hammer, Seelenfraud and Wosnack); 3) ordered Chandler and Penny to pay restitution of \$1,200 and \$7,600, respectively; 4) imposed dual trading prohibitions of one year; 5) suspended Chandler's and Penny's registrations for six months; 6) imposed registration restrictions, including requiring them to have a sponsor if they act as floor brokers or floor traders, of two years (Chandler and Penny) and one year (the other respondents); and imposed a six-month trading ban against Chandler and Penny, which allows them to trade off the COMEX floor for their own accounts after three months. *In re Chandler, et al.*, CFTC Docket No. 03-02 (CFTC filed Dec. 12, 2002).
- *In re Chapman.* On March 25, 2003, the Commission simultaneously filed and settled an administrative action against Christopher Chapman, who has never been registered in any capacity. The Order found that Chapman, a gas trader employed by PG&E Energy Trading-Gas Corporation, engaged in a fraudulent scheme from December 2001 to March 2002 involving natural gas futures contracts traded on NYMEX's American Computerized Commodity Exchange System and Services trading platform. Specifically, the

Order found that Chapman wrongfully profited over \$700,000 by directing losing trades to his employer's proprietary account and profitable trades to another account he opened and controlled at a non-clearing FCM. According to the order, Chapman, operating in an illiquid market was able to control both the buy and sell positions and prices for both the initial trades (identical buy and sell limit orders, one on his employer's behalf, and the other on his behalf) and the offsetting trades, which resulted in two round-turn trades, one profitable and the other unprofitable. Without admitting or denying its findings, Chapman consented to the entry of the Order that: 1) ordered him to cease and desist from further violations; 2) imposed a \$240,000 civil monetary penalty; 3) imposed a lifetime trading ban; and 4) ordered him to comply with certain undertakings, including never to seek registration with the Commission in any capacity. The Commission appreciates the assistance the NYMEX staff provided in this investigation. *In re Chapman*, CFTC Docket No. 03-08 (CFTC filed March 25, 2003).

- *In re Ray*. On April 22, 2003, the Commission filed an administrative action against Brian W. Ray, a registered floor broker and member of the CME. The complaint alleged that in December 1997, a disciplinary committee of the CME found that on eight occasions during 1996, Ray had taken trades into his error account that he had executed on behalf of customers. In those instances, Ray had returned the customer orders as unable to be filled. The CME suspended Ray's membership privileges for six months, fined him \$500,000, and ordered him to pay \$61,175 in restitution to the affected customers. In May 1999, the NFA entered an order restricting Brian Ray's registration and prohibited him from trading for his personal account. According to the complaint, when Ray returned to the trading floor and resumed filling customer orders, he nevertheless traded for his personal account in violation of the NFA order. The complaint also alleged that Ray cheated and defrauded the customers whose orders he filled. *In re Ray*, CFTC Docket No. 03-11 (CFTC filed April 22, 2003).
- *In re Casas Sendas Comercio E Industria S.A., et al.* On August 18, 2003, the Commission simultaneously instituted and settled an administrative action against Casas Sendas Comercio E Industria S.A. (Sendas), a Brazilian corporation, and Café Nord Corporation (Nord), a British Virgin Islands corporation, neither of whom are registered with the Commission. The Order found that the defendants executed at least nine non-*bona fide* Exchange of Futures for Physicals (EFPs) that were posted on the CSCE, and involved the alleged transfer of coffee futures and physical coffee. Specifically, the Order found that the trading in both accounts was under common control, none of the EFPs involved the actual transfer of physical coffee, and the transactions were simply non-competitive transfers of futures at agreed-upon prices, which had the intended result of a profit for one party and a loss for the other. The Order therefore found that the EFPs were illegal non-competitive trades that constituted wash sales and resulted in the reporting of non-*bona fide* prices. Without admitting or denying its findings, the respondents consented to the entry of the Order that: 1) ordered them to cease and desist from further violations; 2) imposed \$10,000 civil monetary penalties upon each of them; and 3) ordered them to comply with certain undertakings, including their undertaking to not engage in any EFP in which the physical commodity coffee is actually transferred or reported as being transferred from Nord to Sendas. *In re Casas Sendas Comercio E Industria S.A., et al.*, CFTC Docket No. 03-23 (CFTC Aug. 18, 2003).
- *In re Garber and In re Harmon*. On September 8, 2003, the Commission initiated administrative actions against Michael Alan Garber and Robert Benjamin Harmon, both of whom are registered floor brokers and members of NYMEX. The Commission simultaneously settled the action against Garber; the action against Harmon remains pending. The complaint alleged and Order found that, in July 2000, Garber and Harmon engaged in wash sales in crude oil futures trades in order to increase their pit card submission rate to meet NYMEX floor rules. Specifically, the complaint alleged and Order found that Garber and Harmon, trading for their own account, executed a series of trades opposite each other, through which they bought and futures contracts in the same quantities and contract months and at the same prices, which, when averaged at the end of the day, netted neither a profit nor a loss to either of them. The complaint alleged and Order further found that Garber and Harmon entered into the trades with the intent to avoid taking bona fide positions in the market. Without admitting or denying its findings, Garber consented to the entry of the Order that: 1) ordered him to cease and desist from further violations; and 2) imposed a

\$7,500 civil monetary penalty. *In re Garber*, CFTC Docket No. 03-24 (CFTC filed Sept. 8, 2003); and *In re Harmon*, CFTC No. 03-25 (CFTC Sept. 8, 2003).

During FY 2003, the Commission also achieved the following significant litigation results in actions filed in this practice area during previous fiscal years:

- *In re Contrino, et al.*, CFTC Docket No. 02-13, Amended Order (CFTC entered Oct. 15, 2002). On October 15, 2003, the Commission entered an order accepting the offer of settlement from registered floor broker John Joyce in this administrative action filed July 16, 2002. The order found that, from January 4, 2000 through October 17, 2000, Joyce entered into wash sales in coffee futures on the CSCE to accommodate another broker in fraudulently changing the price on a previously executed trade to a worse price for his customer and a better price for Joyce. Without admitting or denying the findings, Joyce consented to the entry of the order that: 1) orders him to cease and desist from further violations; 2) orders him to pay a \$25,000 civil monetary penalty; and 3) suspends his registration for three months.
- *In re Schiller, et al.*, CFTC Docket No. 96-4 (CFTC entered April 29, 2003). On April 29, 2003, the Commission entered an order accepting the offer of settlement of registered floor brokers and CME members Ronald M. Schiller and Eugene J. Chesrow, Jr. in this administrative action filed April 18, 1996. The order found that, between 1991 and 1993, Schiller engaged in a variety of illegal trading practices in CME live cattle futures that cheated and defrauded customers and benefited his own account, such as taking profitable trades for his personal account that he originally executed on behalf of customers, assigning losing trades he originally executed for himself to customer accounts, indirectly bucketing and trading by indirect offset. The order further found that Chesrow and respondent Emmett Whealan aided and abetted Schiller's fraud and entered into trades accommodating Schiller's indirect bucketing and offsetting of customers' orders. Without admitting or denying the findings, Schiller and Chesrow consented to entry of the order that: 1) orders them to cease and desist from further violations; 2) orders Schiller to pay a \$150,000 civil monetary penalty and Chesrow to pay a \$50,000 civil monetary penalty; 3) imposes a permanent on-the-floor trading ban as to Schiller and a two-year on-the-floor ban as to Chesrow; and 4) revokes Schiller's registration.
- *In re DeFrancesco, et al.*, CFTC Docket No. 02-09 (CFTC entered July 23, 2003). On July 23, 2003, the Commission entered an order accepting the offers of settlement of registered floor brokers Joseph DeFrancesco and Marc Greenstein in this administrative action filed March 20, 2002. The order found that on certain days, from February 2000 through November 2000, the respondents unlawfully executed coffee futures trades on the Coffee, Sugar & Cocoa Exchange (CSCE), a subsidiary of the New York Board of Trade. Specifically, the order found that DeFrancesco fraudulently executed trades in the coffee futures ring of the CSCE by knowingly or recklessly 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. The order also found that DeFrancesco indirectly bucketed his customer orders by non-competitively trading for his own account indirectly opposite his customers' orders, and that, by engaging in noncompetitive trading, DeFrancesco also reported prices on his trading cards, to his customers and to CSCE, that were not *bona fide*. The order also found that 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. Finally, the order found that DeFrancesco failed to record required trading information on his trading cards. Without admitting or denying the allegations or findings, the respondents consented to entry of the order that: 1) ordered them to cease and desist further violations; 2) orders the payment of civil monetary penalties by DeFrancesco (\$75,000) and Greenstein (\$35,000); 3) suspends DeFrancesco's and Greenstein's registrations for six-months and three-months, respectively; and 4) orders that DeFrancesco be prohibited from executing customer trades for a period of five years after his suspension is completed, and that DeFrancesco's activities as a floor trader after his suspension is completed be subject to conditions, including the obtaining of a qualified sponsor.

Violation Of Prior Commission Orders

During FY 2003, the Commission filed the following enforcement action alleging violation of a previous Commission Order:

- *CFTC v. Swannell*. On April 29, 2003, the Commission filed a civil injunctive action against Richard Swannell. The complaint alleged that Swannell used hypothetical trading results to sell his trading software programs and seminars without disclosing that the trading results were not the result of actual trading in violation of a September 6, 2000 Commission order finding Swannell had previously engaged in similar misconduct. See *In re Trading Systems, Ltd., et al.*, CFTC Docket No. 00-28, Order Instituting Proceedings, Making Findings, and Imposing Sanctions (CFTC filed Sept. 6, 2000). The Commission received assistance in this enforcement action from the Australian Securities & Investments Commission. *CFTC v. Swannell*, No. 03-2979 TJH (RZx) (C.D.Calif. filed April 29, 2003).

The Commission also achieved the following significant result in an action filed in this practice area during previous fiscal years:

- *In re Varner*, CFTC Docket No. 01-18 (CFTC entered June 30, 2003). On June 30, 2003, the Commission entered an order accepting the offer of settlement of former NYBOT floor broker Michael H. Varner in this administrative action filed June 1, 2001. On April 5, 2002, Varner's floor broker registration was revoked in a related SD action arising out of the same set of facts. (See discussion of statutory disqualification actions, below.) The June order found that Varner had violated a June 1999 Commission order settling a previous statutory disqualification action that imposed certain restrictions on his registration. The order further found that, in violating the Commission's June 1999 order, Varner had violated section 6(c) of the CEA. Without admitting or denying the findings, Varner consented to entry of the order that: 1) orders him to cease and desist from further violations; 2) prohibits him from trading for any customer account for a period of five years; 3) orders him to comply with his undertaking to not apply for registration for a period of five years; and 4) orders him to pay a \$50,000 civil monetary penalty.

Statutory Disqualifications

During FY 2003, the Commission filed the following enforcement actions in this program area:

- *In re Beacon Hill Asset Management, LLC*. On January 7, 2003, the Commission filed, and simultaneously settled, a Notice of Intent to Suspend or Restrict Registration against Beacon Hill Asset Management, LLC ("Beacon Hill"), a registered CPO and CTA. This action followed the entry of a preliminary injunction in a civil injunctive action brought by the SEC that alleged that Beacon Hill had violated the anti-fraud provisions of the Investment Advisors Act of 1940. The SEC's complaint alleged that Beacon Hill committed fraud by materially overstating the net asset values and materially understating the losses of certain hedge funds it managed. Beacon Hill consented to the entry of the Order that: 1) suspended its CPO and CTA registration for six months; and 2) ordered it to comply with its undertakings to neither act as a CPO or CTA, nor engage in any activity requiring registration as a CPO or CTA, until after final disposition of the action brought by the SEC. *In re Beacon Hill Asset Management, LLC*, CFTC Docket No. SD 03-01 (CFTC filed Jan. 7, 2003).
- *In re O'Herron*. On January 7, 2003, the Commission filed, and simultaneously settled, a Notice of Intent to Suspend or Restrict Registration against John F. O'Herron, who has been registered as a CTA and as an AP of his CTA. This action followed the entry of a consent order of permanent injunction in a civil injunctive action charging O'Herron, and O'Herron Asset Management, Inc. with unregistered commodity pool fraud. See *CFTC v. O'Herron, et al.*, No. 1:00-CV-913, Consent Order Of Permanent Injunction (W.D.Mich. entered Oct. 2, 2003) (discussed above). O'Herron consented to entry of the Order that revoked his CTA and AP registrations. *In re O'Herron*, CFTC Docket No. SD 03-02 (CFTC filed Jan. 7, 2003).

- *In re Johnson* and *In re Miller*. On May 2, 2003, the Commission filed, and simultaneously settled, Notices of Intent to Suspend or Restrict Registration against David G. Johnson, who had been registered as an IB and AP, and Thomas T. Miller, who had been registered as an AP. This action followed the entry of consent orders of permanent injunction in a civil injunctive action charging them, among others, with unregistered commodity pool fraud. Johnson and Miller, without admitting or denying the allegations, consented to the entry of the CFTC orders that revoked their registrations. *In re Johnson*, CFTC Docket No. SD 03-03 (CFTC filed May 2, 2003), and *In re Miller*, CFTC Docket No. SD 03-04 (CFTC filed May 2, 2003).
- *In re Snively, In re Futurewise Trading Group, Inc., and In re Commodity Consultants International, Inc.* On September 3, 2003, the Commission filed Notices of Intent to Suspend or Restrict Registration against Futurewise Trading Group, Inc. (Futurewise) (registered CPO, CTA and IB), and Commodity Consultants International, Inc. (CCI) (registered FCM), and Todd James Snively (registered AP of both Futurewise and CCI). These actions followed the entry of a consent order of permanent injunction in a civil injunctive action charging Snively, Futurewise, and CCI with cheating hundreds of investors out of millions of dollars by fraudulently operating a purported Internet-based trading platform. See *CFTC v. Snively, et al.*, No. 02-40041, Consent Order Of Permanent Injunction (E.D. Mich. entered March 11, 2003) (discussed above). *In re Snively*, CFTC Docket No. SD 03-05 (CFTC filed Sept. 3, 2003), *In re Futurewise Trading Group, Inc.*, CFTC Docket No. SD 03-05 (CFTC filed Sept. 3, 2003), and *In re Commodity Consultants International, Inc.*, CFTC Docket No. SD 03-05 (CFTC filed Sept. 3, 2003).

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 2003, the Commission filed the following nine quick-strike cases.

- *CFTC v. Sterling Forex LLC, et al.*, No. 02-2076 (W.D. Wash. Filed Oct. 3, 2002) (see page 18);
- *CFTC v. InterTrade Forex, Inc., et al.*, No. 6:03-CV-119 (M.D.Fla. filed Jan. 29, 2003) (see page 19);
- *CFTC v. Holston, Young, Parker & Associates, et al.*, No. 03 CV 1796 (S.D.N.Y. filed March 14, 2003) (see page 21);
- *CFTC v. Hawker, et al.*, No. 2:03CV-0260 (D.Utah filed March 12, 2003) (see page 20);
- *CFTC v. DBS Capital, Inc., et al.*, No. C 03-1379 VRW (N.D.Calif. filed under seal March 31, 2003) (see page 21);
- *CFTC v. U.S. Securities & Futures Corp.*, No. 03 CV 2258 (S.D.N.Y. filed April 2, 2003) (see page 35);
- *CFTC v. Thomas Dooley, Inc., et al.*, No. 03-80526 CIV-HURLEY (S.D.Fla. filed June 11, 2003) (see page 23);
- *CFTC v. Moore, et al.*, No. 1:03-CV-149 (M.D.N.C. filed June 19, 2003) (see page 23); and
- *CFTC v. International Funding Association, Inc., et al.*, No. CIV 03 1826 PHXPGR (D.Az. filed Sept. 18, 2003) (see page 24).

Cooperative Enforcement

Corporate Fraud Task Force

By Executive Order signed by President Bush on July 9, 2002, the CFTC was named as a member of the Corporate Fraud Task Force. This task force was established with the objective of strengthening the efforts of DOJ, Federal, state, and local agencies to investigate and prosecute significant financial crimes, recover the proceeds of such crimes, and ensure just and effective punishment of those who perpetrate financial crimes. Recent efforts of this inter-agency cooperative task force have included an investigation of the alleged manipulation of the energy markets during the power crisis of 2000 to 2001.

The Office of Cooperative Enforcement

The FY 2003 Enforcement program reorganization included the creation of the Office of Cooperative Enforcement (OCE). OCE was developed for the purpose of reaching out to financial regulators at the Federal and state levels in order to coordinate investigations and prosecutions of commodities violators, and ensure that the government addresses misconduct. Another purpose behind the creation of the OCE is to train and employ the staff of state and local authorities, thereby reducing the need for the Division to investigate and prosecute each and every violation of the Act. It is also OCE's function to ensure that Division staff and the staff of Self Regulatory Organizations are properly sharing information, data, and enforcement tasks.

National Futures Association Assistance

During FY 2003, the National Futures Association (NFA) provided invaluable assistance to Commission's Enforcement program in two of its most important program areas: its investigation into the alleged misconduct in the energy markets and its investigation of foreign currency trading fraud. NFA's assistance included detailing a number of its employees to work shoulder-to-shoulder with Enforcement program staff on these matters. The detailees' expertise, enthusiasm and hard work were an invaluable asset to the Enforcement program and are a proud reflection of the NFA's professionalism and commitment.

Domestic

The Commission's cooperative enforcement efforts are an important part of its ability to promote compliance with and deter violations of Federal commodities laws. Cooperative enforcement enables the Commission to maximize its ability to detect, deter, and impose sanctions against wrongdoers involving U.S. markets, registrants, and customers. The benefits of cooperative enforcement include: 1) the use of resources from other sources to support Commission enforcement actions; 2) coordination in filing actions with other authorities to further the impact of enforcement efforts; and 3) development of consistent and clear governmental responses and avoidance of duplication of efforts by multiple authorities.

As in the past, staff of the Enforcement program have coordinated with numerous Federal, state, and self-regulatory authorities. Historically, program staff have sought assistance from or provided assistance to various Federal agencies, such as the Department of Justice, Federal Bureau of Investigation, SEC, the U.S. Postal Inspection Service, and the Internal Revenue Service (IRS). Similarly, Enforcement program staff have provided assistance to and/or received assistance from state authorities, such as agencies responsible for the regulation of corporations, securities, and banking. The Commission also has provided Federal and local law enforcement authorities with testimony or other assistance in connection with criminal investigations. Enforcement program staff have worked with the DOJ and various U.S. Attorney's offices throughout the Nation, the FBI, the offices of numerous state attorneys general, local police authorities, and task forces focusing on areas such as corporate fraud and foreign currency fraud.

Although the Commission cannot publicly describe the nature of the assistance obtained or given in connection with pending investigations, the following is a sampling of results in cooperative enforcement cases during the past year in which the Enforcement program coordinated its efforts with domestic authorities. These cooperative enforcement cases fall into three general categories: 1) criminal actions in which the Enforcement program provided testimony or other support; 2) matters in which the Commission worked with other criminal or civil authorities and they filed parallel actions; and 3) Commission enforcement actions for which the Commission received assistance from other authorities.

Criminal Cooperative Enforcement Actions

- *U.S. v. John Allen Wheeler*, No. 9:02 CR 34 (E.D. Texas entered October 15, 2002). On October 15, 2002, the Office of the United States Attorney for the Eastern District of Texas, charged John Allen Wheeler by Information with one count of wire fraud, which arose out of an investment scheme promising high rates of return on profitable business ventures, including investments in foreign currency futures transactions. In announcing the Information, the efforts of the CFTC were

recognized. Thereafter, on February 10, 2003, Wheeler pleaded guilty to the Information, and on September 15, 2003, Wheeler was sentenced to 60 months in the penitentiary.

- *United States v. Belden*, No. CR-02-0313-MJJ (N.D.Calif. entered Oct. 17, 2002). On October 17, 2002, the Office of the United States Attorney for the Northern District of California announced that Timothy N. Belden, who was Enron's Chief Energy Trader, agreed to plead guilty to conspiracy to commit wire fraud, in a scheme with others at Enron, to manipulate California's energy market. Specifically, Belden admitted that beginning in approximately 1998, and continuing through 2001, he and others at Enron conspired to manipulate the energy markets in California by: 1) misrepresenting the nature and amount of electricity Enron proposed to supply in the California market, as well as the load it intended to serve; 2) creating false congestion and falsely relieving that congestion on California transmission lines, and otherwise manipulating fees it would receive for relieving congestion; 3) misrepresenting that energy was from out-of-state to avoid federally approved price caps, when in fact, the energy it was selling was from the State of California and had been exported and re-imported; and 4) falsely representing that Enron intended to supply energy and ancillary services it did not in fact have and did not intend to supply. In announcing the plea agreement, the efforts of the CFTC, Federal Energy Regulatory Commission (FERC) and Federal Bureau of Investigation (FBI) were recognized.
- *U.S. v. James Bottarini*, No. 2:00CR470S (D.Utah Nov. 2002). In November 2002, Division of Enforcement staff assisted the United States Attorney for the District of Utah in a trial against James Bottarini, who was accused of wire fraud by falsifying a life insurance claim after throwing his wife off of a cliff in a park in Utah. To prove the wire fraud charge, the government had to prove that the defendant had murdered his wife. With the staff's assistance, the government attempted to show that the defendant's unsuccessful commodity futures trading prior to his wife's death contributed to the defendant's motive for killing his wife and collecting insurance. Specifically, an Enforcement Investigator staff testified about commodity trading in general, discussing leverage and risk, and presented to the jury a chart summarizing the trading in the defendant's account. The jury acquitted Bottarini of all charges.
- *State of North Carolina v. James Darren Moore*, No. 03-20222 (N.C. entered December 1, 2002). On December 1, 2002, the State of North Carolina entered an indictment against James Darren Moore d/b/a JDM Investments. The indictment charged Moore with a total of 38 counts (19 counts each for securities and commodities laws violations) for the same conduct that is at issue in the related Commission enforcement action. See *CFTC v. Moore, et al.*, No. 1:03-CV-149 (M.D.N.C. filed June 19, 2003) (discussed above in Foreign Currency Cases).
- *U.S. v. Valencia*, No. ____ (S.D.Texas entered Jan. 27, 2003). On January 27, 2003, the Office of the United States Attorney for the Southern District of Texas, Houston Division, unsealed a seven count federal indictment charging Michelle Valencia, a former Senior Trader at Dynegy, with three counts of false reporting under the CEA. Additionally, Valencia was charged with four counts of wire fraud. The indictment alleges that on three separate occasions in November 2000, January 2001 and February 2001, Valencia, who was responsible for trading natural gas through Dynegy's "West Desk," caused the transmission of a report which included price and volume data to certain publications knowing that the trades had not actually occurred. In announcing the indictment, the efforts of the CFTC and the FBI were recognized.
- *U.S. v. Geiger*, No. ____ (S.D.Texas entered Jan. 27, 2003). On December 4, 2002, the Office of the United States Attorney for the Southern District of Texas, Houston Division, unsealed a two count federal indictment charging Todd Geiger, a former natural gas trader and former Vice President of El Paso Corporation (El Paso), with knowingly causing the transmission of a false trade report used to calculate the "index" price of natural gas under the CEA. Additionally, Geiger was charged with wire fraud. The indictment alleges that on November 30, 2001 Geiger, then an El Paso Vice President

responsible for trading natural gas through El Paso's "Canada desk", caused the transmission of a report to Inside FERC Gas Market Report, a trade industry newsletter, that included volume and price data for forty-eight trades of natural gas by El Paso's Merchant Energy Group knowing that none of the forty-eight trades actually occurred. If convicted, Geiger faces up to 5 years in prison and a fine of \$500,000 on the false reporting count, and up to 5 years in prison and a fine of \$250,000 on the wire fraud count.

- *United States v. Richter*, No. CR-03-0026-MJJ (N.D.Calif. entered Feb. 4, 2003). On February 4, 2003, the Office of the United States Attorney for the Northern District of California announced that Jeffrey S. Richter, who was the head of Enron's Short-Term California energy trading desk, agreed to plead guilty to conspiracy to commit wire fraud in a scheme with others at Enron to manipulate California's energy markets and also to making false statements to investigators. Specifically, Richter admitted his participation on behalf of Enron in two fraudulent schemes devised by Enron traders, known internally within Enron as "Load Shift" and "Get Shorty." Enron's "Load Shift" trading scheme involved the filing of false power schedules to increase prices by creating the appearance of "congestion" on California's transmission lines, which permitted Enron to profit through its ownership of transmission rights on the lines and by offering to "relieve" the congestion through subsequent schedules. Enron's "Get Shorty" trading scheme involved the company's traders fabricating and selling emergency back-up power (known as ancillary services) to the California Independent Service Operator, receiving payment, then canceling the schedules and covering their commitments by purchasing through a cheaper market closer to the time of delivery. In announcing the plea agreement, the efforts of the CFTC, FERC, FBI, and the Antitrust Division of the Department of Justice were recognized.
- *United States v. Charles Hoeffcker and Charles Myers*, No. ___ (D.N.J. entered Feb. 19, 2003). On February 19, 2003, the U.S. Attorney for the District of New Jersey arrested and indicted Charles Paul "Chip" Hoeffcker and Charles Edward Myers on one count of conspiracy to commit mail and wire fraud, and six counts of mail fraud. According to the indictment, Hoeffcker and Myers defrauded investors in precious metals, heating oil and other commodities through Amitex Services, Ltd., Inc., a Bahamian corporation, and Global Investment Services, Inc., a domestic corporation with offices in Atlanta, Georgia. The CFTC's Division of Enforcement provided significant assistance to the U.S. Attorney, the Federal Bureau of Investigation and the U.S. Postal Inspectors in the investigation leading to this indictment.
- *State of Utah v. Bryan Keith Hawker*, Case No. 31901485 (Third Judicial District, Salt Lake County, Utah entered March 3, 2003). On March 5, 2003, State of Utah Department of Commerce, Division of Securities arrested and charged Bryan Keith Hawker with five state law felonies deriving from the same conduct that is the subject of a simultaneously filed Division complaint, which remains pending. On September 5, 2003, Defendant Hawker was sentenced on a plea of guilty to two State of Utah felony counts for securities fraud and one State of Utah felony count of a Pattern of Unlawful Activity (Racketeering).
- *U.S. v. Geoffrey Thompson, et al.*, No. 03 CR 321-3 (N.D. Ill. entered March 27, 2003). On March 27, 2003, following a criminal referral by the Division to the United States Attorney for the Northern District of Illinois, Eastern Division, a Grand Jury issued a fifteen-count indictment charging Martin Brown with nine counts of wire fraud, Geoffrey Thompson with ten counts of wire fraud and one count of money laundering; and Ydiyell Howard with two counts of wire fraud. The Indictment also sought forfeiture of \$322,500 from all three, as well as Thompson's residence because he purchased it with proceeds of the allocation scheme. Subsequently, Brown, Thompson and Howard each plead guilty to one count of wire fraud pursuant to written plea agreements.
- *CFTC v. Orion International, et al.*, No. CV 03-603-KI (D.Or. filed May 7, 2003). The CFTC and the State of Oregon filed an injunctive action against a foreign currency firm and its principals in

connection with a \$28 million commodity pool scam. The action alleges violations of the antifraud, contract market, and registration provisions of the Commodity Exchange Act, as well as violations of the antifraud and registration provisions of the Oregon Securities Statutes. The action was also coordinated with the Office of the U.S. Attorney. The CFTC worked closely with the Office of the US. Attorney in connection with a criminal investigation and, in as part of the cooperative effort, the U.S. Attorney issued forfeiture warrants at the time the injunctive action was filed.

- *United States of America v. John Forney*, Criminal Complaint Case No. 30330210 (EDL) (N.D. Calif. May 30, 2003). On December 4, 2003, the United States Attorney's Office for the Northern District of California and the Justice Department's Enron Task Force announced that John M. Forney, one of Enron's former top energy executives, was indicted on 11 counts of conspiracy and wire fraud based on Enron's criminal manipulation of the western energy markets during the height of California's energy crisis in 1999 through 2001. The indictment alleges that Forney submitted or caused to be submitted false and fraudulent schedules to the California Independent Services Operator, in order to manipulate the price of electricity during the energy crisis. Forney was first charged by criminal complaint on June 3, 2003. He was later indicted on one count of conspiracy. This latest indictment, which supersedes all other charges in the case, expands the charges faced by the defendant by adding 10 substantive counts of wire fraud based on transfers of money to and from Enron as a result of its illegal trading. The indictment specifically alleges that Enron and Mr. Forney were involved in seven separate trading schemes to manipulate the California energy market during the height of the crisis. The trading schemes were known within Enron as: Get Shorty, Death Star, Ricochet, the sale of non-firm energy as firm energy, non-firm export, Off-Line Hubs and Load Shift.
- *State of Utah v. Allen Andersen*, No 031904282; *State of Utah v. John Garrett*, No 031904283 and *State of Utah v. Robert Heninger*, No 031904284 (Utah entered June 30, 2003). On June 30, 2003, the State of Utah Department of Commerce, Division of Securities filed a series of criminal informations against three individuals charged by the Division in August 2002 with fraudulently operating a commodity pool. The State alleged multiple counts of securities fraud and sales of an unregistered security, sales by an unlicensed broker-dealer or agent and employing an unlicensed agent based, in part, on the conduct charged in the CFTC complaint, which remains pending. See *CFTC v. Gahma Corp., et al.*, No. 1:02 CV 00101 PGC (D.Utah Aug. 13, 2002).
- *U.S. v. Donald O'Neill*, No. 03-20403 (S.D. Fla. filed May 2003). In September 2003, the United States Attorney for the Southern District of Florida unsealed an indictment that charged Donald C. O'Neill with multiple counts of wire fraud, mail fraud and money laundering in connection with a fraudulent foreign currency scheme O'Neill allegedly carried out through several purported hedge funds that raised approximately \$13.7 million from over 38 investors throughout the United States. The same underlying facts were the basis of a September 2002 Commission enforcement action, which remains pending. See *CFTC v. O'Neill, et al.*, No. 02-61307-Civ-Gold (S.D. Fla. filed September 17, 2002). O'Neill, whose current whereabouts are unknown, faces a maximum of twenty years incarceration and a fine of \$250,000 on each of the fraud counts, and between ten and twenty years incarceration and additional fines on each of the money laundering charges.
- *CFTC v. First Bristol, et al.*, No. 02-61160-CIV-LENARD (S.D.Fla. filed Aug. 20, 2002). The CFTC filed an injunctive action against 4 foreign currency firms and their principals alleging fraud and misappropriation of approximately \$500,000. The CFTC worked closely with the Office of the Broward County Florida State's Attorney in its efforts to bring criminal charges against the principals. As a result the principals were arrested shortly after the filing of the injunctive action. The criminal authorities used evidence obtained by the CFTC during its case and were able to obtain plea agreements against the principals for fraud, money laundering, and racketeering.
- *State of Utah v. Donald Joseph Purser*, No. 031906412 (Utah entered Sept. 23, 2003). On September 23, 2003, the State of Utah Department of Commerce, Division of Securities filed a criminal

information against a Utah attorney charged by the Division with fraudulently soliciting his law clients and others to invest in a commodity pool whose CPO the CFTC had sued in August 2000. The State alleged multiple counts of securities fraud, offer and sales of an unregistered security, sales by an unlicensed broker-dealer or agent and employing an unlicensed agent based, in part, on the conduct charged in the CFTC's amended complaint, which remains pending. *See CFTC v. BIRMA, Ltd., et al.*, Civil Action No. 2:00CV00622ST (D. Utah Jan. 16, 2003).

Cooperative Enforcement Resulting In Parallel Actions

The following cases instituted by the Commission during this fiscal year were accompanied by related cases filed by another agency at or near the same time as the Commission's action. The cases, which are identified below with the name of the other agency, are described in detail in the program performance results section, below: *In the Matter of Dynegy Marketing & Trade and West Coast Power, LLC* (U.S. Attorney for the Southern District of Texas); *In the Matter of El Paso Merchant Energy, L.P.* (U.S. Attorney for the Southern District of Texas); *CFTC v. Varner* (Utah Attorney General); *CFTC v. Wheeler, et al.* (U.S. Attorney for the Eastern District of Texas); *CFTC v. Hawker, et al.* (Utah Department of Commerce, Division of Securities); *CFTC v. U.S. Securities & Futures Corp.* (Hamburg, Germany Police); *CFTC v. Dias, et al.* (NFA); *CFTC v. Orion International, Inc., et al.* (State of Oregon Department of Consumer and Business Services; U.S. Attorney for the District of Oregon); *CFTC v. Oscar Goldman* (California Department of Corporations); *CFTC v Moore, et al.* (North Carolina Secretary of State); *In re Beacon Hill Asset Management, LLC* (Securities and Exchange Commission); *In re O'Herron* (U.S. Attorney for the Eastern District of Michigan); *CFTC v. Int'l Funding Association, et al.* (SEC); and *CFTC v. Donald C. O'Neill, et al.* (U.S. Attorney for the Southern District of Florida).

Commission Enforcement Actions Benefiting From Cooperative Assistance

In addition, the following cases - also described in the program performance results section, below - instituted by the Commission during this fiscal year benefited from the cooperative assistance of other federal or state civil or criminal authorities who did not file cases themselves. *In re Robbins Futures, Inc.* (National Futures Association); *In re Professional Market Brokerage* (NFA); *In re Chandler, et al.* (NYMEX); *In re \$K's Forex International, Inc., et al.* (Florida Department of Financial Services); *In re Chapman* (NYMEX, Manhattan District Attorney); *In re Reliant Global Markets, et al.* (California Department of Corporations); *CFTC v. Orion International, et al.* (State of Oregon; U.S. Attorney's office); *CFTC v. Sterling Forex* (U.S. Attorney for the District of Washington); *CFTC v. Investors Freedom Club, L.C., et al.* (Florida Department of Financial Services); *CFTC v. EuroBancorp, et al.* (Federal Bureau of Investigation; Texas Securities Department; and California Department of Corporations); *CFTC v. DBS Capital, Inc., et al.* (San Francisco District Attorney); *CFTC v. Wall Street Underground, Inc., et al.* (Office of the Attorney General in Kansas); *CFTC v. Thomas Dooley Investments* (Florida Department of Financial Services); *CFTC v. Fleury* (Florida Department of Financial Services); and *In re Duke Energy Trading and Marketing, L.L.C.* (President's Corporate Fraud Task Force; and NFA).

International

The Commission continues to coordinate enforcement activities with foreign authorities. During FY 2003, the Commission made 91 requests for assistance to 35 foreign authorities, and it received 20 requests from authorities in foreign jurisdictions. In particular this year, the Commission was successful in freezing assets and obtaining bank records in several jurisdictions where we did not have prior cooperative relationships. Overall, during FY 2003 the Commission froze foreign assets totaling approximately \$6 million in six enforcement actions.

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 2003 included the filing of the following enforcement actions: *CFTC v. Tambiev, et al.*, No.

CV 03 177 (E.D.N.Y. filed Jan. 7, 2003); *CFTC v. Investors Freedom Club, L.C., et al.*, No. 8:03-CV-54-T-17TGW (M.D.Fla. filed Jan. 13, 2003); *CFTC v. Wheeler, et al.*, No. 6:03CV42 (E.D.Tex. filed January 30, 2003); *CFTC v. Ouyang, et al.*, No. 03-0833 (C.D.Calif. filed Feb. 5, 2003); *CFTC v. Holston, Young, Parker & Associates, et al.*, No. 03 CV 1796 (S.D.N.Y. filed March 14, 2003); *CFTC v. DBS Capital, Inc., et al.*, No. C 03-1379 VRW (N.D.Calif. filed under seal March 31, 2003); *CFTC v. U.S. Securities & Futures Corp.*, No. 03 CV 2258 (S.D.N.Y. filed April 2, 2003); *CFTC v. Wall Street Underground, Inc., et al.*, No. 03-2193 CM (D.Kan. filed April 22, 2003); *CFTC v. Swannell*, No. 03-2979 TJH (RZx) (C.D.Calif. filed April 29, 2003); *CFTC v. Orion International, et al.*, No. CV 03-603-KI (D.Or. filed May 7, 2003); *CFTC v. Fleury, et al.*, No. 03-61199 (S.D.Fla. filed June 30, 2003); *CFTC v. International Foreign Currency, Inc., et al.*, No. CV 03 3577 (E.D.N.Y. filed July 23, 2003); *In re Casas Sendas Comercio E Industria S.A., et al.*, CFTC Docket No. 03-23 (CFTC Aug. 18, 2003); and *CFTC v. Sun Platinum Group LLC, et al.*, No. 03 CV 7112 (S.D.N.Y. filed Sept. 12, 2003).

The Commission's international information-sharing arrangements enable the Commission and foreign authorities to engage in the bilateral sharing of information to assist each other in the investigation of potential wrongdoing that extends beyond their respective borders. During FY 2003, the Commission continued its work on the International Organization of Securities Commissions' (IOSCO) Multilateral Memorandum of Understanding Concerning Consultation, Cooperation and the Exchange of Information (MMOU). The MMOU is an important and meaningful undertaking for regulators to expand cooperation by establishing specific minimum standards for securities and futures regulators in the area of information sharing. There are 24 MMOU signatories, including six foreign authorities that the Commission did not have an information-sharing arrangement with previously.

- Screening and Approving MOU Applicants. Enforcement program staff along with three other foreign regulators as members of a MMOU Verification Team evaluated the applications of five IOSCO members to become signatories to the MMOU. The Commission also is a member of the Screening Group which makes recommendations to a decision making body of IOSCO concerning whether to accept or reject specific MMOU applications. In FY 2003, the Screening Group reviewed and approved 24 applicants for the MMOU.
- Client Identification Task Force. The Enforcement program staff participated in the IOSCO Task Force on Client Identification to determine a range of acceptable options for client identification in the securities and futures industry. The Task Force's work is ongoing.
- During FY 2003, 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 Enforcement Efforts

In addition to direct cooperation with domestic law enforcement and regulatory authorities, the Enforcement program also represents the Commission in a variety of domestic and international efforts, including task forces and working groups designed to keep market participants abreast of new developments in financial crimes and to coordinate governmental responses to common issues. Several examples of the efforts of the Enforcement program in this area follow:

- 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 staff of the U.S. Treasury Department 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 the working group's 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 this 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 cases with strong criminal implications to the DOJ and U.S. Attorney's Offices in order to better address consumer fraud issues.
- *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 option industries and to exchange ideas about enforcement techniques. The group, organized by the Fraud section of the Criminal Division of the DOJ, meets on a quarterly basis, and its members include criminal and regulatory authorities from state and Federal agencies and representatives from various exchanges and other SROs.

Table 1: Enforcement Cases Filed During FY 2002

Case (arranged by Program Area)	Press Release No.	Date Filed	Details
Energy Market Cases			
<i>In re Dynegy Marketing and Trade, et al.</i>	4728-02	12/19/2002	Page 15
<i>CFTC v. Enron Corp., et al.</i>	4762-03	3/12/2003	Page 14
<i>In re El Paso Merchant Energy, L.P.</i>	4765-03	3/26/2003	Page 15
<i>In re WD Energy Services Inc.</i>	4823-03	7/28/2003	Page 16
<i>In re Williams Energy Marketing And Trading, et al.</i>	4824-03	7/29/2003	Page 16
<i>In re Enserco Energy, Inc.</i>	4826-03	7/31/2003	Page 16
<i>In re Duke Energy Trading And Marketing, L.L.C.</i>	4840-03	9/17/2003	Page 17
<i>CFTC v. American Electric Power Company, Inc., et al.</i>	4846-03	9/30/2003	Page 14
Foreign Currency Cases			
<i>CFTC v. Sterling Forex LLC</i>	4711-02	10/10/2002	Page 18
<i>In re \$K's Forex International</i>	4732-03	1/6/2003	Page 18
<i>CFTC v. Tambiev</i>	4737-03	1/14/2003	Page 18
<i>CFTC v. Investors Freedom Club</i>	4742-03	1/23/2003	Page 18
<i>CFTC v. World-Wide Currency Services</i>	4743-03	1/23/2003	Page 19
<i>CFTC v. Intertrade Forex</i>	4753-03	2/11/2003	Page 19
<i>CFTC v. Wheeler</i>	4750-03	2/5/2003	Page 19
<i>CFTC v. EuroBancorp</i>	4756-03	2/13/2003	Page 20
<i>CFTC v. Ouyang</i>	4755-03	2/13/2003	Page 20
<i>CFTC v. Hawker</i>	4767-03	3/27/2003	Page 20
<i>CFTC v. Holston</i>	4771-03	4/8/2003	Page 21
<i>CFTC v. DBS Capital</i>	4770-03	4/8/2003	Page 21
<i>CFTC v. Elsesser</i>	4781-03	4/29/2003	Page 21
<i>CFTC and State of Oregon v. Orion Int'l</i>	4787-03	5/14/2003	Page 21
<i>In re Reliant Global Markets</i>	4799-03	6/19/2003	Page 22
<i>In re Pate</i>	4794-03	6/11/2003	Page 22
<i>CFTC v. Thomas Dooley Inc</i>	4798-03	6/18/2003	Page 23
<i>CFTC v. Moore</i>	4810-03	7/3/2003	Page 23
<i>CFTC v. Fleury</i>	4803-03	6/26/2003	Page 23
<i>CFTC v. Zelener</i>	4802-03	6/25/2003	Page 23
<i>CFTC v. International Foreign Currency</i>	4825-03	7/30/2003	Page 24
<i>CFTC v. Sun Platinum Group LLC</i>	4842-03	9/23/2003	Page 24
<i>CFTC v. International Funding Association</i>	4841-03	9/22/2003	Page 24
Commodity Pool Fraud Cases			
<i>CFTC v. Dias, et al.</i>	4777-03	4/21/2003	Page 27

**Commodity Trading Advisors, Managed Accounts,
And Trading Systems Cases**

<i>In re Stenberg</i>	4722-02	11/7/2002	Page 29
<i>CFTC v. Varner</i>	4726-02	12/12/2002	Page 29
<i>In re Cox</i>	4730-02	12/24/2002	Page 29
<i>In re Elliot, et al.</i>	4738-03	1/21/2003	Page 30
<i>CFTC v. Wall Street Underground, Inc., et al.</i>	4778-03	4/25/2003	Page 30
<i>CFTC v. Goldman</i>	4786-03	5/14/2003	Page 30
<i>In re Jones</i>	4811-03	7/3/2003	Page 30
<i>In re Ebaugh</i>	4807-03	7/1/2003	Page 31
<i>In re Guidino</i>	4807-03	7/1/2003	Page 31
<i>In re Sidewitz, et al.</i>	4812-03	7/3/2003	Page 31
<i>In re Ingwerson</i>	4818-03	7/14/2003	Page 31
<i>CFTC v. Ownbey</i>	4843-03	9/24/2003	Page 32
<i>CFTC v. Allegheny Gulf Investments, Inc., et al.</i>	4850-03	10/7/2003	Page 32

**Introducing Brokers And Their Associated Persons
Cases**

<i>CFTC v. Risk Capital Trading Group, et al.</i>	4835-03	9/8/2003	Page 33
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**Financial, Supervision, Compliance and
Recordkeeping Cases**

<i>In re Robbins Futures Inc., et al.</i>	4731-02	12/30/2002	Page 34
<i>CFTC v. U.S. Securities & Futures Corp.</i>	4773-03	4/9/2003	Page 35
<i>In re Carr Futures, Inc.</i>	4780-03	4/29/2003	Page 35
<i>In re Professional Market Brokerage, Inc., et al.</i>	4804-03	6/26/2003	Page 35

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

Case (arranged by Program Area)	Press Release No.	Date Filed	Page Number
Trade Practice Cases			
<i>In re Chandler, et al.</i>	4725-02	12/12/2002	Page 36
<i>In re Chapman</i>	4766-03	3/26/2003	Page 36
<i>In re Ray</i>	4779-03	4/29/2003	Page 37
<i>In re Casas Sendas Comercio E Industria S.A., et al.</i>	4832-03	8/18/2003	Page 37
<i>In re Garber</i>	4837-03	9/9/2003	Page 37
<i>In re Harmon</i>	4837-03	9/9/2003	Page 37
Violation Of Prior Commission Orders Cases			
<i>CFTC v. Swannell</i>	4789-03	5/21/2003	Page 39
Statutory Disqualification Cases			
<i>In re Beacon Hill Asset Management, LLC.</i>	4734-03	1/7/2003	Page 39
<i>In re O'Herron</i>	4733-03	1/7/2003	Page 39
<i>In re Johnson</i>	4783-03	5/7/2003	Page 40
<i>In re Miller</i>	4783-03	5/7/2003	Page 40
<i>In re Snively</i>	4834-03	9/4/2003	Page 40
<i>In re Futurewise Trading Group, Inc.</i>	4834-03	9/4/2003	Page 40
<i>In re Commodity Consultants International, Inc.</i>	4834-03	9/4/2003	Page 40

Table 2: Injunctive Actions

Fiscal Year	Actions Initiated	Defendants Named
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
2003	31	95

Table 3: Administrative Actions

<i>Fiscal Year</i>	<i>Actions Initiated</i>	<i>Respondents Named</i>
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
2003	33	48

Table 4: FY 2003 Performance Statistics

Cases

Opened	64
Closed	46
Pending	109

Sanctions Assessed¹

Administrative Cases

Persons Subject to Cease and Desist Orders:	54
Persons Subject to Trading Prohibitions:	26
Persons Subject to Registration Suspensions, Denials or Revocations:	17
Amount of Civil Monetary Penalties:	\$100,188,000
Number of Persons Assessed:	55
Amount of Restitution or Disgorgement Ordered:	\$987,611
Number of persons assessed:	1

Civil Cases

Persons Enjoined:	
Statutory Restraining Orders	58
Preliminary Injunctions	20
Permanent Injunctions	53
Equity Receivers Appointed:	2
Assets Placed Under Receiver's Protection:	\$0
Amount of Civil Monetary Penalties:	\$110,044,932
Number of persons assessed:	47
Amount of Restitution or Disgorgement Ordered:	\$103,627,584
Number of persons assessed):	43

¹ This report includes only those sanctions that became final during FY 2003. This includes sanctions assessed in settled matters and unappealed decisions of the Commission, U.S. district courts, or U.S. courts of appeals.

Division of Market Oversight

Overview

The primary responsibility of the Division of Market Oversight (DMO) 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, DMO helps ensure that the markets are performing the vital economic functions of price discovery and risk transfer (hedging). DMO also carries out the Commodity Futures Trading Commission's (CFTC's or Commission's) market surveillance and trade practice oversight programs for these markets. DMO staff conducts examinations of exchange compliance programs and monitors daily trading activity, positions of large traders and supply and demand factors affecting prices. DMO also reviews products listed by exchanges and 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 2003

- Implementation of the Commodity Futures Modernization Act of 2000 (CFMA).** DMO continued implementing the CFMA's fundamental changes regarding the operation of trading facilities. DMO continued to address issues related to the implementation of the CFMA. Among other things, DMO developed procedures related to the access provisions and the price-discovery requirements for exempt markets under the Commodity Exchange Act (Act). These procedures will become proposed rules early in the next fiscal year.
- Security Futures Product (SFP) Trading.** During this fiscal year, staff of each of DMO'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 procedures and practices regarding trading in SFPs. Staff also considered draft 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. Commission staff worked closely with the staff of the SEC to develop policy for speculative position limits for cash-settled SFPs. Staff of the Market Surveillance and Market Compliance Sections worked closely with Securities Exchange Commission (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 are 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.

Trading in SFPs began on two newly-designated futures exchanges – NQLX Futures Exchange and OneChicago (OCX) -- in November 2002. Staff worked closely with those exchanges as well as the SIAC and the OCC to ensure that required data on trading activity and large traders were timely and accurate. Surveillance paid special attention to activity throughout the first year of trading in these new products, looking at price volatility, volumes, numbers of open contracts, types of large traders, and the pricing of SFPs relative to the underlying securities.

- Contract Market Designation Applications.** DMO staff led interdivisional teams reviewing four new contract market applications during this fiscal year. These reviews resulted in one new designation (three

applications were 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 2003, the exchanges submitted to the Commission 348 filings to list new futures and option contracts. Of the 348 contracts filed, 6 were submitted for Commission approval, and the remainder were submitted under exchange self-certification procedures. Of the 342 contracts filed under certification procedures, 214 contracts were SFPs.
- **Exempt Markets.** During the fiscal year, DMO reviewed notice filings from and issued acknowledgment letters to two exempt contract markets (ECMs). DMO 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 exempt boards of trade.
- **Contract Market Rule Enforcement.** DMO staff conducted rule enforcement review examinations of four exchanges' compliance programs during FY 2003. Staff reviewed the self-regulatory programs at the Kansas City Board of Trade (KCBT), New York Mercantile Exchange (NYMEX), Chicago Mercantile Exchange (CME), and BrokerTec Futures Exchange (BTEX). The examinations included an analysis of KCBT's and BTEX's trade practice surveillance, audit trail, and disciplinary programs, while the NYMEX and CME reviews evaluated those exchanges' market surveillance programs.
- **Surveillance of Energy Futures Markets.** Energy futures prices were high and volatile during the year as a result of geopolitical tensions, low inventories, supply disruptions, and strong demand for heating fuels stimulated by a cold winter and for gasoline resulting from a strong driving season. Surveillance staff intensively monitored activity in the energy markets during this period. The New York Mercantile Exchange launched many new energy contracts, including more than a dozen natural gas basis swap contracts, three electricity contracts, and inter- and intra-commodity swaps in petroleum and petroleum products. These contracts presented challenges to market surveillance and its market information operation, both in the number of contracts and their unique characteristics, such as daily and weekly expirations for electricity futures contracts and negative prices on several basis swaps.

The following is a summary of significant matters handled by DMO'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 works 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 2003:

- **Financial Markets.** The buildup to military intervention in Iraq, the war and its aftermath, fears of deflation, long-awaited recovery in the economy, corporate scandals, and concern about job growth dominated financial markets during the year. Stocks began a strong rally in March. The Federal Reserve Board (FRB) lowered the target fed funds rate to 1.00% in June, culminating a 2 ½ -year period during which this rate fell from 6.50%. Long-term interest rates were volatile during the year, first dropping to 45-year lows in June. At that point, 10-year Treasury notes yielded as low as 3.07%, reflecting deflation fears, mortgage security duration hedging (owing to record levels of home mortgage refinancing, in the face of low borrowing rates), and the prospect of FRB purchase of Treasury coupon issues to stimulate the economy and fight deflation. But in mid-June, long-term yields turned up, with stronger economic news and prospects, and a downplaying by FRB officials of deflation concerns and the likelihood of FRB intervention on the long end of the yield curve. Again, mortgage security hedging further propelled the move, but this time to higher yields, which reached 4.66% by late summer. The dollar dropped significantly during the year, reflecting massive U.S. current account deficits and a growing Federal budget deficit. 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.** The cattle market held the Commission's attention often in FY 2003. On May 20, after the discovery of a cow with Bovine Spongiform Encephalopathy (BSE) in Canada, the USDA banned Canadian cattle and beef imports. The cutoff of imports from Canada, and the increased US exports to countries that would normally have gotten beef supplies from Canada, bolstered U.S. prices. By Fall 2003, U.S. cattle numbers declined sharply, slaughter weights were relatively light, and U.S. consumer demand for beef remained strong. These factors caused cash and futures cattle prices to reach all-time highs. During this period, the surveillance staff monitored the cattle markets very closely and made many contacts with the exchange, the largest futures traders, and industry participants.

Soybean prices were relatively low during most of the year on forecasts of near-record production. During the late summer and fall, however, prices rose sharply as dry growing conditions trimmed yields and estimated production declined to 2.47 billion bushels, the smallest since 1996. Additionally, China imported massive quantities of soybeans during this period, pushing their imports to a record 21.4 million tons. As the smaller size of the crop became apparent, both domestic and foreign buyers had to scramble to acquire U.S. soybeans. Staff intensified its surveillance activity of the August soybean expiration, in collaboration with staff of the Chicago Board of Trade (CBOT), examining very closely the economics of taking delivery of soybeans during this expiration.

Cocoa prices reached 17-year highs of \$2,420 per ton in late January on fears that a civil war that broke out in September 2002 in Ivory Coast would disrupt both the harvesting and exporting of cocoa from the world's largest producer. These concerns exacerbated an already tight U.S. supply situation, as exchange-licensed inventories fell to multi-year lows early in the year. Prices subsequently fell sharply after a French-brokered cease-fire between the warring factions in Ivory Coast allayed market concerns of supply disruptions. Prices continued to decline throughout the spring as it became evident to the market that output from Ivory Coast would ultimately result in the country's second largest harvest on record, and combined with bumper harvests from other leading producing countries, a new global production record appeared likely. Prices have generally traded in a \$1400 to \$1600 range since the spring, weighed down by weak consumption due to the sluggish global economy and the record summer heat wave throughout Europe that reduced cocoa consumption in this important consuming region. Because of the political instability in Ivory Coast and the low levels of exchange stocks, Market Surveillance staff closely monitored all cocoa expirations this year to assure orderly liquidations in each future.

Energy Markets. Crude oil futures prices spent much of the year above \$30 a barrel due, at least in part, to major global supply disruptions. Rapid increases in oil prices were exhibited from December 2002 into the early part of 2003. This rise in prices culminated in nearby prices just below \$40 a barrel in February 2003, which represented the highest oil prices since October of 1990. Numerous forces exerted upward

price pressure including a prolonged political strike in Venezuela that resulted in severe reductions in crude oil production and exports, a cold winter in the U.S., and fears that an impending conflict with Iraq could reduce Middle Eastern oil supplies. Oil price increases were magnified greatly due to historically low levels of oil inventories in the U.S. and elsewhere. Shortly after the commencement of the Iraq War in March, the total cessation of exports from the war-torn country and serious export disruptions from Nigeria due to civil unrest further exacerbated the supply tightness in the global crude oil market. Market Surveillance staff carefully monitored the monthly crude oil expirations during this period of significant price volatility to assure that the actions of large traders did not exacerbate an already tight supply and demand balance.

Natural gas prices spiked sharply higher as the expiration of the NYMEX March 2003 Henry Hub futures contract approached. During the last several days of trading the price of this future rose from \$6.162 per million BTU's (MMBtu) to an all-time high of \$11.899. Cash market prices rose even more sharply, as Henry Hub prices reached as high as \$22.00, while New York City prices jumped as high as \$40. Strong demand from a colder than normal winter drove natural gas storage to critically low levels. By the end of February, total U.S. storage stood at just 838 billion cubic feet – down by 54 percent from the same time in 2002, and down by 42 percent from the five-year average for that week. During the week of the expiration of the March 2003 contract, an intense cold front moved into the eastern half of the U.S., while, at the same time, forecasters were calling for below normal temperatures to persist into early March. The cold weather caused congestion and mechanical problems at various natural gas production and distribution facilities. That, combined with the overall low levels of storage, and expectations for demand to remain strong, sent natural gas shippers and large end users into the spot market to secure supplies. In doing so, prices of available supplies were bid up to extremely high levels. During the March expiration, Market Surveillance staff closely monitored prices on cash and futures markets, as well as the activities of large traders on the NYMEX. The staff collaborated with the Federal Energy Regulatory Commission (FERC) in studying cash and futures activity during this period. Both agencies concluded that the price spike was caused by fundamental demand and supply factors and was not the result of market manipulation.

Heating oil prices also experienced considerable volatility during this period. On February 28, the last day of trading for the March 2003 NYMEX heating oil contract, the price of the March future settled up 10.16 cents per gallon (pg) from the previous day's settlement, at \$1.2559 pg -- the highest settlement price ever recorded for a NYMEX heating oil contract. Late in the trading session, the price of the March future hit a high of \$1.313 pg -- the highest intraday price ever recorded. However, the higher prices and volatility were not confined to that day alone, since late November 2002 a large number of contract highs in heating oil were achieved. A number of factors contributed to the sharply higher heating oil prices. Below normal temperatures in the U.S. Northeast during January and February led to record demand for distillates. As a result, the Energy Information Administration (EIA) reported that East Coast distillate stocks had fallen to just 17.1 million barrels on February 28, which was the lowest level ever recorded for a comparable week. Forecasts for continued cold weather, record high natural gas prices, high crude oil prices, and the growing certainty of a military conflict against Iraq with uncertain consequences, all worked to perpetuate the higher prices and volatility. Market Surveillance staff closely analyzed both inter- and intra-day trading activity for the last trading day of the March 2003 future and gathered information from traders concerning the events that transpired during the expiration. Based on this review, staff found no evidence of improper trading activity during this expiration.

The September 2003 gasoline future required very close surveillance. During August 2003, there was a significant increase in gasoline prices in futures, wholesale, and retail markets. On August 25, the September futures settlement price peaked at \$1.1163 pg, up by about 18 percent from the beginning of the month. Gasoline cash prices in New York Harbor rose by an even greater 31 percent during that period, trading at about \$1.25 pg on August 25. At the retail level, the EIA reported that average U.S. retail prices hit an all-time-high of \$1.74 pg on that day. A break in a major gasoline pipeline in Arizona, and refinery outages caused by the massive power outage in the Northeast on August 14, worked to disrupt supplies. At the same time, according to the EIA, gasoline demand soared to a record-high average of 9.7 million

barrels per day during the week ended August 22. As a result, total U.S. gasoline stocks fell to just 191.2 million barrels that week – their lowest levels since November 17, 2000. Because of the tightness in the market, numerous contacts were made with NYMEX surveillance staff and traders with large positions in the September future. Traders were made aware that the expiration was being monitored closely, and were informed of the Commission’s desire for an orderly liquidation. The future did, in fact, expire in an orderly manner, with cash and futures prices trading in close tandem, and relatively few deliveries taking place.

Large Trader Reporting

The addition of single-stock futures in November presented the Section’s Market Information Group (MIG) with one of its most bracing challenges ever. In order to minimize the start-up costs to two new exchanges, the CFTC adapted its large trader reporting system to mesh with security market systems already in place at OCC and SIAC. This, plus a reorganization of workload in MIG, accommodated the addition of the many new reporting entities, and an increase in reporting audits, without adding manpower.

Studies

Staff of the Market Surveillance Section initiated several studies during the fiscal year. Areas of significant interest include a study of activities in the cattle markets, a study of financial exposure of very large traders across multiple markets, and the development of new surveillance techniques for surveillance of security futures products.

- **Cattle.** Market Surveillance staff in Chicago examined the market impact and trading activity surrounding the discovery of one cow with BSE in Canada and USDA’s immediate ban on the importation of Canadian cattle and beef. Staff kept the Commission apprised of developments both in the Canadian investigation of the source and the spread of BSE and the impact on U.S. markets. Among the issues examined were the potential for traders to have had advanced knowledge of the BSE news and, acting on that news in cattle futures, the impact on prices—cash and futures—of the cut off of significant imports of Canadian beef and cattle, the later allegations that certain traders were spreading rumors about the lifting of the ban in order to affect prices, and an assessment of the impact on markets and cattle futures deliveries when live cattle from Canada would be allowed into the U.S. To date, staff has found no evidence of illegal futures trading activity related to the ban on Canadian beef and cattle.
- **Financial Exposure.** Several major market sectors reacted strongly to the anticipation of war in Iraq: US stocks weakened, bonds strengthened, the dollar dropped, and energy and precious metals shot up. But they then reversed following the end of major hostilities in late April. In response, the Market Surveillance Section developed and employed new tools to examine the multi-market exposures of very large traders, and cooperated with Commission’s Division of Clearance and Intermediary Oversight (DCIO) and the exchanges in the interpretation of this information.
- **New Surveillance Techniques.** The start of security futures products in November also necessitated the development of new surveillance tools. Automatic downloads of salient market information on individual stocks into new large-trader database functionality permitted the additional surveillance of over 214 new contracts on two exchanges, so far without adding manpower.

Market and Product Review Section

In order to serve the vital price-discovery and hedging functions of futures and option markets, exchanges must provide consumers safe marketplaces that have appropriate protections in place and provisions for ensuring the integrity of contracts traded. Exchanges must list products for trading that are not readily susceptible to manipulation and do not lead to price distortions or disruptions in the futures or option markets and in the underlying cash markets. Adherence to the approval criteria and core principles and appropriate contract design minimizes market disruptions and the susceptibility of the contracts to manipulation or price distortion.

The Market and Product Review Section, in cooperation with other offices of the Commission, reviews exchanges' applications for approval as a contract market or as a Derivatives Transaction Execution Facility (DTEF) to ensure that the exchange is in compliance with approval criteria and core principles and Commission regulations for futures exchanges and DTEFs. The Market and Product Review Section also reviews filings by exempt markets and, on an ongoing basis, reviews these entities to ascertain whether they comply with statutory requirements.

The section also reviews requests from exchanges for approval of new contracts and rule amendments to existing contracts to ensure that contracts are in compliance with statutory and regulatory anti-manipulation requirements. It also conducts pre-surveillance reviews of new products and rule changes of economic significance submitted under certification procedures to provide information about the markets and product design features to ensure that contracts and rules comply with statutory requirements as well as Commission's rules and policies. The reviews foster markets free of disruptions or price manipulation and provide essential information to conduct effective market surveillance and address regulatory and public interest issues. In this regard, 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 contracts.

In addition, in cooperation with other Commission staff, Market and Product Review staff reviews the Commission's rules and policies related to oversight of regulated and exempt markets and products to ensure that the Commission's regulatory program is achieving Commission goals and does not hinder innovation. In cooperation with the Office of International Affairs (OIA), the Market and Product Review Section works with foreign regulatory bodies as members of international working groups to provide assistance and expertise about futures and option trading, product design, surveillance, and the regulation of derivatives markets. The Market and Product Review Section also provides support to the Commission's Division of Enforcement (DOE) in the form of economic analysis in connection with manipulation cases or other violations of commodity laws.

The Market and Product Review Section also reviews 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 statutory mandates. These rule submissions often present complex new trading procedures and market structures, as well as financial arrangements that raise novel issues.

New Contract Market Designations

On August 6, 2003, the Commission granted contract market designation to CBOE Futures Exchange, LLC (CFE). CFE is owned and operated by the Chicago Board Options Exchange, Incorporated (CBOE). CFE's Department of Market Regulation, consisting generally of CBOE/CFE joint employees, will carry out most self-regulatory functions for CFE, including market and financial surveillance and trade practice investigations, while the OCC will provide clearing and settlement services for the new exchange. CFE will use the CBOE matching engine, known as *CBOEdirect*, as the platform for its electronic trading facility. CFE initially intends to trade products based on broad-based indexes and may later trade security futures products. CFE is the sixth contract market designated since implementation of the CFMA.

Exempt Markets

During the fiscal year, the Market Review Branch reviewed notice filings and issued acknowledgement letters to two exempt commercial markets (ECMs), TFS Energy, LLC (TFS) and the Chicago Climate Exchange, Inc. (CCX). TFS is based in Stamford, Connecticut, and trades weather derivatives, while CCX trades derivatives based on environmental commodities, such as emission allowances. 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.

New Futures & Option Contract Filings

New contracts may be filed under exchange self certification procedures or the exchange may request Commission approval of the contract. During FY 2003, 348 new contracts were submitted, including 134 non-SFP futures and option contracts and 214 new security futures products. Exchanges requested Commission approval of six of the contracts filed, while 342 contracts were filed under exchange self-certification procedures. Highlights of the new contracts filed this fiscal year are as follows:

- **U.S. Equity Indexes.** Exchanges submitted certification filings for various stock index futures and option contracts. These include the CME's Russell 1000 futures and options contracts, Select 50 TRAKRS futures contract and LMC TRAKRS futures contract, and the NQLX' Russell 1000, Russell 1000 Growth, and Russell 1000 Value futures contracts. In addition, the New York Cotton Exchange (NYCE) and the New York Futures Exchange (NYFE) certified the Russell 1000, Russell 1000 Growth, and Russell 1000 Value futures and option contracts, as well as contract certifications by the NYCE that are identical to contracts previously approved for the NYFE. Those contracts include the NYSE Composite Index futures and option contracts, NYSE Small Composite Index and NYSE Large Composite futures contracts, Russell 1000 mini futures contract, and Russell 3000 futures and option contracts.
- **Petroleum and Natural Gas Swaps.** The NYMEX filed under certification procedures 48 new energy futures contracts based on natural gas (26 contracts) and petroleum products (22 contracts) representing the price of the commodity at a particular production, distribution, or consumption points in North America. Most of these new contracts represented an innovative approach to futures trading in that the contracts are cash-settled futures with terms and conditions that mirror over-the-counter (OTC) natural gas and petroleum derivatives products. The exchange stated that these exchange-traded natural gas and petroleum swap futures contracts were developed in an effort to offer the industry an alternative market to the OTC products. These contracts provide additional hedging and pricing opportunities for participants in the petroleum and natural gas markets in that these contracts, when used in combination with the actively-traded Henry Hub natural gas and light sweet crude oil futures contracts, can provide more effective hedging vehicles by dramatically reducing basis risk. In addition, NYMEX submitted a crude oil calendar swap futures contract.
- **Agricultural Products.** In this fiscal year, the Chicago Board of Trade (CBOT) submitted approval requests for new mini-futures contracts in corn, soybeans, and wheat. In addition, the Minneapolis Grain Exchange (MGE) submitted under certification procedures hard wheat futures and futures option contracts, and the CBOT submitted a soybean board crush option contract. The terms of the CBOT's new physical-delivery mini futures contracts are identical to those of the MidAmerica Commodity Exchange's (MCE's) corn, soybean, and wheat futures contracts. In that regard, the Commission approved a related CBOT proposal to transfer the open interest in the MCE contracts to the corresponding new CBOT mini contracts. The mini contracts are intended to provide continued risk-management opportunities for smaller producers and commercial users who formerly traded the MCE's contracts on these commodities. The CBOT's soybean board crush option contract, which prices spreads between the CBOT's soybean, soybean oil, and soybean meal futures contracts, reflects the quantities of soybean oil and meal that can be produced from a given quantity of soybeans. The contract is designed to facilitate the hedging activities of soybean processors and other market participants. The MGE's hard wheat futures contract is cash-settled based on an average of cash bids for hard red winter wheat reported by a large number of grain elevators located in the primary hard red winter wheat production area. The futures contract differs from the established wheat futures contracts in that it is cash-settled and the contract's prices reflect an average of wheat prices in the overall production area, rather than a limited number of locations. The hard wheat contracts are intended to provide additional risk-management opportunities for producers and commercial users of hard red winter wheat.
- **SFPs.** During FY 2003, a total of 214 security futures products were submitted under certification procedures. NQLX Futures Exchange certified 104 SFPs and OCX certified 110 SFPs. Underlying these SFPs are 116 different stocks, eight different exchange-traded funds, and 15 different narrow-based

indexes. Prior to the certifications of the first SFPs, DMO staff worked extensively with other offices of the Commission and the SEC in the development of regulations that implemented the provisions of the CFMA relating to the lifting of the ban on security futures. DMO staff also assisted in the development of listing standards related to the requirements for the initial listing of an SFP. As part of its review process, DMO staff ensures that all SFPs filed under certification procedures comply with these listing standards.

- **Interest Rates.** The CME filed under certification procedures mini versions of the 28-Day Mexican TIEE and 91-Day Mexican CETES futures and option contracts. Those contracts, which are smaller versions of contracts that the Commission previously had approved in 1997, price short-term Mexican interest rates.
- **Weather-Related Instruments.** The CME filed under certification procedures 30 weather-related index futures and option contracts. These contracts are based on indexes of accumulated temperature variations, *i.e.*, heating and cooling degree days, over a specified period (either one month or five months) for a particular city. The CME contracts include 10 degree days index futures and option contracts, representing one month of temperature variation data, on seven cities in the U.S. -- Boston, Massachusetts; Kansas City, Missouri; Minneapolis, Minnesota; Houston, Texas; and Sacramento, California. In addition, the CME filed 20 seasonal degree days futures and option contracts, representing five months of temperature variation data, for the following cities: Atlanta, Georgia; Chicago, Illinois; Cincinnati, Ohio; Dallas, Texas; Des Moines, Iowa; Las Vegas, Nevada; New York, New York; Philadelphia, Pennsylvania; Portland, Oregon; and Tucson, Arizona. These innovative contracts are designed to provide risk-management tools to help businesses protect against potential adverse effects of unexpected or unfavorable weather conditions, including potential declines in revenue due to depressed demand or increased costs.
- **Currencies.** The NYCE filed under certification procedures new currency futures and option contracts based on the Hungarian forint and Czech koruna. It also filed currency cross-rate futures and option contracts based on the Euro-Hungarian forint and Euro-Czech koruna. The Hungarian forint and the Czech koruna are the first currencies from emerging Eastern European countries to underlie futures contracts traded in the U.S.
- **Non-Equity Indexes.** A number of new contracts were filed this fiscal year based on various non-security indexes. These include the CME's Euro TRAKRS futures contract and the CME\$Index futures and option contracts. The Euro TRAKRS contract is based on the euro-dollar exchange rate and the Euro Overnight Index Average (EOIA), which is an overnight interest rate. The CME\$Index future is a physically-delivered currency index contract based on the euro, British pound, Japanese yen, Swiss franc, Canadian dollar, Australian dollar, and Swedish krona. In addition, the NYCE filed new contract certifications for Reuters Commodity Research Bureau (CRB) Index futures and option contracts; these contracts previously had been approved for the NYFE. Finally, the CME filed under certification procedures the Dow Jones-AIG Commodity Index TRAKRS futures contract.
- **Regional Electricity Contracts.** Contracts approved by the Commission this fiscal year include three additional electricity futures contracts, including the NYMEX PJM (Pennsylvania-New Jersey-Maryland) calendar-month daily locational marginal price (LMP) swap, the PJM calendar-week daily LMP swap, and the PJM day-ahead LMP swap futures contracts. In addition, the NYMEX filed under certification procedures three additional electricity contracts based on three zones (zones A, B, and C) of the New York ISO (independent system operator) market. These contracts provide electricity market participants risk-management tools to respond to the evolving electricity cash market. In this regard, there are regional differences in the supply and demand for electricity, resulting in pricing differences in the cash market. These contracts were designed to meet the specialized hedging needs of firms in the electricity industry as a result of the ongoing restructuring of that industry.

Significant Rule Changes to Contract Terms and Conditions

During FY 2003, the Product Review Branch processed 241 amendments to contract terms and conditions for existing futures and option contracts, including 95 amendments that were deemed economically significant.

Nineteen of those economically significant rule changes were submitted for Commission review and approval, while 76 rule changes were filed under exchange self-certification procedures. Significant rule changes reviewed by the Product Review Branch this year included:

- Changes to the CME live cattle futures contract relating to spot-month speculative position limits, delivery points, and the maximum deliverable weight of cattle.
- Revisions to the MGE's spring futures contract to grant delivery receivers the right to require delivery warehouse operators to load out non-genetically modified spring wheat against warehouse receipts received in delivery on the futures contract.
- Changes to the CME live cattle futures contract requiring delivery of cattle that have been born and raised exclusively within the U.S. if the USDA adopts regulations providing for the implementation of the Country of Origin Labeling provisions of the Farm Security and Rural Investment Act of 2002.
- Modifications to the cash-settlement provision of the CBOT long-term municipal bond futures contract amending the cash-settlement index composition standards so that the index includes at least 100, but no more than 250, bonds and revising the index calculation procedure by basing the index's values on the average yield of the bonds included in the index.
- Establishment of procedures for calculating daily and final settlement prices for OCX cash-settled security futures products.
- Establishment of procedures for calculating speculative position limits for OCX narrow-based index futures contracts.
- Modifications to the CME's butter futures contract eliminating delivery of fresh butter, thereby requiring all deliverable product to be frozen.
- Adoption of position accountability provisions in lieu of non-spot month speculative position limits for the Coffee, Sugar & Cocoa Exchange's (CSCE) coffee 'C' futures contract.

Significant Market-Related Rule Changes

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 Branch 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. During FY 2003, the Market Review Branch processed 236 exchange submissions including 1445 new rules and rule amendments. Six of the submissions were submitted for Commission approval, while 230 submissions were filed under exchange self-certification procedures. Significant rule changes reviewed by the Market Review Branch this year included:

- Establishment of customer margin rules for security futures products (SFPs) to be traded on the OCX, NASDAQ-LIFFE Futures Exchange (NQLX) and CME.
- Modifications to trading halt procedures for the trading of SFPs at NQLX.
- Adoption of market-maker rules at NQLX and OCX that established the obligations and rights for members making a market in SFPs.
- Changes to NYMEX rules implementing the migration of trading from ACCESS to the ClearPort automated trading system.

- Adoption of rules governing permissible and impermissible pre-execution discussions at CBOT and NQLX.
- Adoption of a new set of summary disciplinary rules with respect to off-floor member conduct at the Coffee, Sugar, and Cocoa Exchange (CSCE), NYFE and NYCE.
- Establishment of anti-money laundering rules at NYMEX and CBOT.
- Adoption of special transfer trade procedures at NYMEX in the event of a member merger or purchase.

Foreign Stock Offerings in the U.S.

The Product Review Branch provides the Commission's Office of the General Counsel (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 U.S. During FY 2003, the Product Review Branch completed economic analyses in support of the issuance of no-action letters for five such index contracts: the SGX-DT's MSCI Japan Index futures contract; Osaka Stock Exchange's FTSE Japan Index and MSCI Japan Index futures contracts; and Euronext's AEX Index and AEX Light Index futures contracts.

Placement of Electronic Terminals in the U.S.

The Commission continued its 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 U.S. without requiring contract market designation for those boards of trade. During FY 2003, the Market Review Branch issued three separate amended foreign terminal no-action letters to the International Petroleum Exchange (IPE) of London permitting it to make its Brent futures and gas oil futures contracts available for trading in the U.S. through the Intercontinental Exchange's (ICE's) trading system. (ICE, which is also an ECM, purchased IPE's owner holding company in June 2001.)

Initiatives to Encourage Trading In OTC and ECM Energy Products

In January 2003, the Commission issued two orders, originally drafted by the Market Review Branch, which lowered certain barriers to trading energy products on ECMs and in OTC markets. On January 9, 2003, the Commission issued an order that deems registered floor brokers and floor traders, when acting in a proprietary trading capacity, to be "eligible commercial entities." Thus, floor brokers and floor traders are permitted to enter into transactions in exempt commodities on ECMs that meet the requirements of section 2(h)(3)-(5) of the Act. In order to participate, the floor broker or floor trader must: be a member of or have trading privileges on a DCM, have as part of its business the business of acting as a floor broker or floor trader or performing an equivalent function on a DCM's electronic market, and either be an eligible contract participant (ECP) or have its trades on the ECM guaranteed by a clearing member that is both a member of a Commission-registered derivatives clearing organization DCO and an ECP.

On January 29, 2003, the Commission issued an order that deemed registered NYMEX floor brokers and floor traders, when acting in a proprietary trading capacity, to be ECPs, thus permitting them to enter into certain specified OTC transactions in exempt commodities executed pursuant to section 2(h)(1) of the Act. In order to participate, the floor broker or floor trader must have its OTC trades guaranteed by, and cleared at NYMEX by, a NYMEX clearing member that is an futures commission merchant (FCM) and that meets certain specified minimum working capital requirements. Permissible transactions are limited to trading in a commodity that is listed only for clearing at NYMEX or that is listed for trading and clearing and NYMEX rules provide for exchanges of futures for swaps in that contract. Floor brokers and floor traders may not enter into OTC transactions opposite other floor brokers or floor traders in contracts that are listed for trading on NYMEX. Finally, NYMEX must have appropriate compliance systems in place to monitor the OTC transactions.

Studies

Staff of the Market and Product Review Section initiated several studies during the fiscal year. Two areas of significant interest include activities in the cattle and crude oil markets.

- **Live Cattle.** The Product Review Branch continued its 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.
- **Crude Oil.** The Product Review Branch initiated a study of the crude oil futures contract. The study will evaluate the futures contract's delivery provisions in regard to their compliance with the requirements of the Act given changes in the cash market for crude oil, in general, and at the Cushing, Oklahoma, delivery point, more specifically.

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 monitors 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 the Commission's DOE.

In addition, Market Compliance staff, in cooperation with other offices of the Commission, reviews exchange applications for approval as a contract market or DTEF to ensure that the exchange is in compliance with those aspects of the approval criteria and core principles that relate to an exchange's compliance and surveillance programs. Market Compliance staff also participate in the review of exchange rules and rule amendments concerning trading practices, disciplinary matters, and audit trails.

Rule Enforcement Reviews

In FY 2003, the Market Compliance Section completed four rule enforcement reviews of exchange compliance programs:

- **Kansas City Board of Trade.** On February 26, 2003, the Market Compliance Section completed a rule enforcement review of the KCBT. Staff assessed KCBT's compliance with core principles under the Commission's regulations that relate to the exchange's audit trail, trade practice surveillance, disciplinary, and dispute resolution programs. The review also covered core principles that relate to exchange governance. The target period for the review was June 1, 2001, to June 1, 2002. Compliance staff found that KCBT maintains adequate self-regulatory programs in each of the areas reviewed. In particular, the exchange's audit trail program provides for the recording and safe storage of trade information in a manner that allows staff to use the information to assist in the prevention of customer and market abuses and to provide evidence of rule violations. In addition, the exchange uses computerized surveillance, floor surveillance, and routine trade practice investigations to monitor for possible trading abuses, and

investigations were generally thorough, well documented, and completed in a timely manner. The review recommended that KCBT: (1) increase the scope of investigations in which a large number of audit trail violations are identified to determine whether those violations may have facilitated substantive trading violations; and (2) increase the amount of trading activity it examines beyond that which it routinely reviews in those cases where a member has previously been disciplined for similar wrongdoing.

- **New York Mercantile Exchange.** On June 18, 2003, the Market Compliance Section completed a rule enforcement review of NYMEX's market surveillance program. The review covered the target period of September 1, 2001, to September 1, 2002. Staff found that NYMEX maintains an adequate market surveillance program. NYMEX conducts daily monitoring of futures and cash-market prices, market news, volume, open interest, deliverable supply, clearing member and large trader positions, and data on available supply and demand relating to each NYMEX contract. The exchange also heightens surveillance during the expiration month to ensure the orderly liquidation of contracts. In addition, NYMEX maintains a large trader reporting system that provides an automated means of detecting violations of the exchange's speculative position limits or speculative limit exemptions. Further, the exchange has an adequate program for investigating possible market-surveillance-related rule violations, and its investigations were thorough and well documented. Staff recommended that the exchange review its program for examining exchanges of futures-for-physicals (EFP) transactions and implement modifications necessary to ensure that an adequate number of Commodity Exchange, Inc. (a division of NYMEX) EFPs are scrutinized, and improve the timeliness of EFP and exchanges-of-futures-for-swaps inquiries.
- **Chicago Mercantile Exchange.** On July 30, 2003, the Market Compliance Section completed a rule enforcement review of the CME. The review evaluated CME's compliance with core principles related to market surveillance. The target period for the review was September 1, 2001, to September 1, 2003. Staff found that the CME maintains an adequate market surveillance program. CME staff uses information gathered from daily review of cash and futures prices, spread differentials, volume, open interest, large trader and clearing member positions, supply and demand fundamentals, and market news in connection with routine surveillance of market activity and contract expirations. CME also has adequate procedures for reviewing hedge exemption applications and for monitoring for possible speculative limit violations and traders who exceed position accountability levels. In addition, the exchange's speculative position limit investigations and position accountability inquiries were thorough and well documented, and speculative limit investigations were completed in a timely manner. However, DMO found that several of the exchange's position accountability inquiries closed during the target period were open for lengthy periods of time. Accordingly, staff recommended that the exchange promptly follow up on information requests related to accountability inquiries and, if a response is not immediately forthcoming, to take appropriate action. DMO also recommended that the CME implement modifications to its EFP program that ensure that an adequate number of currency and interest rate EFPs are examined for compliance with exchange rules.
- **BTEX.** On September 30, 2003, the Market Compliance Section completed a rule enforcement review of the BTEX. The review evaluated the exchange's compliance with the Commission's core principles that relate to market surveillance, audit trail, trade practice surveillance, and disciplinary programs. These programs are conducted for BTEX on a contract basis, under BTEX's supervision, by the National Futures Association (NFA). The review covered the target period of November 30, 2001, to November 30, 2002, BTEX's first year of operation. Staff found that NFA has adequate programs in place to monitor BTEX's markets. With regard to market surveillance, on a daily basis, NFA reviews futures and cash prices, volume, open interest, clearing member and large trader positions, and market news relating to each BTEX contract. In conducting trade practice surveillance, NFA uses various exception reports to identify possible trading violations, and monitors trading on a real-time basis. Staff also found that inquiries and investigations conducted by NFA were generally thorough, well-documented, and completed in a timely manner. The review resulted in one recommendation for improvement: That BTEX review its program for monitoring block and EFP transactions and implement modifications necessary to ensure examination of an adequate number of such transactions.

Studies

Staff of the Market Compliance Section initiated two studies during the fiscal year. In a joint study with the Division of Clearing and Intermediary Oversight, staff is reviewing the regulatory structure of self-regulatory organizations in light of changes occurring in the futures industry, such as increasing market competition and demutualization. Among other things, the review will consider the structural changes that have occurred in the industry and the effect on the services offered by exchange members and by SROs, as well as the effect of such changes on the SRO-member relationship. Market Compliance staff is also conducting a study of surveillance methods used to detect trading abuses on electronic trading systems, and whether certain trading abuses may be unique to the electronic environment.

Division of Clearing & Intermediary Oversight

The mission of the Division of Clearing and Intermediary Oversight (DCIO) 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. DCIO oversees the compliance activities of the futures industry SROs, which include the U.S. commodity exchanges and the NFA and derivatives clearing organizations (DCOs). DCIO'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. DCIO also monitors market movements for potential financial impact on clearing firms and DCOs.

Protecting the Economic Integrity of the Markets

CME/CBOT Common Clearing Link

In April of 2003, the Chicago Board of Trade (CBOT) entered into an arrangement by which it will clear contracts with the Chicago Mercantile Exchange (CME), establishing a clearing link between them. CBT and CME are working to resolve the technical and regulatory issues necessary to implement the clearing link, both together and with the Board of Trade Clearing Corp. (BOTCC), through which CBOT currently clears. The clearing link is intended to provide efficiencies both in processing transactions and in utilization of capital. This arrangement furthers the Commodity Futures Modernization Act's goal of supporting innovation in the futures industry. The Commission approved rules submitted by the CBOT and CME to ensure orderly implementation of the arrangement, and to enhance legal certainty, and financial integrity and customer protection in the futures markets.

London Clearing House

The Commission amended its Order registering the London Clearing House (LCH) as a DCO to permit LCH to clear contracts traded on U.S. contract markets. LCH was the first foreign entity to obtain registration as a DCO. It is now also the first foreign entity to be permitted to clear on behalf of U.S. exchanges. The Commission Order addressed, among other things, the treatment of customer funds and bankruptcy issues.

Clearing and the Energy Markets

On February 5, 2003 the Commission jointly sponsored, with the Federal Energy Regulatory Commission (FERC), a technical conference on clearing and its potential benefits for mitigating risk in the energy markets. The aim of the conference, "Credit Issues & Potential Solutions in Energy Markets," was to educate FERC and energy market participants about how clearing works and to explore the feasibility of utilizing clearing to address the credit issues that exist in the energy markets. Actions of certain energy market participants to manipulate prices were the impetus for the conference. These actions led to a weakening of confidence in the cash prices for energy products and contributed to a drain on liquidity. DCIO staff coordinated two of the three panels, on which a dozen CFTC and industry experts participated in the presentations and subsequent discussions.

OTC Derivatives and Clearing

The CFMA authorized the clearing of over-the-counter (OTC) derivatives transactions. Specifically, the law gave the CFTC (in addition to the Securities and Exchange Commission and U.S. federal banking authorities) express regulatory authority over clearinghouses that seek to provide multilateral clearing services for OTC derivatives. Currently there are four CFTC-regulated clearinghouses that provide multilateral clearing services for OTC derivative transactions: the London Clearing House, the New York Mercantile Exchange clearinghouse, the Guaranty Clearing Corporation and EnergyClear Corporation. The Commission has

initiated discussions with various industry participants as to whether the regulated futures clearing model is the best model for OTC clearing.

Infrastructure Protection

The Financial and Banking Information Infrastructure Committee (FBIIC) is a group of federal and state financial regulators who work to coordinate their efforts to improve the security and resiliency of infrastructure supporting the U.S. financial system. DCIO 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, cybersecurity, and coordinating agency responses to emergencies. The Commission also has worked with the SROs and clearing organizations to review their continuity of operations 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.

Protecting Market Users and the Public

Registration and Other Relief for Certain Commodity Pool Operators and Commodity Trading Advisors

During FY 2003, the Commission proposed and adopted a series of rule amendments relating to commodity pool operators (CPOs) and commodity trading advisors (CTAs) to address concerns raised in its September 2002 roundtable on issues facing the managed funds industry, as well as the Commission's 2002 Report on its study of regulation of intermediaries. These changes included:

- (1) elimination of any trading or marketing restrictions under Rule 4.5, which excludes certain "otherwise regulated" persons, such as registered investment companies, regulated insurance companies and banks, and trustees of pension plans subject to the Employee Retirement Income Security Act, from the definition of CPO;
- (2) exemption from CPO registration where pool participants are limited to either (a) natural persons who are Commission or SEC registrants, and insiders and their family members, or (b) non-natural persons that are "accredited investors" or "knowledgeable employees" under SEC rules, "qualified eligible persons" under Commission Rule 4.7, and certain other persons; and
- (3) exemption from CPO registration if the pool operator limits trading such that no more than five percent of the liquidation value of the pool's portfolio is committed as margin or premium for commodity interests, or the aggregate notional value of the pool's commodity interest positions does not exceed 100 percent of the liquidation value of the pool's portfolio, and the pool participants are limited to accredited investors.

CTAs who advise any of the foregoing pools are similarly exempt from registration. The final rules adopted in August 2003 also permit CPOs additional use of electronic communications to provide information to participants, eliminate duplicative regulatory requirements for "master/feeder fund" pool structures, and clarify other Commission requirements for CPOs and CTAs.

Bunched Orders

In June 2003, the Commission adopted rule amendments to Commission Rule 1.35(a-1)(5). Commission Rule 1.35 (a-1)(5) permits certain account managers to bunch customer orders together for execution and to allocate the fills to individual accounts at the end of the day. The Commission amended the rule to expand the availability of bunching, simplify the process, and clarify the respective responsibilities of account managers and FCMs. The new rule streamlines trade execution, and facilitates the execution of small orders, which can

result in better fills for customers. Faster trade execution also can be beneficial in more volatile markets and in instruments traded with shorter time horizons.

Core Principle for CTAs' Presentation of Partially Funded Account Performance

In March 2003, the Commission proposed to amend its rules regarding CTA past performance presentation to permit that nominal account size, rather than actual funds, be used as the basis for calculating rates of return for partially funded accounts. The proposal also requested comment on the adoption of a core principle approach for presentation of CTA past performance. In July 2003, the Commission adopted a core principle for presentation of CTAs' partially funded accounts. The core principle requires that such presentation be balanced and not in violation of the Commission's antifraud provisions. In adopting this rule, the Commission stated that the core principle would not preclude the development of more specific guidance, by self-regulatory organizations or others. The Commission also confirmed that CTAs following the specific rules it proposed in March 2003 would be in compliance with the core principle. Portions of the proposed changes that applied more broadly to CTA performance presentation were addressed in a Federal Register release on other Part 4 rule changes adopted in August 2003.

Risk-Based Capital

During FY 2003, the Commission proposed rules modernizing the regulatory minimum capital requirements for FCMs and IBs. The proposed amendments to minimum capital regulations would incorporate "risk-based" calculations that are based on the margin levels of futures and option positions carried by an FCM. Margin-based capital rules have been adopted by BOTCC, CBOT, CME, and NFA, and FCMs must currently comply with the greater of such margin-based requirements or the Commission's capital requirement that is based on a percentage of the customer funds held at FCMs. The proposed rule amendments also would reduce the time periods allowed before an FCM must take a capital charge for outstanding margin calls, and would permit IBs to file financial statements solely with the NFA instead of with both the NFA and the Commission. The proposed rules also include revisions that would harmonize reporting requirements for FCMs that are registered with the U.S. Securities and Exchange Commission as broker-dealers. The risk-based approach for FCM minimum capital requirements would ensure that a firm's capital requirement reflected the risks of the futures and option positions it carries. The Commission expects to adopt final rules in late 2004.

Updating and Streamlining Financial Condition Filing Requirements

In FY 2003 Commission staff coordinated with industry participants to revise the financial condition reporting forms that FCMs must file with the Commission, in order to reflect the Commission's anticipated adoption of risk-based capital rules. In addition, Commission staff tested a program with the NFA that enabled IBs to simplify the process of complying with the requirement to file unaudited financial reports with the Commission and the NFA. The program permitted an IB to file its unaudited reports with the NFA only, which then forwarded the information electronically to the Commission. The Commission sought public comment in FY 2003 on whether to permit IBs to employ the same filing process with respect to the IB's certified annual report, and anticipates amending its regulations to provide that IBs may file their unaudited and audited financial reports solely with NFA, which will forward electronic versions of the reports to the Commission.

Risk Management

The Commission is finalizing development of Stressing Positions at Risk (SPARK), a risk management application that will help DCIO to be proactive in monitoring firm exposure. The application provides DCIO with financial surveillance tools to summarize financial data in a quick and efficient manner and to assess trader losses from risky positions that have caused firms to become undersegregated and/or undercapitalized. The application uses existing data the Commission receives from firm financial filings and large trader reports.

Cooperative Efforts Regarding SFPs

On December 30, 2002, the Commission and the SEC submitted a joint report to the FRB concerning the exercise of authority delegated by the Board to the Commission and the SEC to prescribe customer margin

rules for security futures products. The Board had requested that the Commission and the SEC submit such an annual report. The Commission and the SEC also worked throughout FY 2003 to develop a Memorandum of Understanding (MOU) to clarify the ability of each agency to conduct inspections of notice-registered intermediaries, exchanges, and limited purpose national securities associations.

Implementation of the USA PATRIOT ACT

During the past year, DCIO staff has continued to participate in an interagency working group and an internal Commission task force responsible for implementing the anti-money laundering (AML) provisions of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT ACT). In these roles, DCIO staff has reviewed, drafted and provided comments concerning a number of AML rulemakings and reports issued by the U.S. Department of Treasury (Treasury). These include a report to Congress containing recommendations for effective regulations to apply the reporting and recordkeeping provisions of the Bank Secrecy Act to investment companies and personal holding companies; final rules that require FCMs and IBs to adopt and implement customer identification programs; proposed rules requiring suspicious activity reporting by FCMs and IBs; and proposed rules requiring AML program compliance by investment advisers and CTAs. DCIO staff also worked to refine the Commission's in-house AML training program, which was presented to Commission staff in June 2003. As additional AML rulemakings are conceived and developed, DCIO staff will continue to provide input and assistance to Treasury. If Treasury delegates its AML examination and enforcement authority to the Commission, DCIO staff will assist in developing requisite Commission rules and an appropriate audit and enforcement program.

Oversight of Registered Futures Associations

The Commission oversees the NFA registration program through frequent contacts with NFA staff members on specific matters, formal reviews by the Commission of NFA programs, and the Registration Working Group (RWG), which convenes quarterly to allow CFTC and NFA staff to discuss issues of mutual interest concerning registration.

During FY 2003, the RWG discussed, among other things: (1) conditional registration of floor brokers and floor trader registrants; (2) issues arising from FCMs conducting off-exchange retail foreign currency transactions; (3) implementation of NFA's online registration system; and (4) Rule 30.5 exemptions from Commission 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.

In FY 2003, the Commission authorized NFA to conduct reviews of annual financial reports filed with the Commission by CPOs and to grant and deny certain requests for extensions of time to file such reports. Additionally, the Commission authorized NFA to serve as the official custodian of these records. The Commission also amended Part 4 of its rules to make clear that CPO and CTA disclosure documents, notices of eligibility, claims of exemption, and annual financial reports and requests for extensions of time to file such reports for commodity pools, need be filed only with NFA and need not also be filed with the Commission. Commission orders in December 2002 and March 2003 expanded the review functions the Commission delegated to NFA in a 1997 order. As part of this process, Commission staff gained access to an NFA database that includes information about these filings, which assists the Commission in conducting oversight of NFA's conduct of its CPO and CTA DSRO responsibilities.

During FY 2003, a number of NFA rule changes were approved by the Commission or permitted to go into effect:

- **Foreign Exchange (Forex) Dealer Members.** In August 2003, the Commission approved amendments to NFA Bylaws 306 and 1301, and NFA Compliance Rule 2-36. These amendments expanded the definition of “Forex Dealer Member” to include more FCMs that act as counterparties in off-exchange retail foreign currency transactions, increased membership fees for Forex Dealer Members, and made Forex Dealer Members liable for the acts of non-NFA members who introduce business to them. The Commission also approved new NFA Financial Requirements establishing requirements for net capital and retail customer security deposits for Forex Dealer Members, as well as a new Interpretive Notice explaining the various rule changes concerning Forex.
- **Business Continuity and Disaster Recovery Plans.** In April 2003, the Commission approved the adoption of NFA Compliance Rule 2-38 and an Interpretive Notice to Compliance Rule 2-38. The rule requires each NFA member to establish and maintain a written business continuity and disaster recovery plan outlining the procedures to be followed in the event of an emergency or significant business disruption. The interpretive notice provides guidance on the essential components of an effective business continuity plan and what is required to maintain that plan.
- **Electronic Communications.** In July 2003, the Commission approved amendments to NFA Registration Rules 203, 204, 801, and 802 that facilitated the electronic filing of petitions for exemption from registration under Commission Rule 30.5 for foreign firms acting as IBs, CPOs, or CTAs with respect to foreign futures and options, as well as electronic designation of NFA as agent for service of process in the U.S. The Commission also approved amendments to NFA Registration Rule 202 and NFA Bylaw 301(j), regarding the electronic posting of membership notifications on the NFA online registration system (ORS).
- **Ethics Training Requirements.** In April 2003, the Commission approved an Interpretive Notice to NFA Compliance Rule 2-9 providing further guidance on the manner in which an NFA member may meet its ethics training requirements.
- **Enhanced Supervisory Procedures.** In March 2003, amendments to the Interpretive Notice to NFA Compliance Rule 2-9 became effective under the “10-day” provision without Commission review. The interpretive notice requires firms that employ a significant number of associated persons who have previously worked for “Disciplined Firms” to adopt enhanced supervisory procedures. The amendments provided that APs who have been employed for a cumulative total of less than 60 days at a Disciplined Firm more than ten years ago will not be included in determining whether a firm is subject to the enhanced supervisory requirements. In addition, the definition of “Disciplined Firm” was updated to include firms that have been barred from doing business by the SEC or National Association of Securities Dealers because of deceptive sales practices involving security futures products.
- **Security Futures Products.** In November 2002, amendments to NFA Compliance Rule 2-30 and the interpretive notice entitled Risk Disclosure Statement for Security Futures Contracts became effective under the “10-day” provision without Commission review. In May 2003, amendments to the Interpretive Notice to NFA Compliance Rules 2-7 and 2-24 and Registration Rule 401 became effective under the “10-day” provision without Commission review. The amendments provide that an existing training option for security futures product proficiency requirements may be exercised by all new registrants who take the Series 3 or Series 30 exam and apply for registration before revised examinations become available.
- **Fee Reductions.** In December 2002, amendments to NFA Bylaw 1301(b) became effective under the “10-day” provision without Commission review. The amendments reduced assessment fees charged to FCM members to \$.06 per round-turn for futures contracts and \$.03 per options transaction. This represented the fifth reduction in NFA assessment fees since July 2001, when the fees were \$.18 per round-turn for futures contracts and \$.09 per options transaction.

Fostering Open, Competitive and Financially Sound Markets

DCIO conducts a financial surveillance program and oversees the self-regulatory programs of NFA and the exchanges, which include audits, daily financial surveillance, and other self-regulatory programs. Through this combination of direct examination and SRO oversight DCIO ensures that FCM and IB registrants maintain required capital and that appropriate custodians hold customer funds in segregation.

In November of 2002, DCIO staff began to completely redevelop the oversight examination programs for SROs to harmonize them with the objectives of the CFMA. The oversight examination process required substantial revision in order to transform traditional compliance-based examination programs into risk-based, functional programs addressing applicable core principle issues for designated contract markets. The Clearing and Intermediary Oversight staff completed the revised oversight examination programs in early 2003.

These programs were first implemented in an SRO oversight examination of the CME, which was initiated in February 2003. The examination covered five functional areas: Financial Capacity; Customer Protection; Risk Management; Market Move Surveillance and Stress Testing; and Operational Capability. In addition, four CME member-FCMs were selected for direct testing to independently evaluate the results of CME's program of examination and supervision for these firms. A final report will be completed in late 2003.

DCIO staff also have developed a program for conducting oversight of DCO compliance with CFMA core principles. As part of the development process, staff provided draft materials to the DCOs and met separately with each DCO to discuss the nature and content of the oversight program. DCIO has commenced a review of NYMEX in its capacity as both a DCO and SRO in August 2003. In addition to the five functional areas described above, this review also will cover risk-based examination of compliance with DCO core principles.

DCIO's financial surveillance and audit program also fostered the furtherance of sound financial practices in FY 2003 through:

- Review of 4,366 financial reports filed by registrants
- Direct audits of 20 FCMs and IBs
- Processing of 178 risk-assessment filings
- Issuance of 4 warning and non-compliance letters
- Follow-up of 178 required special notices reporting events such as reductions of capital of registered firms
- Conduct of 64 major market move reviews

Promoting an Effective, Flexible Regulatory Environment

DCIO has continued its efforts to modernize regulatory requirements and ensure a flexible regulatory environment that can accommodate the profound changes occurring in the global futures marketplace.

In FY 2003, DCIO 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 455 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 4300 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:

Treatment of Customer Funds

In January 2003, the Commission adopted Rule 1.49, which governs the treatment of customer funds that are denominated in currencies other than U.S. dollars or that are held outside of the U.S. The rule, among other things, provides that FCM obligations owed to customers may be held in: (1) U.S. dollars; (2) in a currency in which funds were deposited by the customer, or converted at the request of the customer, to the extent of such deposits and conversions; or (3) in a currency in which funds have accrued to the customer as a result of trading on a designated contract market or registered derivatives transaction execution facility. The rule permits an FCM or DCO generally to hold customer funds consisting of any currency in the U.S. or any money center country (as defined under Rule 1.49). In addition, customer funds in any currency generally may be held in the country of origin of the currency, but in no event may customer funds be held in any of the restricted countries subject to sanctions by the Office of Foreign Assets Control of the U.S. Department of Treasury. The subordination requirement of Financial and Segregation Interpretation No. 12, which previously governed the treatment of customer funds not denominated in U.S. dollars or held outside the U.S., has been eliminated, and bankruptcy distribution issues are addressed through an amendment to the Commission's bankruptcy rules.

During FY 2003, the Commission proposed amendments to Rule 1.25 governing the investment of customer funds. These amendments would, among other things, allow FCMs and DCOs to engage in repurchase agreements with securities deposited by customers subject to certain conditions, and modify the portfolio time-to-maturity requirements for securities deposited in connection with certain collateral management programs of DCOs pursuant to certain conditions. The Commission also requested comments concerning whether the portfolio time-to-maturity requirement should be modified for portfolios consisting exclusively of Treasury securities; whether the restriction on embedded derivatives should be modified; whether the list of permitted benchmarks for variable rate securities should be expanded; and whether the concentration limits on reverse repurchase agreements should be changed. The proposal is part of the Commission's continuing effort to facilitate the safe and efficient handling of customer funds.

In August 2003, DCIO responded to a bank's request for an interpretation that a deposit account product it had developed would be acceptable for the deposit of customer segregated funds in accordance with Commission Rule 1.20. Based on an analysis of the account, DCIO issued an interpretation that the account would be acceptable as a deposit location as the account would be properly titled and covered by appropriate acknowledgements by the bank, and the funds in the account would at all times be immediately available for withdrawal on demand. DCIO also confirmed that as the account was acceptable for the deposit of segregated funds, the account also was adequate to fulfill the requirements of Commission Rule 30.7 with respect to secured amounts.

Foreign Futures and Options

- ***Rule 30.5 Exemption from Registration for Certain Foreign Firms***

In July 2003, the Commission adopted rule amendments to Commission Rule 30.5 to facilitate the electronic filing of petitions for registration exemptions under Rule 30.5. The registration exemptions are available to foreign firms acting as IBs, CPOs, or CTAs with respect to foreign futures and options. The amendments were adopted in conjunction with the approval of amended NFA rules for electronic filing of Rule 30.5 petitions.

- ***Domestic Trading by a Rule 30.10 Recipient***

In July 2003, DCIO issued a no-action letter to permit a United Kingdom branch of an international bank to introduce customers located in the U.S. to a registered FCM that also is an affiliate of the bank without being registered with the Commission as an IB. Pursuant to Commission Rule 30.10, the UK branch has been granted an exemption from registration as an FCM for purposes of offering foreign futures and options to U.S. customers. As the UK branch is not permitted to handle orders for U.S. customers to be executed on U.S. exchanges, no-action relief was necessary to permit the UK branch to act as an IB to the U.S. FCM for purposes of trading U.S. exchange-traded futures and options.

- ***Comparability Relief for Australian Entities***

In June 2003, the Commission issued an order under Rule 30.10 granting the application for relief by the ASX Futures Exchange Proprietary Limited (ASXF), a subsidiary of the Australian Stock Exchange, on behalf of certain firms located and doing business in Australia. 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 Commodity Exchange Act or complying with Commission rules, based upon substituted compliance with applicable Australian law and ASXF rules.

- ***Revised Comparability Relief for U.K. Entities***

The Commission revised and consolidated various orders issued under Commission Rule 30.10 to U.K. regulatory and self-regulatory bodies in light of reorganization of the U.K. financial regulatory structure. In September 2003, the Commission issued a consolidated order granting relief to the U.K. Financial Services Authority and entities subject to its regulation.

Eligible Contract Participant Definition

In March 2003, in response to a request for relief from a bank and its various subsidiaries, the Commission issued an order providing that, subject to certain conditions, Single Asset Development Borrowers (SADB) that have a natural person, who is an eligible contract participant, acting as a guarantor for the SADBs' over-the-counter derivatives transactions, are "eligible contract participants" as that term is defined under Section 1a(12) of the Commodity Exchange Act. Accordingly, subject to conditions set forth in the Commission's order, an SADB acting for its own account, whose obligations are guaranteed by a natural person who is an eligible contract participant, is permitted to enter into certain over-the-counter derivatives transactions pursuant to Section 2(c), 2(d)(1) and 2(g) of the Commodity Exchange Act.

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 2003, the OCE provided technical support to the Division of Enforcement on a number of cases regarding alleged fraud and manipulation in energy and foreign exchange markets. 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 market and Commission initiatives. Staff members participated in the development of policies concerning new derivative instruments and trading mechanisms in futures markets. 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 related to designated clearing organizations and intermediaries, 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 develop and conduct a training series on futures, options, and their regulation.

On another educational front, OCE staff have contributed to the US Department of Agriculture's Risk Management Education (RME) effort by participating in RME conferences and seminars and serving on grant review panels.

OCE staff members present their research findings to industry conferences and academic annual meetings and frequently have those findings published in refereed academic journals. During FY 2003, staff papers presented or published in this way covered topics relating to price discovery, hedging and risk aversion, market evolution in developing countries and factors affecting derivatives market success or failure. Papers were accepted for publication or published in academic journals such as The Journal of Finance, The Journal of Business, and The Journal of Futures Markets.

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 assists 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 2003, 27 Commission cases were pending before U.S. courts of appeals. In large measure, these appeals involve matters arising from the Commission's enforcement program. Other appellate cases stem from the Commission's review of actions taken by commodity exchanges, the National Futures Association or from the Commission's customer-broker reparations program.

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 2003, OGC appeared before the U.S. courts of appeals and defended enforcement decisions rendered by the Commission in the following noteworthy cases:

Piasio v. CFTC, [2002-2003 Transfer Binder] *Comm. Fut. L. Rep. (CCH)* ¶ 29,251 (2^d Cir. 2002); *Wilson v. CFTC*, 322 F.3d 555 (8th Cir. 2003). In these companion cases, the U.S. Court of Appeals for the Second Circuit and the U.S. Court of Appeals for the Eighth Circuit each separately affirmed a Commission decision holding Alfred R. Piasio, a commodity broker, and Donald W. Wilson, a commodity floor trader, liable for their participation in illegal wash sale transactions, in violation of Section 4c(a)(A) of the Commodity Exchange Act, 7 U.S.C. § 6c(a)(A). A wash sale is a form of non-competitive trade. On December 31, 2002, the Second Circuit ruled in Mr. Piasio's appeal that the Commission had acted reasonably in finding that the evidence established Mr. Piasio's liability. Subsequently, on March 11, 2002, the Eighth Circuit deferred to the Commission's interpretation of the statutory wash sale prohibition. The court also ruled that, under Commission precedent, as a floor broker, Wilson was responsible for evaluating the orders he received for indications that his participation in the transactions was legally prohibited and could not rely upon a broker to determine the orders' validity. Each circuit court also determined that the Commission had acted reasonably in imposing sanctions, consisting of a \$40,000 fine and cease-and-desist order against Mr. Piasio, and a \$25,000 fine and six-month trading suspension against Mr. Wilson.

Brenner v. CFTC, 338 F.3d 713 (7th Cir. 2003). On July 30, 2003, the U.S. Court of Appeals for the Seventh Circuit affirmed the Commission's imposition of a lifetime commodity trading ban upon Steven C. Brenner, and its assessment of fines against Mr. Brenner and his wife for violating an earlier trading ban. Mr. Brenner's trading transgressions began in 1986 when the Commission ordered him to pay damages for excessively trading a customer's commodity trading account. In failing to pay the award, Mr. Brenner became

automatically barred from trading on Commission-regulated markets, as provided in the Commodity Exchange Act. Mr. Brenner nonetheless traded U.S. markets between 1987 and 1994. That conduct resulted in a Commission-ordered 10-year trading ban and \$10,000 fine, a federal district court injunction, and his subsequent guilty plea for willfully disobeying the injunction. Still undeterred, Mr. Brenner traded U.S. markets in 1995 to 1999 through accounts opened in the names of other people, including his wife who facilitated her husband's scheme. That conduct led to the Commission's order against both Brenners on review before the Seventh Circuit. The court of appeals found that the Brenners' liability was founded upon legally sufficient evidence, not mere suspicion and conjecture. Given the nature of the Brenners' violations, their unwillingness to reform their conduct, and Mr. Brenner's long history of flouting Commission authority, the court found no abuse of the Commission's discretion in sanctioning the Brenners. The court also found that, contrary to their argument, neither the Commodity Exchange Act nor Commission precedent entitled the Brenners to a separate administrative hearing before sanctions could be imposed.

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

During FY 2003, OGC represented the Commission in appeals from decisions rendered by U.S. district courts in the following noteworthy cases:

CFTC v. R.J. Fitzgerald & Co., Inc., et al., 310 F.3d 1321 (11th Cir. 2002). On October 29, 2002, the U.S. Court of Appeals for the Eleventh Circuit granted the Commission's appeal and, in principal part, reversed a district court's entry of judgment against the Commission. It determined that defendants Raymond and Leiza Fitzgerald and the company they operated committed solicitation fraud as a matter of law. In so holding, the court of appeals contributed to the body of case law governing commodities fraud by succinctly summarizing the standards applied by the courts and the Commission over the last several years. Most significantly, the court recognized solicitation fraud under the CEA often involves a broker's alluring portrayal of a customer's mostly theoretical opportunities for profit and the concurrent minimizing of the true risk of loss involved. Specifically, the court of appeals held that it was misleading and deceptive for this broker "to speak of 'limited risk' and '200-300' percent profits without also telling the reasonable listener that the overwhelming bulk of firm customers lose money." 310 F.3d at 1333. The court of appeals held that defendants' failure to disclose to potential investors their own unsuccessful track record, when combined with misleading statements regarding profit potential, was, as a matter of law, a material omission of fact. The court concluded, "[t]his case serves as a pungent reminder that *caveat emptor* has no place in the realm of federal commodities fraud," where "customers must be zealously protected from deceptive statements by brokers who deal in these highly complex and inherently risky financial instruments." *Id.* at 1334. The broker in this case has petitioned the court to rehear the appeal.

CFTC v. Matrix Trading Group, Inc., et al., No. 03-13123-JJ (11th Cir.). In this pending appeal, the district court found that the defendants violated the CEA by fraudulently soliciting retail customers to trade commodity options. The district court entered a permanent injunction against the defendants and ordered them to pay restitution to customers who were defrauded. On appeal, the defendants argued that the trial court's finding of fraud was contrary to the evidence; there was no likelihood that the defendants would commit future violations; and the trial court erred in awarding restitution because the issue was not tried, the elements required to award restitution were not met, and the amount of the award was incorrect and unsubstantiated. The Commission has urged the court of appeals to affirm the judgment of the district court.

Other Litigation Involving the Enforcement Program

OGC also occasionally defends the Commission in a variety of other actions commenced in the U.S. district courts and the U.S. courts of appeals. These matters most frequently involve challenges to the Commission's ability to investigate possible fraudulent activity. There were no such matters filed in FY 2003.

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 2003, OGC appeared in two such cases, one of which was decided by the court.

Melton v. Pasqua and CFTC, 339 F.3d 222 (4th Cir. 2003). The issue in this case involved whether the customer and his broker had entered into an enforceable settlement of their dispute, as the broker maintained, or whether the parties remained free to litigate their dispute, as the customer maintained and the Administrative Law Judge (ALJ) found. In reversing the ALJ, the Commission determined that the parties had entered into a valid settlement agreement and the reparation proceeding should have been dismissed. The court of appeals agreed with the Commission. Specifically, the court concluded although it was appropriate for the ALJ to conduct an evidentiary hearing to determine whether a written settlement agreement was valid, the evidence adduced demonstrated that the Commission correctly held that the agreement was valid and should have been enforced. Consequently, the customer's complaint was properly dismissed from the reparations forum.

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 2003, OGC handled three such matters on behalf of the Commission, the most notable of which is summarized below:

Stephen Bronte Advisors, LLC v. CFTC, No. 02-73241 (9th Cir.). Exercising authority delegated to it by the Commission, the National Futures Association found that Stephen Bronte Advisors, LLC, was statutorily disqualified from registration for "good cause" because its sole principal gave false and misleading testimony under oath regarding his work as a commodity trading advisor and pool operator. Bronte sought review of the NFA decision before the Commission and the Commission affirmed. Before the court of appeals, petitioner argued that the Commission's interpretation of the CEA regarding "good cause" is erroneous and not entitled to judicial deference; the Commission lacks authority to adjudicate the state law crime of perjury; the evidence does not support NFA's findings; and, finally, that continued registration would pose no risk to the public. The Commission responded that it has properly interpreted the CEA; the weight of the evidence establishes that the petitioner was subject to a statutory disqualification; and the petitioner has not shown that continued registration would pose no risk to the public. This appeal remains pending.

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, and the Privacy Act, and defends the Commission's interests in a variety of State court and administrative cases.
- OGC defends the Commission's interests when parties seek to enjoin or to compel Commission action. These matters may arise from the Commission's adjudicatory docket or from regulatory activity. *E.g., Hirschberg v. CFTC*, [2002-2003 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 29,570 (N.D. Ill. 2003) (suit to compel the Commission to decide a registration matter in applicants' favor dismissed).

- 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 14 third-party subpoena matters, one of which is summarized below:

Sanner v. Board of Trade of the City of Chicago, No. 89c8467 (N.D. Ill. 2003). Two CFTC employees testified in this jury trial in early October of 2002. The underlying litigation, to which the CFTC is not a party, concerns an Emergency Resolution imposed by an exchange, the Board of Trade of the City of Chicago, on July 11, 1989, that required liquidation of large positions in soybeans, including positions held by a firm named Ferruzzi Finanziaria. Subsequent regulatory and congressional inquiries focused on whether Ferruzzi had been attempting to corner the soybean market. The CFTC employees were called to testify concerning the Commission activities during this time in question as well as the Commission's subsequent investigation. Following the completion of certain testimony, the court entered a directed verdict in favor of the Board of Trade of the City of Chicago.

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 2003, OGC monitored 14 bankruptcy cases and actively participated in 7 of those cases. The following noteworthy matters were addressed during FY 2003.

- In energy-related affairs, OGC filed claims to protect the Commission's interest in fines in several bankruptcy proceedings. *In re Enron Corp.*, No. 01-16034(AJG) (Bankr. S.D.N.Y.); *In re Mirant Corp.*, No. 03-46590-bjh11 (Bankr. N.D. Tex.); *In re NRG Energy, Inc.*, No. 03-13024 (PCB) (Bankr. S.D.N.Y.).
- In cases of fines or restitution owed, 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 Purser*, No. 02-41975 (Bankr. D. Utah). 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 Alan J. Stein*, No. 00-32636 (Bankr. W.D.N.C.).

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 six cases during FY 2003.

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 2003, including those outlined below.

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

During FY 2003, the Commission issued several decisions resolving questions raised in the context of administrative enforcement actions.

- ***In re Brenner***, CFTC Docket No. 00-08 (October 2, 2002). A Commission ALJ granted summary disposition to the Division of Enforcement in this proceeding against a married couple. The ALJ found that the undisputed facts showed that the husband traded contracts on a Commission-regulated exchange while he was subject to a Commission-imposed trading prohibition, and that the wife aided and abetted the unlawful conduct. On appeal, the Commission concluded that only some of the Complaint's allegations could be reliably determined without a hearing. In light of its *de novo* review of the record, the Commission found that the record established three instances where the husband traded contrary to an outstanding trading prohibition and one instance where the wife aided and abetted her husband's wrongdoing. The Commission imposed a cease and desist order and civil money penalty on both respondents. In view of the husband's repeated misconduct, the Commission also imposed a lifetime trading prohibition on him.
- ***In re Nikkiah***, CFTC Docket No. 95-13 (April 11, 2003). A Commission ALJ refused to impose a civil money penalty on respondent because the record did not reliably establish that he had a positive net worth. On appeal, the Commission agreed that there was insufficient reliable evidence to determine net worth. In addition, because the ALJ sustained respondent's objections to the Division of Enforcement's discovery requests, the Commission held that discovery sanctions such as adverse inferences could not be used to supplement the evidence in the record. Nevertheless, because the ALJ failed to give the Division of Enforcement a fair opportunity to develop the record on relevant issues, the Commission vacated his decision and remanded for further proceedings.
- ***In re R&W Technical Services, Ltd.***, CFTC Docket No. 96-3 (August 6, 2003). The civil money penalty that the Commission initially imposed on respondents was vacated on review by the United States Court of Appeals for the Fifth Circuit. In remanding to an ALJ for additional fact-finding, the Commission noted that the court's decision required that the calculation of an appropriate civil money penalty for respondents begin with their net profits. In determining which expenses were properly deductible from gross profits, the Commission instructed the ALJ to apply principles drawn from federal decisions involving disgorgement. In addition, it held that the Division of Enforcement must establish net profits with reasonable precision based on actual revenue and expenses. Finally, in light of the court's specific instructions, the Commission held that the civil money penalty imposed on respondents could not include a premium that raised the penalty above the amount of net profits established on the record.

- ***In re Slusser***, CFTC Docket No. 94-14 (February 28, 2003). The civil money penalty that the Commission initially imposed on respondents was vacated on review by the United States Court of Appeals for the Seventh Circuit. In remanding to an ALJ for additional fact-finding, the Commission noted that the court had concluded that the number of violations raised in the proceeding was the same as the number of counts included in the Complaint. While the Commission acknowledged that it was bound by the court's conclusion, it indicated that normally it did not equate the number of violations at issue in a proceeding with the number of counts in a Complaint and explained that it would continue to apply a broad but common sense approach to calculating the number of violations at issue in a proceeding. In addition, the Commission instructed the ALJ to make an independent determination of the civil money penalty appropriate to the individual respondent and the two corporate respondents, rather than impose joint and several liability for a single civil penalty.

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

During FY 2003, the Commission resolved several significant appeals from decisions in reparations actions.

- ***Halbur v. Refco, LLC***, CFTC Docket No. 02-R030 (June 30, 2003). During written settlement discussions with complainant's attorney, respondents' attorney contended that the claims were untimely under a one-year limitations period contained in the account agreement that complainant signed. He warned that if respondents successfully sued for enforcement of the contract in U.S. District Court, complainant would be responsible for costs and attorney fees. The presiding ALJ gave counsel an opportunity to withdraw what the judge characterized as "specious arguments" and a "threatening stance." When counsel failed to take this step, the ALJ debarred him from appearing as respondents' counsel during the proceeding. After the parties settled their dispute, respondents' former counsel appealed from the ALJ's debarment order. The Commission vacated the debarment because the record did not support the ALJ's finding that counsel's conduct was contemptuous. In this regard, the Commission noted that an assessment of attorney conduct must take into account each party's right to vigorous advocacy by counsel.
- ***Hussain v. Saul Stone & Co.***, CFTC Docket No. 98-R153 (April 22, 2003). A Commission ALJ dismissed complainant's claim for unauthorized trading and misrepresentation arising out of a forced liquidation that followed his failure to pay a margin call. On appeal, the Commission explained that the ALJ's negative assessment of complainant's credibility was the key to resolving his misrepresentation claim in respondents' favor. As to the unauthorized trading claim, the Commission focused on the role Commission Rule 166.2 played in the context of customers who fail to pay their margin calls. In this regard, the Commission held that once a respondent establishes that a customer received and failed to pay a legitimate margin call, the prior authorization requirement of Rule 166.2 does not apply to trading decisions affecting the undermargined positions. In light of this holding, the Commission affirmed the ALJ's dismissal of all claims raised in the complaint.
- ***Muskus v. Commodity Resource Corporation***, CFTC Docket No. 98-R80 (December 30, 2002); ***Udiskey v. Commodity Resource Corporation***, CFTC Docket No. 98-R81 (December 16, 2002). Both of these cases involved similar allegations of fraudulent inducement, and the parties took similar approaches to developing the record in each case. The two presiding officers who initially considered the cases, however, reached conflicting results. On complainant Udiskey's appeal from a decision dismissing his complaint, the Commission affirmed the result, emphasizing the absence of any indication that the presiding officer clearly erred in resolving the credibility disputes that were at the core of the case. On respondents' appeal from a decision awarding damages to complainant Muskus, the Commission reversed. It faulted the presiding officer for failing to assess the credibility of complainant's testimony in the context of two witnesses who offered testimony that sharply conflicted with complainant's version of the events at issue. Undertaking *de novo* review of the record, the Commission concluded that the evidence supporting complainant's claims was insufficiently reliable to support findings under the weight of the evidence standard.

Decisions Resolving Appeals from Cases Decided by Self-Regulatory Organizations

During FY 2003, the Commission resolved several significant appeals from decisions issued by self-regulatory organizations.

- *McKnight v. National Futures Association*, CFTC Docket No. CRAA 01-01 (December 30, 2002). The National Futures Association sanctioned one of its members after determining that his conduct was contrary to just and equitable principles of trade and involved the exercise of trading discretion in the absence of a written power of attorney signed by the affected customer. On appeal, the Commission rejected the member's claim that he was denied a fundamentally fair proceeding. In addition, the Commission concluded that the record supported the bulk of the findings underlying the National Futures Association's material conclusions. Finally, in the context of the member's challenge to the imposition of a \$5,000 fine, the Commission emphasized that the National Futures Association must be free to create effective incentives for members to take risks, including the risk of losing a job, to avoid involvement with schemes that are unjust or inequitable.

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 2003, OGC reviewed more than 130 matters related to enforcement actions, investigations of illegal activity, and complaints in administrative or judicial actions; and over 60 exchange rule amendments, including a rule amendment regarding the CME amendment to its live cattle futures contract restricting delivery to cattle born and raised in the U.S.

OGC worked closely with the Division of Market Oversight and the Division of Clearing and Intermediary Oversight, in drafting a number of significant rulemakings and regulatory initiatives, including:

- amendments to the new regulatory framework for trading facilities and clearing organizations;
- reporting levels for large trader reports for TRAKRS;
- rules regarding denomination of customer funds and location of depositories;
- a study to provide potential regulatory relief for Commission registrants mandated by the CFMA;
- proposed rules providing an exclusion for certain otherwise regulated persons from the definition of the term "CPO";
- rules providing exemptions from the requirement to register for CPOs of certain pools and CTAs advising such pools;
- order deeming exchange floor brokers and floor traders, registered with the Commission and when acting in a proprietary trading capacity, to be eligible contract participants;
- rules relating to performance data and disclosures for CTAs;
- rules regarding account identification for eligible bunched orders;
- rules providing additional registration relief and other regulatory relief for CPOs and CTAs;

- proposed rules relating to investment of customer funds; and
- proposed rules regarding minimum financial and related reporting requirements for FCMs and IBs.

During FY 2003, OGC was part of the review teams that considered, among others, the contract market designation applications of U.S. Futures Exchange, Hedge Street, Nextrade Futures Exchange and CBOE Futures Exchange. OGC also reviewed the derivatives clearing organization application of the Chicago Board of Trade. 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 2003. 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 broad-based 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 and Regulation 30.10 relief. During FY 2003, Regulation 30.10 relief was granted to the ASX Futures Exchange Party Limited, an Australian exchange, and amendments were made to the Order granting Regulation 30.10 relief to the Financial Services Authority of the United Kingdom. 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, including negotiating an MOU with the government of Ireland.

OGC worked with the Division of Market Oversight, the Division of Enforcement, the Division of Clearing and Intermediary Oversight, and OIA in their activities involving IOSCO. In FY 2003, OGC also participated in IOSCO's Standing Committee on Investment Management. Reports arising out of the work of this committee during the year addressed topics such as investor protection issues relating to public and private futures funds, retail participation in hedge funds, and best practice standards for performance presentations of collective investment schemes in advertisements.

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 Free Trade Agreements with Chile and Singapore, the proposed Free Trade Area of the Americas Agreement and the proposed Free Trade Agreements with Morocco and Australia. 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 options regulation.

Rulemaking and Regulatory Orders

In FY 2003, OGC was actively involved in a number of rulemakings and regulatory orders. Working in conjunction with the operating divisions of the Commission, OGC consulted with the U.S. Treasury Department and various Federal financial regulators to develop anti-money laundering regulations required under the USA Patriot Act. Foremost among these were final rules issued jointly by the Commission and Treasury requiring FCMs and IBs to establish customer identification and verification programs. These rules require identity verification procedures for all new accounts opened after October 1, 2003 (the effective date of the final rules).

OGC also coordinated the Commission's continuing work with Treasury regarding a number of other anti-money laundering regulations required by the USA Patriot Act that will impact the futures industry. These include: 1) proposed rules requiring suspicious transaction reporting by FCMs and IBs; 2) proposed rules requiring CTAs and securities investment advisers to establish anti-money laundering compliance programs; 3) proposed rules relating to correspondent and private banking accounts for non-U.S. institutions and

individuals; 4) implementation of final rules regarding information sharing with law enforcement and between financial institutions; and 5) a report to Congress on recommendations for effective regulations to apply anti-money laundering requirements to investment companies.

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 options contracts.

Regulatory and Legislative Matters

OGC helps to prepare and comments on proposed legislation that would affect the Commission. During FY 2003, OGC consulted with and provided technical assistance to members of Congress and congressional staff concerning the proposed Energy Policy Act of 2003. The Conference Report on this legislation included proposals to amend Section 4b (anti-fraud) and Section 9 (anti-manipulation, false reporting) of the Commodity Exchange Act. The Conference Report for this energy legislation also proposed savings clauses for the Natural Gas Act and the Federal Power Act intended to help clarify the dividing line between the jurisdiction of the Commission and that of the Federal Energy Regulatory Commission.

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.

OGC staff also advised the Commission regarding implementation of rules and regulations issued pursuant to the CFMA, including the implementation of joint rulemakings with the SEC required by the CFMA. OGC also provided legal advice to the Commission concerning: (1) changes in the futures industry and the Commission's regulatory structure, involving issues such as globalization, competition, and exchange demutualization; and (2) coordination with other government agencies, such as the Federal Energy Regulatory Commission relating to the use of energy derivatives products in the markets for natural gas and electricity, and the SEC in areas such as the joint regulation of security futures products.

Administrative Matters

During FY 2003, 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 FOIA and to administrative appeals under FOIA and the Privacy Act. OGC also is responsible for assuring the Commission's compliance with regulatory burden obligations under statutes such as the Paperwork Reduction 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 annual ethics training for CFTC employees. OGC's work in implementing this responsibility included counseling current and former Commission personnel regarding applicable ethics standards and programs, reviewing and certifying public financial disclosure reports, and providing support in coordinating with OGE as appropriate.

OGC also advises the Commission on labor, employment law, and contract 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 2003, OGC handled seven equal employment opportunity cases and two Merit Systems Protection Board cases. OGC handles contract matters in conjunction with the Office of the Executive

Director's Office of Financial Management. In addition to providing continuing legal advice, OGC handled two contract claim matters in FY 2003.

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.

The litigation and opinions cases for FY 2001, FY 2002, and FY 2003 are as follows:

Litigation Docket	FY 2000	FY 2001	FY 2003
Appellate cases involving the CFTC's enforcement cases	32	36	22
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	3
District Court cases	10	8	7
Administrative cases	9	5	11
Subpoenas	5	14	14
Bankruptcy cases monitored	10	10	13
<i>Amicus</i> cases monitored	2	4	6
<hr/>			
Opinions Docket	FY 2000	FY 2001	FY 2003
Total cases beginning of fiscal year	37	29	22
Cases received	33	29	28
Cases completed	41	24	24
Cases pending end of fiscal year:			
SRO	2	4	1
Reparations cases	14	13	11
Enforcement cases	13	17	14
Total	29	34	26

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, Management Operations, 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, and procurement; security and emergency preparedness; mail management; information technology resources; and facilities, furniture, 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).

Pay Parity

Since the May 13, 2002, signing of the Farm Security and Rural Investment Act of 2002, OED has worked to support the design and implementation of a revised system of pay and benefits that would provide parity with other Federal financial regulatory agencies. CFTC committed itself to an ambitious timeframe in order to stem high turnover rates. To support this goal, OED contracted for a consultant to provide expert advice and a third party, objective, outside perspective, to advise the Executive Management Council, and to facilitate input from unions and employees. To that end, OED supported employee focus groups and webcasts that provided crucial input on the program design and resolved numerous related issues, including the impact on existing retention allowance, retirement benefits, and cost-of-living adjustments. The new single-agency CT pay plan that went into effect on April 20, 2003, represents, along with the addition of a dental benefit and the government-wide Flexible Spending Account program, a conservative but effective initial step toward matching practices at the benchmark financial regulators.

Regional and Headquarters Space

OED managed several major changes to its regional and headquarters space in order to accommodate changes in the agency's mission focus. The agency closed the Los Angeles office, offering employees relocation opportunities and providing counseling on the implications of retirement and separation. The closing of the Los Angeles office also involved a substantial effort in sending furniture and equipment to surplus, and relocating some equipment, files, and library materials.

In response to an opportunity to realign headquarters space to implement changes in responsibility under the CFMA, OED engaged in a nine-month renegotiation of its DC lease. OED then managed the internal relocation and build-out of the new space, completing the renovation on-time and within budget. The renovation included several changes to enhance security, including moving the reception area to the first floor, providing mail receipt on the first floor, and aligning entrance to the Commission's primary meeting area to enhance visual security. In addition, the renovated space allowed the placement of staff in the new divisions created to implement the CFMA and co-located staff from divisions previously separated on different floors.

The renovation also provided an opportunity to enhance the Commission's use of video teleconferencing to enhance communications with the regional offices, which has enhanced communication with the regional office and saved money by allowing weekly surveillance briefings, staff meetings, and training to occur without travel. The renovation also provided an opportunity to upgrade the agency's cable infrastructure and to develop a long-range furniture replacement plan.

In addition, OED began negotiations for a larger office in Kansas City to support the expansion of the Division of Enforcement. These negotiations are still in process. In the Chicago office, OED worked with the Office of General Counsel to resolve issues related to the installation of poor quality carpet. During FY 2003, the issues were successfully resolved and new carpet was installed.

Emergency Response

During FY 2003, OED enhanced plans for responding to emergency situations. OED worked with a security consultant to develop an Occupancy Emergency Plan for headquarters, which included plans for shelter in place, the accountability of staff, and the purchase of emergency supplies. A template was created for the regional offices to use in updating their own plans. In addition, OED worked with the consultant to develop a Continuity of Operations Plan (COOP) and explored possible off-site space for Commission operations under a COOP.

Audited Financial Statements

OED began the process of complying with the Accountability for Tax Dollars Act of 2002 (Act), which requires small agencies, for the first time, to provide annual audited financial statements. OED staff developed a statement of work and entered into a contract that will provide financial audit services. Internally, OED staff members are working toward developing the necessary data and expertise that will support audited financial statements. CFTC requested and received a waiver from OMB for the first phase of implementation of the Act.

Technology Initiatives

A substantial part of OED's resources are devoted to providing technology support for the agency's mission and programs. During FY 2003, technology support included:

- Continuing to support the Division of Enforcement's Internet surveillance and investigations, particularly those involving seizure of computer equipment and data.
- Enabling new technology for searching audio taped materials to enhance investigations.
- Enhancing the Division of Enforcement's Monthly Status Report to provide better case management.
- Initiating a contract for development of "Project eLaw." Project eLaw is a CFTC-wide initiative to define requirements for an automated law office that seamlessly integrates technology and work processes to support Commission managers and staff in their investigative, trial, and appellate work.
- Transferring successfully to the electronic submission of all Large Trader Reports into the Integrated Surveillance System (ISS).
- Upgrading the existing Exchange Database System (EDBS) to incorporate electronic exchange data, while developing plans for a near real time replacement system to enhance support for trade practice surveillance.
- Developing a new system for tracking contract market designation applications and rule submissions.
- Providing laptops for on-site audits by the Division of Clearing and Intermediary Oversight.
- Working with Division of Clearing and Intermediary Oversight to design and implement a system for financial risk assessment.
- Establishing enhanced vehicles for document collaboration and project management.
- Upgrading the desktop operating system software to Windows 2000 for all Commission personal computers and installing better quality monitors throughout the Commission.

e-Government

OED continued to focus on the automation of administrative processes, especially in support of the e-Government initiatives to speed and standardize inter-agency transactions. Transition to the e-Clearance system of security investigations and records is complete on all available components. Continuous improvement of in-house systems continued in FY 2003, with new versions of the recruitment tracking and on-line new employee orientation systems. In the area of e-Learning, OED supported the move to linkage to on-line training courses, including OPM's e-Learning Center, and to routine videoconferencing for the continuing series of our industry, legal, and technical program, supervisory training events, and workshops on benefits and other administrative and program matters, resulting in more cohesive, timely, and economical training of the agency's management corps.

Enhanced Management Strategies

OED continued to focus on opportunities for enhanced strategic planning. OED worked with a consultant to redesign the Commission's new five-year strategic plan. The framework for the new strategic plan has been incorporated into the agency's annual performance plan and internal tracking process. The agency received favorable feedback from the Office of Management and Budget on this new approach.

Human Resources Strategies

To assure timely adoption of best practices, OED staff visited other agencies for demonstrations of management systems that support automated inventories of competencies and workforce and succession planning programs. In support of the next stage in our compensation program, focused on pay for performance, OED represents the agency on an interagency project developing an online facility to share information on total compensation programs and outcomes at the financial regulatory agencies. Contributing to agency efforts to reduce turnover and improve recruitment in mission-critical occupations, OED focused the efforts of the Training Advisory Group this year on supervisory training and on implementing enhanced benefits such as flexible spending accounts.

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. Administrative Law Judges (ALJs) or Judgment Officers decide reparations cases. 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 2003, over 66 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 10,000 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 33 cases in FY 2003.

The following statistics reflect the status of reparations complaints and administrative enforcement cases at the end of FY 2002 and FY 2003:

Reparations Complaints	FY 2002	FY 2003
Complaints pending beginning of fiscal year	34	27
Complaints filed or reinstated	80	91
Complaints dismissed or settled	21	15
Complaints forwarded for all types of proceedings	66	74
Complaints pending end of fiscal year	27	29

Enforcement Cases	FY 2002	FY 2003
Cases pending beginning of fiscal year	23	20
Cases received for adjudication ^(a)	20	38
Cases settled	8	7
Decisions issued	15	33
Cases pending end of fiscal year	20	18

Reparations Cases	FY 2002	FY 2003
Cases pending beginning of fiscal year	67	51
Cases received for all types of proceedings ^(b)	69	74
Cases dismissed for cause	3	3
Cases settled	54	34
Cases disposed of by default	12	3
Cases disposed of by initial decision	16	26
Total cases closed	85	66
Cases pending end of fiscal year	51	61

^(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 2003, OIA contributed to this effort by:

- Coordinating Commission activities within IOSCO and its Technical Committee and standing committees, with special focus on issues raised by index products, short-selling, transparency, the Internet, clearing and settlement systems, and cross-border activities of intermediaries;
- Participating in several IOSCO Task Forces, including chairing the IOSCO Implementation Task Force that completed drafting an assessment methodology for the *IOSCO Objectives and Principles of Securities Regulation*, assisting the Internet Task Force in arranging and moderating a North American Round Table, and participating in the IOSCO-CPSS Task Force on Central Counterparties that is developing risk management and default procedure recommendations for central counterparties;
- Coordinating Commission representation in the Council of Securities Commissions of the Americas;
- Coordinating the Commission's representations to Swiss and Australian regulatory authorities that supported the recognition of two U.S. futures exchanges electronic trading systems;
- Coordinating the Commission's comments to the U.S. Treasury Department on various position papers including U.S.-E.U., U.S.-Japan and U.S.-India dialogue;
- Coordinating the Commission's representation to Hague Convention briefing and representing IOSCO at the adoption ceremony;
- Organizing the annual meeting for international regulators during the Futures Industry Association conference, focusing on the Commission's new management team, practical approaches to organizing effective supervision of cross-border business;
- Responding to requests from domestic and international financial regulators for information on the Commission's program and commenting on various reports;
- Obtaining fitness information from foreign regulators to support the NFA's registration program and responding to requests from foreign regulators for fitness information on Commission registrants;
- Assisting NFA in designing its Regulatory Alert System, which provides regulatory information on Commission registrants to participating regulators;
- Providing technical assistance to foreign regulators in FY2003 through 20 in-house meetings with staff at the Commission, six on-site visits by Commission staff to foreign jurisdictions, and a week-long seminar in Chicago that examined 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 2003, over 55 persons representing more than 35 regulatory and market authorities from 28 jurisdictions attended the seminar.

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.

During FY 2003, OEA assisted in the preparation of Congressional testimony by Chairman Newsome before the House Subcommittee on General Farm Commodities and Risk Management and in the submission of material to the Senate Appropriations Subcommittee on Agriculture, Rural Development and Related Agencies, and to the House Appropriations Subcommittee on Agriculture, Rural Development, FDA, and Related Agencies. In addition to formal testimony, OEA coordinated numerous meetings between Chairman Newsome and Members of Congress as well as briefing sessions for Congressional staff on various subjects including: appropriations, market surveillance, energy markets, international competition, and enforcement activities. In addition to its liaison efforts with the Congress, OEA also coordinated the Commission's liaison activities with other federal agencies including: the General Accounting Office, the Small Business Administration, the Federal Energy Regulatory Commission, the Federal Reserve System, the U.S. Treasury Department, the Federal Trade Commission, and the Securities Exchange Commission.

OEA issued 205 press releases and advisories, both printed and via the Commission's Internet Web site, covering the CFTC's regulatory and enforcement activities. OEA also continued to promote other public and legislative outreach initiatives during FY 2003, 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.

OEA continues to publish, update, and distribute 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 bi-lateral and multi-lateral 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, including customer protection and informational brochures entitled, *Futures and Options*, *What You Should Know Before You Trade* and *The CFTC's Reparations Program*, which resolves disputes between commodity customers and commodity professionals. 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 articles relevant to CFTC regulatory concerns. During FY 2003, OEA continued to post information on the Commission's Website (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.

OEA assisted in expanding Website coverage of Commission activities through its newly established *Visitors Program and Other Events* webpage. This new section, for example, spotlights visits to the Commission by members of Congress, officials from other regulator agencies, government-to-government delegations, and academic groups. In addition, OEA posted information on a Homecoming Ceremony held on August 7, 2003, in the Commission's New York Office for the CFTC's seal, which was found warped and scratched in the rubble of the World Trade Center in the aftermath of the September 11, 2001, terrorist attack. The seal was recovered at Ground Zero in early 2002 in reasonably fine shape and is currently displayed on a wooden pedestal in the New York Office.

During FY 2003, OEA assisted over 1,700 domestic and foreign news correspondents in understanding the Commission's regulatory and enforcement activities, customer protection initiatives, rule enforcement reviews, Congressional mandates, and the Commission's goals and accomplishments. In addition, OEA responded to numerous inquiries from the media and general public concerning the CFTC's special customer-protection oriented Consumer Advisories. These Advisories alert the public and potential futures and options customers as to warning or "red flag" signs of possible fraudulent and suspect activity and offer advice as to precautions that customers 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 and settlements, including an enhanced warning to the public about nationwide commodity scams based on the retail offer and sale of off-exchange foreign currency futures and options contracts, and a warning to the public about scams arising out of the possible effect of war with Iraq on commodity prices. OEA also participated in the launch of the Commission's toll-free telephone number to assist members of the public in reporting possible violations of commodities laws (866-FON-CFTC).

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 promotes access to current Commission enforcement, disciplinary, and registration information through the National Futures Association's toll-free Disciplinary Information Access Line (800-676-4NFA). The information line helps customers verify the registration status and disciplinary history of firms and individuals in the futures industry. OEA also provided current information regarding commodity investment fraud for the *Investing Wisely—Commodity Futures* section of the 2004 edition of *The Consumer Action Handbook*, published by the GSA's Federal Consumer Information Center.

In support of the Commission's Division of Enforcement, OEA coordinated a press briefing covering the Commission's ongoing crackdown on foreign currency futures fraud and ancillary efforts to educate customers about these and other commodity scams. In the area of breaking news events, OEA informed and updated the media and other audiences on the Commission's energy trading related enforcement actions and settlements, including the charging of Enron with price manipulation and other illegal acts, and enforcement actions against at least a dozen other energy trading entities that resulted in the assessment of civil monetary penalties of over \$130 million. 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 and a Joint CFTC-FERC Technical Conference on credit issues in the energy market, including making available Conference presentations on the Commission's Web site.

During FY 2003, 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 regulatory efforts to allow greater access to Securities Futures Markets; the issuance of web-based guidance on Security Futures; relief provided to futures firms and clearinghouses; the modernization of rules regarding Commodity Pool Operators and Trading Advisors; and the possible recognition of Eurex-US as a new contract market.

OEA also coordinated the media's participation in OIA's 13th Annual International Symposium and Training on Derivative Products, Markets, and Financial Intermediaries held at the Commission's Chicago office, which drew over 63 participants and 38 presenters and panelists from 26 countries, and represented 47 different markets and regulators. The opening session was followed by a separate intensive, technical session covering the Commission's regulatory programs.

During FY 2003, 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 and accomplishments.

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 2003, the Commission held 46 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 113 items in the *Federal Register* during FY 2003. 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 2003, 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 2003, staff received and processed 267 FOIA requests.

All requests for confidential treatment of records submitted to the Commission by firms or individuals are filed with the FOIA Office. In FY 2003, the Commission received more than 1000 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 2003, OIG: monitored CFTC's compliance with the Federal Information Security Reform Act, the Federal Manager's Financial Integrity Act, and the Government Performance and Results Act; conducted audits of Commission employees' usage of Government-issued purchase and travel cards; began the process of auditing the Commission's financial statements for fiscal year 2004; and concluded 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 1997 - FY 2003

Fiscal Year	Total	Grain	Oilseed Products	Livestock Products	Other Agriculturals	Energy/Wood Products	Metals	Financial Instruments	Currencies
Average Monthend Open Interest (In Contracts)									
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
2003	13,648,950	624,773	528,193	173,538	507,945	1,800,515	397,895	9,117,119	498,972
Number of Contracts Traded									
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
2003	986,149,000	28,917,090	30,917,636	7,190,906	15,560,473	94,635,656	18,602,108	760,292,234	30,032,897
Number of Contracts Settled by Delivery/Cash Settlement									
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
2003	9,125,088	96,235	51,143	36,107	95,344	839,221	209,186	7,115,757	682,095

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, 2002 and September 30, 2003

Exchange/Commodity	Contract Unit	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)		Total Contracts Settled by Delivery or Cash Settlement (Contracts)	
		2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
Brokertec Futures Exchange (BTEX)							
U.S. Treasury Bonds	\$100,000 F.V.	4,069	5,143	662,465	596,535	3,839	2,443
10-Year U.S. Treasury Notes	\$100,000 F.V.	7,975	10,354	405,070	1,023,624	5,313	6,105
5-Year U.S. Treasury Notes	\$100,000 F.V.	8,597	8,223	272,890	522,835	738	5,209
Total BTEX		20,641	23,720	1,340,425	2,142,994	9,890	13,757
OneChicago (OCX)							
Single Stock Futures	100 shares	0	42,397	0	495,610	0	0
ETF Futures	100 shares	0	6,690	0	148,343	0	25,618
Total OCX		-	49,087	-	643,953	-	25,618
Chicago Board of Trade (CBT)							
Wheat	5,000 Bu.	112,431	100,709	6,888,867	6,565,925	23,259	21,544
Mini Wheat	1,000 Bu.	0	695	0	16,313	0	63
Corn	5,000 Bu.	447,272	421,730	17,783,077	18,086,086	41,974	5,629
Mini Corn	1,000 Bu.	0	2,989	0	35,745	0	0
Oats	5,000 Bu.	11,337	6,396	473,984	312,025	1,081	1,241
Rough Rice	200,000 Lbs.	7,159	8,572	172,409	255,885	7,786	7,361
Soybeans	5,000 Bu.	179,159	218,446	13,919,502	15,776,016	13,133	10,173
Mini Soybeans	1,000 Bu.	0	7,407	0	133,074	0	53
Soybean Oil	60,000 Lbs.	147,468	148,123	6,565,938	7,292,310	65,979	27,918
Soybean Meal	100 Tons	139,639	154,217	7,129,618	7,716,236	1,349	12,999
Dow Jones Industrial Average	\$10 x Index	30,017	33,377	6,179,588	5,308,055	61,800	70,088
Dow Jones Industrial Avg. (x\$2)	\$2 x Index	1,830	1,997	187,966	48,206	2,169	0
Dow Jones Industrial Avg. (x\$5)	\$5 x Index	7,380	26,192	1,034,474	8,958,655	10,555	83,680
Dow Jones Transportation Average	\$20 x Index	2	0	4	0	0	0
U.S. Treasury Bonds	\$100,000 F.V.	489,062	485,921	57,794,850	62,259,538	52,517	38,600
U.S. Treasury Bonds (Mini)	\$50,000 F.V.	73	107	12,631	14,039	1	38
2-Year U.S. Treasury Notes	\$200,000 F.V.	96,991	119,222	2,992,787	3,948,153	28,303	34,461
10-Year U.S. Treasury Notes	\$100,000 F.V.	731,323	898,794	83,992,750	137,669,932	79,377	71,437
10-Year U.S. Treasury Notes	\$50,000 F.V.	7	2	286	64	0	0
5-Year U.S. Treasury Notes	\$100,000 F.V.	576,603	758,517	46,280,825	67,704,369	64,609	155,929
30-Day Federal Funds	\$5,000,000 F.V.	207,609	310,309	6,095,024	8,583,904	394,033	800,758
Mortgage Futures	\$1,000 x Index	398	0	1,960	0	0	0
Ten-Year Agency Note	\$100,000 F.V.	30,423	7,488	602,174	149,849	25,931	3,527
Municipal Bond Index	\$1,000 x Index	7,511	2,808	237,939	111,608	12,422	3,285
3-Month Eurodollars (Mini)	\$500,000 F.V.	526	99	1,970	383	573	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, 2002 and September 30, 2003

Exchange/Commodity	Contract Unit	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)		Total Contracts Settled by Delivery or Cash Settlement (Contracts)	
		2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
10-Year Interest Rate Swap - 3mo	\$100,000 N.P.	20,321	47,133	521,454	1,010,027	0	0
5-Year Interest Rate Swap - 3mo	\$100,000 N.P.	2,596	4,306	31,509	108,080	0	0
CBT X-Funds Index	\$1,000 x Index	9	0	769	0	0	0
Dow Jones AIG Commodity Index	\$100 x Index	189	1,711	14,463	34,555	0	0
1000 Troy Ounce Silver	1,000 Tr. Oz.	104	0	1,138	0	276	0
Silver (Mini)	1,000 Tr. Oz.	280	670	7,281	21,160	258	481
Gold (1 Kilogram)	352 Tr. Oz.	52	0	446	0	68	0
GOLD (MINI)	33.2 Tr. Oz.	174	1,129	6,201	84,951	151	129
Total CBT		3,247,945	3,769,066	258,931,884	352,205,143	887,604	1,349,394
Chicago Mercantile Exchange (CME)							
Lean Hogs	40,000 Lbs.	31,383	41,801	1,905,520	2,140,276	19,628	25,522
E-Mini Lean Hogs	10,000 Lbs. x Index	0	0	5	0	16	0
Frozen Pork Bellies	40,000 Lbs.	2,348	2,571	167,637	157,868	363	351
Live Cattle	40,000 Lbs.	97,141	112,895	3,985,693	4,275,938	2,366	1,970
Feeder Cattle	50,000 Lbs.	13,674	16,271	636,614	616,824	9,282	8,264
Butter	40,000 Lbs.	647	1,329	4,952	8,274	1,113	1,861
Milk	200,000 Lbs.	13,768	24,623	93,973	176,074	25,504	34,953
Non Fat Dry Milk	44,000 Lbs.	12	194	20	230	8	40
Class IV Milk	200,000 Lbs.	2,195	203	6,264	150	3,145	1,380
Canadian Dollar	CD 100,000	70,064	79,590	3,083,804	3,919,942	83,822	80,306
Canadian Dollar / Yen Cross-Rate	CD 200,000	0	7	0	62	0	0
French Franc	FF 500,000	1	0	0	0	1	0
Swiss Franc	SF 125,000	43,160	46,447	2,869,589	3,500,821	95,626	81,865
Swiss Franc / Yen Cross-Rate	SF 250,000	3	8	54	127	0	0
Deutsche Mark	DM 125,000	198	0	264	0	194	0
British Pound Sterling	BP 62,500	35,053	37,617	2,143,152	2,358,893	55,541	54,472
Pound / Swiss Franc Cross-Rate	BP 125,000	2	7	110	212	0	0
Pound / Yen Cross-Rate	BP 125,000	18	31	197	900	0	0
Japanese Yen	Yen 12,500,000	92,651	108,186	4,360,326	5,858,024	100,722	104,103
E-Mini Japanese Yen	Yen 6,250,000	63	27	2,817	1,667	9	7
Euro	125,000 Euros	110,515	98,707	6,991,558	9,529,954	127,288	117,071
E-Mini Euro	62,500 Euros	315	236	7,533	11,111	344	88
Euro / Australian Dollar Cross-Rate	125,000 Euros	16	26	103	349	0	0
ECU / British Pound Cross-Rate	125,000 Euros	23	1,202	531	63,478	0	0
Euro / Japanese Yen Cross-Rate	125,000 Euros	896	2,692	64,532	146,336	0	0
Euro / Swiss Franc Cross-Rate	125,000 Euros	24	76	706	1,651	0	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, 2002 and September 30, 2003

Exchange/Commodity	Contract Unit	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)		Total Contracts Settled by Delivery or Cash Settlement (Contracts)	
		2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
Euro / Canadian Dollar Cross-Rate	125,000 Euros	0	8	5	54	0	0
Euro / Norwegian Krone Cross-Rate	125,000 Euros	1	0	1	0	0	0
Euro / Swedish Krona Cross-Rate	125,000 Euros	1	2	3	4	0	0
Australian Dollar	AD 100,000	29,318	38,544	961,989	1,371,419	32,647	33,753
Aussie Dollar / Canadian Dollar	AD 200,000	8	10	16	132	0	0
AUSSIE DOLLAR/KIWI DOLLAR	AD 200,000	0	4	0	4	0	0
Aussie Dollar / Yen Cross-Rate	AD 200,000	3	2	13	36	0	0
Swedish Krona	2,000,000 Krona	1	0	1	0	0	0
Russian Ruble	500,000 Rubles	0	202	0	1,593	0	503
Mexican Peso	MP 500,000	25,598	31,512	1,296,822	1,932,331	46,922	62,670
Brazilian Real	R\$ 100,000	40	73	44	78	0	0
New Zealand Dollar	NZ \$100,000	2,198	4,372	38,764	104,961	4,617	9,276
South African Rand	Rand 500,000	2,437	3,309	53,034	62,413	8,739	10,846
NORWEGIAN KRONE	NKr 2,000,000	21	44	121	323	0	0
S&P 500 Stock Index	\$250 x Index	550,632	620,240	23,506,640	21,624,416	316,924	558,345
SPCTR Financial	\$125 x Index	211	547	1,002	7,119	0	1,084
SPCTR Technology	\$125 x Index	0	8	0	36	0	18
E-Mini S&P 500 Stock Index	\$50 x Index	195,901	445,297	90,469,533	162,629,433	681,584	1,533,147
S&P 500 Barra Growth Index	\$250 x Index	672	425	10,230	5,542	1,649	784
S&P 500 Barra Value Index	\$250 x Index	1,701	1,238	20,332	14,133	3,465	789
S&P 400 Midcap Stock Index	\$500 x Index	14,824	13,639	387,418	318,616	0	13,523
S&P Small Cap 600 INDEX	\$200 x Index	0	17	0	647	0	156
E-MINI S&P 400 STOCK INDEX	\$100 x Index	2,400	10,060	166,402	1,116,829	0	38,644
Fortune e_50 Stock Index	\$20 x Index	18	1	573	83	162	1
Long Short Technology TRAKRS	contracts)	1,161	580	1,944	1,255	0	0
Select 50 TRAKRS	contracts)	0	2,786	0	6,705	0	0
LMC TRAKRS	contracts)	0	1,528	0	4,342	0	0
Commodity TRAKRS	contracts)	0	4,889	0	5,659	0	0
Euro Currency TRAKRS	contracts)	0	455	0	870	0	0
NASDAQ-100 Stock Index	\$100 x Index	58,598	74,988	5,151,441	4,503,159	140,400	186,306
NASDAQ-100 Stock Index (Mini)	\$20 x Index	111,857	207,550	48,878,007	65,932,683	534,595	798,067
Russell 2000 Stock Index Future	\$500 x Index	25,928	23,410	841,460	699,700	28,354	29,956
Russell 2000 Stock Index (Mini)	\$100 x Index	4,285	21,692	500,297	2,679,802	20,822	104,367
Russell 1000 Stock Index Future	\$100 x Index	0	1,426	0	10,323	0	2,886
Nikkei Stock Average	\$5 x Index	18,424	21,226	563,427	662,770	55,987	70,520
13-Week U.S. Treasury Bills	1,000,000 F.V.	748	562	10,070	4,785	3,485	2,427
1-Month Libor Rate	\$3,000,000 F.V.	39,159	44,832	1,126,707	1,165,230	187,860	233,153

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, 2002 and September 30, 2003

Exchange/Commodity	Contract Unit	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)		Total Contracts Settled by Delivery or Cash Settlement (Contracts)	
		2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
3-Month Eurodollars	\$1,000,000 F.V.	4,491,047	4,743,238	208,517,469	198,439,380	2,141,222	2,140,253
Japanese Bonds (10 year)	Yen 50,000,000 F.V.	8	0	0	0	13	0
2-Year Swap Futures	\$500,000 F.V.	232	647	3,071	8,600	572	1,540
5-Year Swap Futures	\$200,000 F.V.	1,375	4,343	8,851	36,215	2,013	16,715
10-Year Swap Futures	\$500,000 F.V.	267	2,514	6,434	33,240	538	5,270
91-Day Mexican Treasury Bills	MP 2,000,000 F.V.	79	0	717	0	0	0
91-Day CETES, Mexican T-Bills	MP 4,000,000 F.V.	0	4	0	0	0	4
28-Day TIIE, Mexican Interbank	MP 1,200,000 F.V.	0	242	0	2,826	0	6
3-Mo. Euroyen	Yen 100,000,000 F.V.	35,852	34,365	256,294	160,516	64,143	45,798
3-Mo. Euroyen LIBOR	Yen 100,000,000 F.V.	2,863	1,403	2,022	780	2,970	2,880
CME\$INDEX	\$1,000 x Index	0	49	0	437	0	0
Goldman-Sachs Commodity Index	\$250 x Index	18,955	14,100	525,709	392,908	12,857	13,104
Random Length Lumber	80,000 Bd. Ft.	2,176	3,029	155,060	224,202	78	85
NorthCentral OSB Panels	1*	1	0	1	0	0	0
Benzene	42,000 Gallons	34	0	51	0	50	0
Mixed Xylene	42,000 Gallons	1	0	25	0	0	0
Cooling Degree Days Weather	\$100 x Index	351	976	1,831	8,086	1,123	3,470
Heating Degree Days Weather	\$100 x Index 1*	109	543	632	5,600	148	2,582
Heating Season Weather	\$100 x Index 2*	0	65	0	190	0	0
Total CME		6,153,665	6,955,742	409,790,417	496,949,626	4,818,911	6,435,181
1* includes OSB panel contracts for North Central, Southeastern, and Western Oriented							
1* Includes Atlanta, Chicago, Cincinnati, Dallas, Des Moines, Houston, Kansas City, Las Vegas, New York City, Philadelphia, Portland, Tucson							
2* Includes Chicago and New York							
Kansas City Board of Trade (KCBT)							
Wheat	5,000 Bu.	71,753	57,962	2,579,549	2,572,844	33,080	55,288
Stock Index Future, MVL	\$100 x Index	270	165	17,049	6,468	3	110
Internet Stock Index	\$25 x Index	7	0	62	0	0	0
Total KCBT		72,030	58,127	2,596,660	2,579,312	33,083	55,398
MidAmerica Commodity Exchange (MCE)							
Wheat	1,000 Bu.	1,854	0	72,333	0	86	0
Corn	1,000 Bu.	3,277	0	96,102	0	326	0
Oats - Old	1,000 Bu.	30	0	862	0	5	0
Lean Hogs	20,000 Lbs.	68	0	1,468	0	62	0
Live Cattle	20,000 Lbs.	37	0	1,370	0	0	0
Soybeans	1,000 Bu.	5,545	0	264,536	0	342	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, 2002 and September 30, 2003

Exchange/Commodity	Contract Unit	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)		Total Contracts Settled by Delivery or Cash Settlement (Contracts)	
		2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
Soybean Oil	30,000 Lbs.	39	0	332	0	46	0
Soybean Meal	50 Tons	65	0	812	0	95	0
Canadian Dollar	CD 50,000	25	0	752	0	4	0
Swiss Franc	SF 62,500	36	0	694	0	0	0
British Pound Sterling	BP 12,500	13	0	594	0	0	0
3-Month Eurodollars	\$500,000 F.V.	1,529	0	284	0	0	0
Total MCE		12,518	-	440,139	-	966	-
Merchants Exchange of St. Louis (MESL)							
Illinois Waterway Barge Rate	3,000 Tons	3	0	3	3	3	0
MESL Crude Oil, Light Sweet	1,000 Barrels	10	10	55	3,004	0	0
Total MESL		13	10	58	3,007	3	-
Minneapolis Grain Exchange (MGE)							
Hard Amber Durum Wheat	5,000 Bu.	7	0	22	0	0	0
Wheat	5,000 Bu.	25,460	25,017	1,106,238	1,067,107	3,455	4,598
White Wheat	5,000 Bu.	5	0	16	0	0	0
Hard Red Winter Wheat Index	5,000 Bu.	0	703	0	5,160	0	511
National Corn Index	5,000 Bu.	50	523	796	4,561	0	1,137
National Soybean Index	5,000 Bu.	9	2	78	1	0	2
Total MGE		25,531	26,245	1,107,150	1,076,829	3,455	6,248
Nasdaq Liffe Exchange (NQLX)							
ETF Futures	100 shares	0	1,341	0	253,253	0	0
Single Stock Futures	100 shares	0	22,706	0	221,309	0	0
Total NQLX		-	24,047	-	474,562	-	-
New York Board of Trade (NYBT) - New York Cotton Exchange (NYCE), New York Futures Exchange (NYFE) Coffee, Sugar and Cocoa Exchange (CS&CE)							
Cotton No. 2	50,000 Lbs.	66,148	77,064	2,201,163	2,763,877	2,233	4,035
Frozen Concentrated Orange Juice	15,000 Lbs.	23,028	24,385	560,646	602,760	3,708	3,536
Cocoa	10 Tons	100,888	87,969	2,030,714	2,069,820	6,826	3,653
Sugar No. 11	112,000 Lbs.	176,067	205,413	6,078,522	6,763,425	14,262	24,515
Sugar No. 14	112,000 Lbs.	12,804	13,251	132,405	137,930	3,401	3,253
Coffee C	37,500 Lbs.	64,394	72,956	2,547,654	3,032,842	10,990	16,896
Coffee C (Mini)	12,500 Lbs.	40	33	483	526	44	83
Canadian Dollar/Japanese Yen	CD 200,000	1,011	1,246	11,472	16,260	4,144	3,051
U.S. Dollar / Canadian Dollar	\$200,000	115	77	2,080	2,854	450	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, 2002 and September 30, 2003

Exchange/Commodity	Contract Unit	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)		Total Contracts Settled by Delivery or Cash Settlement (Contracts)	
		2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
U.S. Dollar / Swiss Franc	\$200,000	252	371	9,819	18,925	1,335	1,197
Swiss Franc / Japanese Yen Cross-Rate	SF 200,000	594	619	12,430	15,792	608	2,276
French Franc / Deutsche Mark Cross-Rate	DM 125,000	0	0	10	0	0	0
U.S. Dollar / British Pound	BP 125,000	594	613	27,891	31,272	3,650	3,544
Swiss Franc / British Pound Cross-Rate	BP 125,000	658	622	12,017	19,420	2,252	2,011
Japanese Yen / British Pound Cross-Rate	BP 125,000	1,222	1,610	27,042	48,490	3,556	4,525
U.S. Dollar / Japanese Yen	\$200,000	2,111	939	50,336	39,543	5,030	5,180
Euro/Australian Dollar	100,000 Euros	1,240	1,428	13,342	26,237	3,129	3,690
Euro/U.S. Dollar	200,000 Euros	1,556	1,270	80,181	51,592	7,018	5,184
Euro/U.S. Dollar- Small	100,000 Euros	41	45	1,762	3,774	81	34
Euro-Hungarian Forint	100,000 Euros	0	0	0	2	0	0
Euro-Czech Koruna	100,000 Euros	0	1	0	3	0	0
Euro / Yen Cross-Rate	200,000 Euros	8,535	11,435	329,922	376,191	18,244	32,761
Euro / Swedish Krona Cross-Rate	200,000 Euros	2,207	2,510	37,902	55,785	7,175	5,106
Euro / Swiss Franc Cross-Rate	200,000 Euros	2,582	6,491	49,679	134,918	6,751	15,962
Pound / Euro Cross-Rate	200,000 Euros	5,480	5,251	119,816	126,781	14,928	14,709
Euro Canadian Dollar Cross-Rate	200,000 Euros	1,454	2,670	11,963	43,752	3,523	8,020
Euro Norwegian Krone Cross-Rate	200,000 Euros	414	1,551	7,969	29,481	950	3,027
U.S. Dollar /Swedish Krona	\$200,000 F.V.	158	551	1,696	9,415	458	1,366
U.S. Dollar -Norwegian Krone	\$200,000 F.V.	16	561	161	10,223	45	1,375
Australian Dollar / U.S. Dollar	AD 200,000	177	685	4,709	6,604	1,609	3,096
Aussie Dollar / Canadian Dollar	\$200,000 F.V.	529	876	5,991	11,671	1,645	906
Australian Dollar/Yen Cross-Rate	AD 200,000	1,232	1,744	24,714	35,928	2,838	4,554
Australlian Dollar / Kiwi Cross-Rate	AD 200,000	645	737	8,371	9,962	1,509	1,513
US Dollar-Hungarian Forint	200,000	0	34	0	71	0	0
US Dollar-Czech Koruna	200,000	0	13	0	42	0	0
New Zealand Dollar	NZ \$200,000	812	1,132	10,174	21,779	2,615	2,310
U.S. Dollar / South African Rand	\$100,000	386	949	7,773	19,255	1,280	1,738
Stock Index, NYSE CMP New	\$500 x Index	463	136	26,731	5,738	911	321
NYSE CMP Index (Small)	\$50 x Index	32	20	1,367	923	105	72
NYSE CMP Index (Small) - Rev	\$5 x Index	0	18	0	287	0	39
NYSE CMP Index (Regular) - Rev	\$50 x Index	0	28	0	244	0	13
Russell 1000 Stock Index Future	3*	4,832	5,566	59,656	58,788	4,051	5,801
Russell 1000 Mini Index Future	\$50 x Index	128	530	4,334	35,857	327	1,735
Russell 3000 Stock Index	\$500 x Index	0	1	0	2	0	983
Russell 1000 Growth	\$500 x Index	0	19	0	542	0	4
Russell 1000 Value	\$500 x Index	0	3	0	35	0	1

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, 2002 and September 30, 2003

Exchange/Commodity	Contract Unit	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)		Total Contracts Settled by Delivery or Cash Settlement (Contracts)	
		2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
Russell 2000 Stock Index	\$500 x Index	0	0	0	2	0	0
CFFE U.S. Treasury Bonds	\$100,000 F.V.	0	0	15	0	0	0
U.S. Dollar Index	\$1,000 x Index	10,763	16,643	378,199	522,941	5,101	5,328
CRB Bridge Index	\$500 x Index	447	852	12,892	20,442	443	429
S&P Commodity Index	\$100 x Index	1,008	0	20,859	0	59	0
Total NYBT		495,063	550,918	14,924,862	17,183,003	147,284	197,832

*3 Includes the large (\$1,000 x index) and small Russell 1,000 Index (\$500 x Index)

New York Mercantile Exchange (NYMEX) and Commodity Exchange, Inc. (COMEX)

NY Harbor Residual Fuel 1.0% Sulfur Swap	1,000 Barrels	0	25	0	25	0	0
No. 2 Heating Oil, New York Harbor	42,000 Gallons	146,445	141,274	9,995,802	11,892,030	17,380	23,229
NY Harbor Heating Oil Cal Swap	42,000 Gallons	0	450	0	450	0	0
Heat Oil Up Down Spr Cal Swap	42,000 Gallons	0	150	0	0	0	0
Natural Gas	10,000 MMBtu	466,042	364,061	24,148,247	19,576,344	53,094	27,905
e-miNY Natural Gas	4,000 MMBtu	153	138	45,705	101,092	3	81
Michcon Basis Swap	2,500 MMBtu	0	8,650	0	70,951	0	21,669
Permian Basis Swap	2,500 MMBtu	0	13,943	0	195,597	0	26,913
M-3 Basis Swap	2,500 MMBtu	0	20,494	0	138,258	0	21,546
TCO Basis Swap	2,500 MMBtu	0	15,928	0	89,227	0	18,977
Malin Basis Swap	2,500 MMBtu	0	18,002	0	192,832	0	17,966
PG&E Citygate Basis Swap	2,500 MMBtu	0	12,485	0	84,600	0	17,608
NGPL Texok Basis Swap	2,500 MMBtu	0	2,421	0	11,981	0	4,659
NGPL LA Basis Swap	2,500 MMBtu	0	639	0	1,346	0	794
ANR OK Basis Swap	2,500 MMBtu	0	1,699	0	6,738	0	3,936
Sumas Basis Swap	2,500 MMBtu	0	12,556	0	145,411	0	16,143
NGPL Mid-Con Basis Swap	2,500 MMBtu	0	6,761	0	28,158	0	9,688
Demarc Basis Swap	2,500 MMBtu	0	4,942	0	37,140	0	10,783
Ventura Basis Swap	2,500 MMBtu	0	8,020	0	59,049	0	14,165
Dominion Basis Swap	2,500 MMBtu	0	11,128	0	66,388	0	11,145
Waha Basis Swap	2,500 MMBtu	0	14,707	0	124,342	0	21,606
CIG Basis Swap	2,500 MMBtu	0	1,788	0	5,616	0	1,160
TETCO East Louisiana Swap	2,500 MMBtu	0	1,220	0	2,440	0	120
TETCO South Texas Swap	2,500 MMBtu	0	3,380	0	11,788	0	2,440
Transco Zone 3 Basis Swap	2,500 MMBtu	0	287	0	736	0	736
Columbia Gulf Onshore Basis Swap	2,500 MMBtu	0	92	0	184	0	184
Alberta Basis Swap	2,500 MMBtu	0	26,410	0	166,986	0	24,368
Chicago Basis Swap	2,500 MMBtu	0	18,369	0	159,217	0	36,425

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, 2002 and September 30, 2003

Exchange/Commodity	Contract Unit	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)		Total Contracts Settled by Delivery or Cash Settlement (Contracts)	
		2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
Henry Hub Basis Swap	2,500 MMBtu	0	14,006	0	59,526	0	20,830
Houston Ship Channel Basis Swap	2,500 MMBtu	0	16,417	0	130,392	0	29,302
NW Pipe Rockies Basis Swap	2,500 MMBtu	0	26,863	0	284,187	0	48,883
Panhandle Basis Swap	2,500 MMBtu	0	10,295	0	86,845	0	22,449
San Juan Basis Swap	2,500 MMBtu	0	15,676	0	160,826	0	19,550
SoCal Basis Swap	2,500 MMBtu	580	24,353	792	270,006	184	43,994
Transco Zone 6 Basis Swap	2,500 MMBtu	1,387	24,637	3,800	175,527	300	42,913
Henry Hub Gas Swap	2,500 MMBtu	24,378	299,316	88,479	1,996,219	0	233,579
Central Appalachian Coal	37,200 MMBtu	467	658	4,419	5,001	294	300
Electricity (PJM)	400 MWh	40	579	256	2,678	40	0
PJM Electricity Monthly	40 MWh	0	5,845	0	67,263	0	2,135
PJM Electricity Weekly	40 MWh	0	84	0	1,378	0	709
PJM Electricity Daily	40 MWh	0	86	0	9,395	0	0
NYISO Zone A LBMP Swap	400 MWh	0	4,531	0	56,866	0	4,468
NYISO Zone G LBMP Swap	400 MWh	0	7,645	0	45,516	0	5,977
NYISO Zone J LBMP Swap	400 MWh	0	1,491	0	6,893	0	2,452
Propane Gas	42,000 Gallons	532	538	12,957	12,911	537	587
Crude Oil (Light Sweet)	1,000 Barrels	466,807	526,859	42,352,450	45,785,344	6,858	322
Crude Oil, Brent	1,000 Barrels	708	0	10,069	90	1,554	0
e-miNY Crude Oil, Light Sweet	400 Barrels	624	599	114,220	326,342	0	13
WTI Crude Oil Calendar Swap	1,000 Barrels	0	1,971	0	12,293	0	207
Unleaded Gasoline, New York Harbor	42,000 Gallons	113,163	98,061	9,896,247	11,704,238	23,011	19,797
NY Harbor Gasoline vs. Heating Oil Swap	42,000 Gallons	0	150	0	150	0	0
NY Heating Oil Crack Sprd Cal Swap	1,000 Barrels	0	4,238	0	22,687	0	71
Unleaded Gas Crack Sprd Cal Swap	1,000 Barrels	0	975	0	3,075	0	300
Palladium	100 Tr. Oz.	1,554	2,700	34,472	71,033	521	2,065
Platinum	50 Tr. Oz.	6,504	7,596	208,408	249,269	429	784
Aluminum	44,000 Lbs.	3,237	7,616	51,110	113,790	10,553	37,352
Eurotop 100 Stock Index	\$100 x Index 3*	1	0	0	0	0	0
Silver	5,000 Tr. Oz.	76,398	90,307	3,059,055	3,755,726	27,050	25,708
Copper - Grade #1	25,000 Lbs.	81,660	84,360	2,795,812	3,011,851	129,592	91,508
Gold	100 Tr. Oz.	146,627	203,517	8,118,313	11,294,328	51,422	51,159
Total NYMEX		1,537,307	2,191,988	100,940,613	112,890,571	322,822	1,041,660
Total All Markets		11,564,713	13,648,950	790,072,208	986,149,000	6,224,018	9,125,088

Options - Average Monthend Open Interest and Number of Contracts Traded by Major Groups, All Markets Combined for FY 1997 through FY 2003

Fiscal Year	Total	Grain	Oilseed Products	Livestock Products	Other Agriculturals	Energy/Wood Products	Metals	Financial Instruments	Currencies
Average Monthend Open Interest (In Contracts)									
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
2003	16,940,049	570,052	291,539	92,278	465,088	2,012,885	433,397	12,857,377	217,433
Number of Contracts Traded									
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	5,253,722	826,566	4,177,874	23,108,551	2,510,590	168,512,568	2,132,871
2003	219,210,450	6,772,359	5,285,009	897,017	5,288,368	20,681,995	4,254,404	173,915,191	2,116,107

Options - Average Monthend Open Interest and Volume of Trading by Exchange and Contract for Fiscal Years Ending September 30, 2002 and September 30, 2003

Exchange/Commodity	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)	
	2001-02	2002-03	2001-02	2002-03
Chicago Board of Trade (CBT)				
Wheat	96,591	114,132	1,598,037	1,800,397
Corn	423,947	387,968	5,248,350	4,302,046
Oats	10,078	5,720	108,607	40,811
Rough Rice	4,927	4,397	36,937	30,842
Soybeans	168,158	190,614	4,105,194	4,227,836
Soybean Oil	63,058	66,061	678,348	630,468
Soybean Meal	30,903	34,864	469,528	426,705
Dow Jones Industrial Average	16,481	11,986	249,403	175,808
U.S. Treasury Bonds	491,895	581,941	15,661,850	15,719,294
2-Year U.S. Treasury Notes	2,865	2,660	49,785	16,579
10-Year U.S. Treasury Notes	1,271,272	1,428,205	29,749,003	39,967,542
5-Year U.S. Treasury Notes	349,510	406,025	7,514,407	8,889,688
30-Day Federal Funds	0	234,261	0	1,345,371
Ten-Year Agency Note	2	0	38	0
10-Year Interest Rate Swap - 3mo	0	2,057	0	10,240
Total CBT	2,929,687	3,470,891	65,469,487	77,583,627
Chicago Mercantile Exchange (CME)				
Lean Hogs	10,931	12,568	163,443	134,398
Frozen Pork Bellies	588	808	5,780	8,449
Live Cattle	56,044	64,136	510,650	605,946
Feeder Cattle	14,010	14,766	146,693	148,224
Butter	54	221	141	808
Milk	6,165	13,812	25,673	62,431
Class IV Milk	298	41	757	46
Canadian Dollar	31,263	31,098	135,713	203,530
Swiss Franc	10,926	6,223	91,322	60,821
British Pound Sterling	12,991	15,406	127,693	159,743
Japanese Yen	99,944	85,960	866,870	562,879
Euro	65,475	72,475	882,301	1,095,745
Australian Dollar	3,182	4,610	20,687	29,043
Mexican Peso	1,840	1,296	7,704	2,684

Options - Average Monthend Open Interest and Volume of Trading by Exchange and Contract for Fiscal Years Ending September 30, 2002 and September 30, 2003

Exchange/Commodity	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)	
	2001-02	2002-03	2001-02	2002-03
New Zealand Dollar	0	0	2	0
S&P 500 Stock Index	210,860	282,129	4,932,785	5,165,775
E-Mini S&P 500 Stock Index	974	2,292	39,963	81,852
S&P 400 Midcap Stock Index	67	61	2,706	1,295
NASDAQ-100 Stock Index	3,826	5,089	70,849	59,171
Russell 2000 Stock Index Future	147	211	5,208	3,419
Nikkei Stock Average	298	491	4,727	6,447
1-Month Libor Rate	28	630	180	4,426
3-Month Eurodollars	10,013,948	9,886,080	110,105,315	102,356,314
3-Mo. Euroyen	213	24	431	64
CME\$INDEX	0	1,000	0	1,000
Goldman-Sachs Commodity Index	19	29	1,512	1,487
Random Length Lumber	1,258	1,120	14,435	17,851
Cooling Degree Days *1	17	63	32	230
Heating Degree Days *2	35	85	70	361
Cooling Season *3	0	90	0	150
Heating Season *4	0	1,558	0	2,240
Total CME	10,545,401	10,504,372	118,163,642	110,776,829
*1 Cooling Degree Days Weather (Atlanta, New York City, Cincinnati, Philadelphia, Tucson and Des Moines)				
*2 Heating Degree Days Weather (Chicago, New York City, Cincinnati, Dallas, Portland, and Des Moines)				
*3 Cooling Season Weather (Chicago and New York City)				
*4 Heating Season Weather (Chicago, New York City, and Cincinnati)				
Kansas City Board of trade (KCBT)				
Wheat	38,486	48,280	432,354	547,328
Total KCBT	38,486	48,280	432,354	547,328
MidAmerica Commodity Exchange (MCE)				
Wheat	223	0	154	0
Corn	240	0	1,259	0
Soybeans	0	0	702	0
Total MCE	463	-	2,115	-
Minneapolis Grain Exchange (MGE)				

Options - Average Monthend Open Interest and Volume of Trading by Exchange and Contract for Fiscal Years Ending September 30, 2002 and September 30, 2003

Exchange/Commodity	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)	
	2001-02	2002-03	2001-02	2002-03
Wheat	6,999	8,520	46,496	49,303
Hard Red Winter Wheat Index	0	1,035	0	1,632
National Corn Index	4	180	10	1,264
Total MGE	7,003	9,735	46,506	52,199

**New York Board of Trade (NYBT): New York Cotton Exchange (NYCE), New York Futures Exchange (NYFE)
Coffee, Sugar, and Cocoa Exchange (CS&CE) and Citrus Association of New York (CANY)**

Cotton No. 2	135,561	123,781	1,136,357	1,446,525
Frozen Concentrated Orange Juice	27,844	24,513	176,618	173,123
Cocoa	66,985	62,607	629,112	678,064
Sugar No. 11	148,998	154,767	1,366,976	1,527,199
Coffee C	70,605	85,166	842,230	1,398,908
U.S. Dollar / Canadian Dollar	0	50	0	100
U.S. Dollar / British Pound	0	6	0	27
Japanese Yen / British Pound Cross-Rate	12	13	140	217
U.S. Dollar / Japanese Yen	0	73	0	100
Euro/U.S. Dollar	17	29	216	255
Euro / Yen Cross-Rate	57	142	214	680
Euro / Swedish Krona Cross-Rate	0	1	0	4
Euro / Swiss Franc Cross-Rate	1	0	1	0
Pound / Euro Cross-Rate	8	28	8	241
U.S. Dollar / Swedish Krona	0	2	0	3
U.S. Dollar -Norwegian Krone	0	2	0	3
Australian Dollar / U.S. Dollar	0	10	0	10
Aussie Dollar / Canadian Dollar	0	1	0	3
Australian Dollar/Yen Cross-Rate	0	2	0	5
Australlian Dollar / Kiwi Cross-Rate	0	1	0	1
New Zealand Dollar	0	4	0	13
U.S. Dollar / South African Rand	0	1	0	0
Stock Index, NYSE CMP New	3,791	4,435	95,683	40,214
NYSE CMP Index (Regular) - Rev	0	2,043	0	5,599
Russell 1000 Stock Index Future	39	2,564	1,284	38,907
Russell 1000 Growth	0	70	0	221

Options - Average Monthend Open Interest and Volume of Trading by Exchange and Contract for Fiscal Years Ending September 30, 2002 and September 30, 2003

Exchange/Commodity	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)	
	2001-02	2002-03	2001-02	2002-03
Russell 1000 Value	0	477	0	1,240
U.S. Dollar Index	2,143	2,486	26,720	21,832
CRB Bridge Index	90	131	719	1,406
Total NYBT	456,151	463,405	4,276,278	5,334,900
New York Mercantile Exchange (NYMEX) and Commodity Exchange, Inc. (COMEX)				
No. 2 Heating Oil, New York Harbor	63,610	61,431	599,326	659,297
Heating Oil Cal Spread Options	16	305	17	3,185
Natural Gas	1,146,195	916,298	10,927,895	8,357,555
Natural Gas Cal Spread Options	637	1,146	2,111	16,377
Crude Oil (Light Sweet)	880,128	973,379	10,769,341	10,756,581
Crude Oil, Brent	102	0	220	0
Crude Oil Calendar Spread Options	10,004	7,616	59,109	139,142
Unleaded Gasoline, New York Harbor	47,362	42,907	724,307	674,333
Unleaded Gas Cal Spread Option	500	48	787	2,085
Heating Oil / Crude Oil Option Spread	609	2,982	5,049	18,570
Unleaded Gas /Crude Oil Option Spread	441	3,857	5,852	34,038
Platinum	52	57	469	464
Aluminum	0	595	0	2,409
Silver	69,588	61,973	591,768	477,240
Copper - Grade #1	7,239	3,640	40,920	32,423
Gold	214,160	367,132	1,877,433	3,741,868
Total NYMEX	2,440,643	2,443,366	25,604,604	24,915,567
Total Options	16,417,834	16,940,049	213,994,986	219,210,450
Total Futures	11,564,713	13,648,950	790,072,208	986,149,000
Grand Total Futures and Options	27,982,547	30,588,999	1,004,067,194	1,205,359,450

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2003 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
CME	Mexican TIIE (Mini), 28-Day		03/28/03 (#)	
CME	Mexican CETES (Mini), 91-Day		03/28/03 (#)	
CBT	Mini-Sized Corn		11/22/02 (#)	
CBT	Mini-Sized Wheat		11/22/02 (#)	
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	Federal Funds, 30-Day		11/20/02 (#)	
CME	Mexican TIIE (Mini), 28-Day		03/28/03 (#)	
CME	Mexican CETES (Mini), 91-Day		03/28/03 (#)	
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

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Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
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
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
CBT	Soybeans, Mini-Sized		11/22/02 (#)	
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 Board Crush Spread		08/29/03 (#)	
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

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Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
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
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

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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	
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	

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Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
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
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
NYCE	Dollar-Forint		09/11/03 (#)	9/19/03

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Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
NYCE	Dollar-Koruna		09/11/03 (#)	9/19/03
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-Forint		09/11/03 (#)	09/19/03
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	
CME	Euro/Deutsche Mark	26	02/23/98	
CME	Euro/Japanese Yen	26	02/23/98	
NYCE	Euro-Kurona		09/11/03 (#)	09/19/03
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	

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Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
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
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
NYCE	Dollar-Forint		09/11/03 (#)	9/22/03
NYCE	Dollar-Koruna		09/11/03 (#)	9/22/03
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

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	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	
NYCE	Euro-Forint		09/11/03 (#)	09/22/03
CME	Euro/Japanese Yen Cross Rate	26	02/23/98	
NYCE	Euro-Kurona		09/11/03 (#)	09/22/03
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	
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 Composite Average		07/19/00 (#)	07/20/00
CBT	Dow Jones Mini-Sized		08/21/01 (#)	09/30/01

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2003 ¹**

Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
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
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	
NYCE	NYSE Composite Index		07/22/03 (#)	08/01/03
NYFE	NYSE Composite Index*		05/04/82	05/06/82
NYCE	NYSE Composite Index, Large		07/22/03 (#)	08/01/03
NYCE	NYSE Composite Index, Small		07/22/03 (#)	08/01/03
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	
NYCE	Russell 1,000 Growth Index		07/22/03 (#)	08/01/03
NYCE	Russell 1,000 Index		07/22/03 (#)	08/01/03
NYFE	Russell 1,000 Index*		01/21/87	03/08/99
NYFE	Russell 1,000 Index, Large*		03/03/99	03/08/99
NYCE	Russell 1,000 Mini Index		07/22/03 (#)	08/01/03
NYFE	Russell 1,000 Mini Index		02/13/00 (#)	03/16/01
CME	Russell 1,000 Stock Index		03/13/03 (#)	
NYCE	Russell 1,000 Value Index		07/22/03 (#)	08/01/03
CME	Russell 2,000 Index*		10/19/92	02/04/93
NYCE	Russell 2,000 Index		09/11/03 (#)	09/19/03
CME	Russell 2,000 Index, E-Mini		08/13/00 (#)	
NYFE	Russell 2,000 Index*	(d)	01/21/87	09/10/87
NYCE	Russell 3,000 Index		09/11/03 (#)	09/19/03
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

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	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 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
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	
NYCE	NYSE Composite Index		07/22/03 (#)	08/01/03
NYFE	NYSE Composite Index		01/06/83	01/28/83
NYFE	PSE Technology Index		02/21/96	04/23/96
NYCE	Russell 1,000 Growth Index		07/22/03 (#)	08/01/03
NYCE	Russell 1,000 Index		07/22/03 (#)	08/01/03
NYFE	Russell 1,000 Index		03/03/99	03/08/99
CME	Russell 1,000 Stock Index		03/13/03 (#)	
NYCE	Russell 1,000 Value Index		07/22/03 (#)	08/01/03
CME	Russell 2,000 Index		10/19/92	02/04/93
NYCE	Russell 2,000 Index		09/11/03 (#)	09/19/03
NYCE	Russell 3,000 Index		09/11/03 (#)	09/19/03
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 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

**Futures and Option Contracts Authorized for Trading by the Commodity
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Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
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
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

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Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
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 (#)	
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

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Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
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
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

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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	
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	
CME	CME\$Index		01/10/03 (#)	
CSCE	CPI W*	(d)	04/16/85	06/21/85
CBT	Dow Jones AIG Commodity Index		11/16/01 (#)	11/09/01
CME	Dow Jones AIG Commodity Index TRAKRS		05/23/03 (#)	
CME	Euro TRAKRS		07/22/03 (#)	
CME	Goldman Sachs Commodity Index*		06/09/92	07/28/92
NYFE	KR-CRB Futures Price Index*		05/20/86	06/12/86

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CME	LMC TRAKRS Index		11/12/02 (#)	12/10/02
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
NYCE	Reuters CRB Index		07/22/03 (#)	08/01/03
CME	S&P Commodity Index		10/19/01 (#)	10/12/01
CME	Select 50 TRAKRS Index		10/07/02 (#)	10/31/02
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
NYCE	Reuters CRB Index		07/22/03 (#)	08/01/03
CME	S&P Commodity Index		10/19/01 (#)	10/12/01
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	
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	
CBT	Health Insurance	(d)	03/31/92	
CBT	Homeowners Insurance	(d)	03/31/92	

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NATURAL RESOURCES				
Energy Product Futures				
NYMEX	AECO/NIT Basis Swap		06/27/03 (#)	06/27/03
NYMEX	ANR OK Basis Swap (Platts IFERC)		11/14/02 (#)	11/15/02
NYMEX	Coal, Central Appalachian		05/11/98	
NYMEX	Chicago Basis Swap		06/27/03 (#)	06/30/03
NYMEX	CIG Rockies Basis Swap		03/21/03 (#)	03/25/03
NYMEX	Columbia Gulf Louisiana Natural Gas Basis Swap		06/19/03 (#)	06/30/03
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	Demarc Basis Swap (Platts IFERC)		11/14/02 (#)	11/15/02
NYMEX	Dominion Basis Swap (Platts IFERC)		11/14/02 (#)	11/15/02
NYMEX	Dubai Crude Oil Calendar Swap		06/27/03 (#)	06/30/03
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	
NYMEX	Gulf Coast Gasoline vs Gulf Coast Heating Oil Spread Swap		11/14/02 (#)	11/15/02
NYMEX	Gulf Coast Jet vs NY Harbor No. 2 Heating Oil Spread Swap		11/14/02 (#)	11/15/02
NYMEX	Gulf Coast No. 6 Fuel Oil 3.0% Sulfur Swap		11/14/02 (#)	11/15/02
NYMEX	Gulf Coast No. 6 Fuel Oil Crack Swap		11/14/02 (#)	11/15/02
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
NYMEX	Houston Ship Channel Basis Swap		06/27/03 (#)	06/30/03
COMEX	Jet Fuel	(d)	09/22/92	
NYMEX	Liquefied Propane		08/18/87	08/21/87

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NYCE	Liquefied Propane Gas	(d)	07/18/75	02/01/71
NYMEX	Los Angeles Carb Gasoline Swap		11/14/02 (#)	11/15/02
NYMEX	Los Angeles Carb Gasoline vs NY Gasoline Swap		11/14/02 (#)	11/15/02
NYMEX	Los Angeles Jet Fuel vs NY Harbor No. 2 Heating Oil Spread Swap		11/14/02 (#)	11/15/02
NYMEX	M-3 Basis Swap (Platts IFERC)		11/14/02 (#)	11/15/02
NYMEX	Malin Basis Swap (NGI)		11/14/02 (#)	11/15/02
NYMEX	MichCon Basis Swap (Platts IFERC)		11/14/02 (#)	11/15/02
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
NYMEX	NY Harbor No. 2 Crack Calendar Swap		06/27/03 (#)	06/30/03
NYMEX	NY Harbor Unleaded Crack Calendar Swap		06/27/03 (#)	06/30/03
NYMEX	NGPL LA Basis Swap (Platts IFERC)		11/14/02 (#)	11/15/02
NYMEX	NGPL Mid-Con Basis Swap (Platts IFERC)		11/14/02 (#)	11/15/02
NYMEX	NGPL Texok Basis Swap (Platts IFERC)		11/14/02 (#)	11/15/02
NYMEX	No. 2 Up-down Calendar Swap		06/27/03 (#)	06/30/03
NYMEX	NY Harbor Conv. Gasoline vs NY Harbor Unleaded Gasoline Spread Swap		11/14/02 (#)	11/15/02
NYMEX	NY Harbor Gasoline Calendar Swap		11/14/02 (#)	11/15/02
NYMEX	NY Harbor Heating Oil Calendar Swap		11/14/02 (#)	11/15/02
NYMEX	NY Harbor LS Diesel vs NY Harbor No. 2 Heating Oil Spread Swap		11/14/02 (#)	11/15/02
NYMEX	NY Harbor Residual Fuel 1.0% Sulfur Swap		11/14/02 (#)	11/15/02
NYMEX	NY Harbor Residual Fuel Crack Swap		11/14/02 (#)	11/15/02
NYMEX	NY Harbor Unleaded Gasoline vs NY Harbor Heating Oil Swap		11/14/02 (#)	11/15/02
NYMEX	Permian Basis Swap (Platts IFERC)		11/14/02 (#)	11/15/02
NYMEX	PG&E Citygate Basis Swap (NGI)		11/14/02 (#)	11/15/02
NYMEX	San Juan Basis Swap		06/27/03 (#)	06/30/03
NYMEX	Southern California Basis Swap		06/27/03 (#)	06/30/03
NYMEX	Sumas Basis Swap		11/14/02 (#)	11/15/02
NYMEX	TCO Basis Swap (Platts IFERC)		11/14/02 (#)	11/15/02
NYMEX	TETCO ELA Natural Gas Basis Swap		06/19/03 (#)	06/30/03
NYMEX	TETCO STX Natural Gas Basis Swap		06/19/03 (#)	06/30/03
NYMEX	Transco Zone 3 Natural Gas Basis Swap		06/19/03 (#)	06/30/03
NYMEX	Transco Zone 6 Basis Swap		06/27/03 (#)	06/30/03
NYMEX	U.S. Gulf Coast No. 2 Crack Calendar Swap		06/27/03 (#)	06/30/03
NYMEX	U.S. Gulf Coast Unleaded Crack Calendar Swap		06/27/03 (#)	06/30/03
NYMEX	Unleaded Up-Down Calendar Swap		06/27/03 (#)	06/30/03
NYMEX	Ventura Basis Swap (Platts IFERC)		11/14/02 (#)	11/15/02
NYMEX	Waha Basis Swap		03/21/03 (#)	03/25/03
NYMEX	WTI Crude Oil Calendar Swap		09/15/03 (#)	01/16/03
NYMEX	WTI-Bow River Swap		11/14/02 (#)	11/15/02
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

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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
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

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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
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	NYISO Zone A LBMP Swap		11/14/02 (#)	11/15/02
NYMEX	NYISO Zone G LBMP Swap		11/14/02 (#)	11/15/02
NYMEX	NYISO Zone J LBMP Swap		11/14/02 (#)	11/15/02
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

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
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, Boston		09/24/03 (#)	09/26/03
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, Houston		09/24/03 (#)	09/26/03
CME	Degree Days Index, Kansas City		09/24/03 (#)	09/26/03
CME	Degree Days Index, Las Vegas*		08/12/99	
CME	Degree Days Index, Minneapolis		09/24/03 (#)	09/26/03
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, Sacramento		09/24/03 (#)	09/26/03
CME	Degree Days Index, Tucson*		08/12/99	
CSCE	Natural Rubber	(d)	07/18/75	
CME	Seasonal Degree Days Index, Atlanta		09/24/03 (#)	09/26/03
CME	Seasonal Degree Days Index, Dallas, Ft. Worth		09/24/03 (#)	09/26/03
CME	Seasonal Degree Days Index, De Moines		09/24/03 (#)	09/26/03
CME	Seasonal Degree Days Index, Las Vegas		09/24/03 (#)	09/26/03
CME	Seasonal Degree Days Index, Philadelphia		09/24/03 (#)	09/26/03
CME	Seasonal Degree Days Index, Portland		09/24/03 (#)	09/26/03
CME	Seasonal Degree Days Index, Tucson		09/24/03 (#)	09/26/03
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, Boston		09/24/03 (#)	09/26/03
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, Houston		09/24/03 (#)	09/26/03
CME	Degree Days Index, Kansas City		09/24/03 (#)	09/26/03
CME	Degree Days Index, Las Vegas		08/12/99	
CME	Degree Days Index, Minneapolis		09/24/03 (#)	09/26/03
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	

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2003 ¹**

Exchange ²	Contract ³	Notes ³	Approval/ Certification(#) Date ⁴	Date Trading Began ⁵
CME	Degree Days Index, Sacramento		09/24/03 (#)	09/26/03
CME	Degree Days Index, Tucson		08/12/99	
CME	Seasonal Degree Days Index, Atlanta		09/24/03 (#)	09/26/03
CME	Seasonal Degree Days Index, Dallas, Ft. Worth		09/24/03 (#)	09/26/03
CME	Seasonal Degree Days Index, De Moines		09/24/03 (#)	09/26/03
CME	Seasonal Degree Days Index, Las Vegas		09/24/03 (#)	09/26/03
CME	Seasonal Degree Days Index, Philadelphia		09/24/03 (#)	09/26/03
CME	Seasonal Degree Days Index, Portland		09/24/03 (#)	09/26/03
CME	Seasonal Degree Days Index, Tucson		09/24/03 (#)	09/26/03

**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
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Futures and Option Contracts Authorized for Trading by the Commodity Futures Trading Commission as of September 30, 2003 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.

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
		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 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.	

Futures and Option Contracts Authorized for Trading by the Commodity Futures Trading Commission as of September 30, 2003 ¹

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.
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, 2003

Location	Floor Brokers	Floor Traders	Associated Persons*	FCMs**	Guaranteed IBs**	Non-Guar. IBs**	CTAs**	CPOs**	Principals*	Branches
Alabama	3	0	316	0	5	0	3	2	27	53
Alaska	1	0	60	0	2	0	2	2	7	8
Arizona	7	6	502	0	15	4	22	5	48	74
Arkansas	4	4	256	1	14	1	7	0	48	38
California	27	7	6,086	11	111	48	243	142	890	584
Colorado	10	2	732	0	25	4	42	26	118	112
Connecticut	96	7	1,317	6	6	13	140	162	445	105
Delaware	2	0	109	0	1	0	2	5	5	10
DC	0	0	100	0	0	2	4	7	20	4
Florida	65	10	3,367	5	119	46	163	70	529	376
Georgia	5	6	841	0	20	6	31	12	94	107
Hawaii	1	0	162	0	1	1	8	4	9	18
Idaho	2	0	119	0	9	0	3	4	20	26
Illinois	5,587	1,027	4,542	60	156	92	406	211	1,293	377
Indiana	94	17	534	0	33	2	22	15	93	85
Iowa	10	2	559	2	81	10	40	15	227	137
Kansas	74	2	405	0	38	1	10	4	141	77
Kentucky	1	2	198	0	4	1	6	5	19	41
Louisiana	0	1	331	0	4	1	9	1	24	61
Maine	0	0	65	0	0	0	3	1	4	13
Maryland	2	0	611	1	3	4	22	15	104	80
Massachusetts	8	5	1,100	1	4	4	66	56	268	91
Michigan	15	4	757	2	11	5	29	10	86	123
Minnesota	121	5	778	4	44	5	35	30	169	127
Mississippi	0	0	122	0	4	1	2	2	16	24
Missouri	61	7	644	3	35	7	25	12	116	81
Montana	4	0	74	0	7	0	2	2	12	19
Nebraska	2	1	365	1	63	4	15	4	127	71
Nevada	15	1	286	0	8	3	25	9	40	39
New Hampshire	3	1	115	0	1	2	3	3	17	19
New Jersey	817	86	3,277	7	15	23	157	118	636	206
New Mexico	1	3	151	0	5	0	8	6	22	19
New York	1,479	182	7,338	83	49	119	533	679	1,646	316
North Carolina	2	1	668	1	13	9	35	14	99	116
North Dakota	1	0	97	0	17	0	2	1	24	33
Ohio	5	3	936	0	21	6	29	8	125	157
Oklahoma	1	1	349	0	15	2	12	5	44	65
Oregon	2	1	409	0	18	0	24	3	52	43
Pennsylvania	52	10	1,163	1	12	7	40	35	168	150
Rhode Island	2	1	71	0	1	0	4	0	8	13
South Carolina	4	1	309	0	3	0	11	5	22	61
South Dakota	0	0	137	0	24	1	5	1	50	43
Tennessee	4	2	655	2	18	6	33	25	128	73
Texas	12	8	2,608	5	70	27	136	75	424	329
Utah	1	1	203	0	1	1	10	8	27	28
Vermont	4	0	78	0	1	0	2	0	3	12
Virginia	2	2	769	2	17	6	46	27	147	96
Washington	1	2	673	0	10	4	22	22	86	100
West Virginia	0	0	79	0	0	0	1	0	2	20
Wisconsin	47	8	512	3	15	4	31	11	99	92
Wyoming	3	0	35	0	2	0	1	0	4	6
Total U.S.	8,660	1,429	45,970	201	1,151	482	2,532	1,879	8,832	4,958
Total Foreign	96	29	2,092	4	3	10	280	180	924	77
Total Registered	8,756	1,458	48,062	205	1,154	492	2,812	2,059	9,756	5,035

*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. The FCM column and the Non-Guaranteed IB column include 18 and 42 securities broker-dealers, respectively, that have "notice registered" to engage in security futures transactions.

CFTC 2003 Available Funds and Staff-Years

Funds Appropriated	85,526,097 ¹
Staff-Year Ceiling	526
Staff-Years Used	521

CFTC Staff-Years by Geographic Location (FY 2003 Actual)

California	10
District of Columbia	326
Illinois	98
Minnesota	2
Missouri	8
New York	77
Total	521

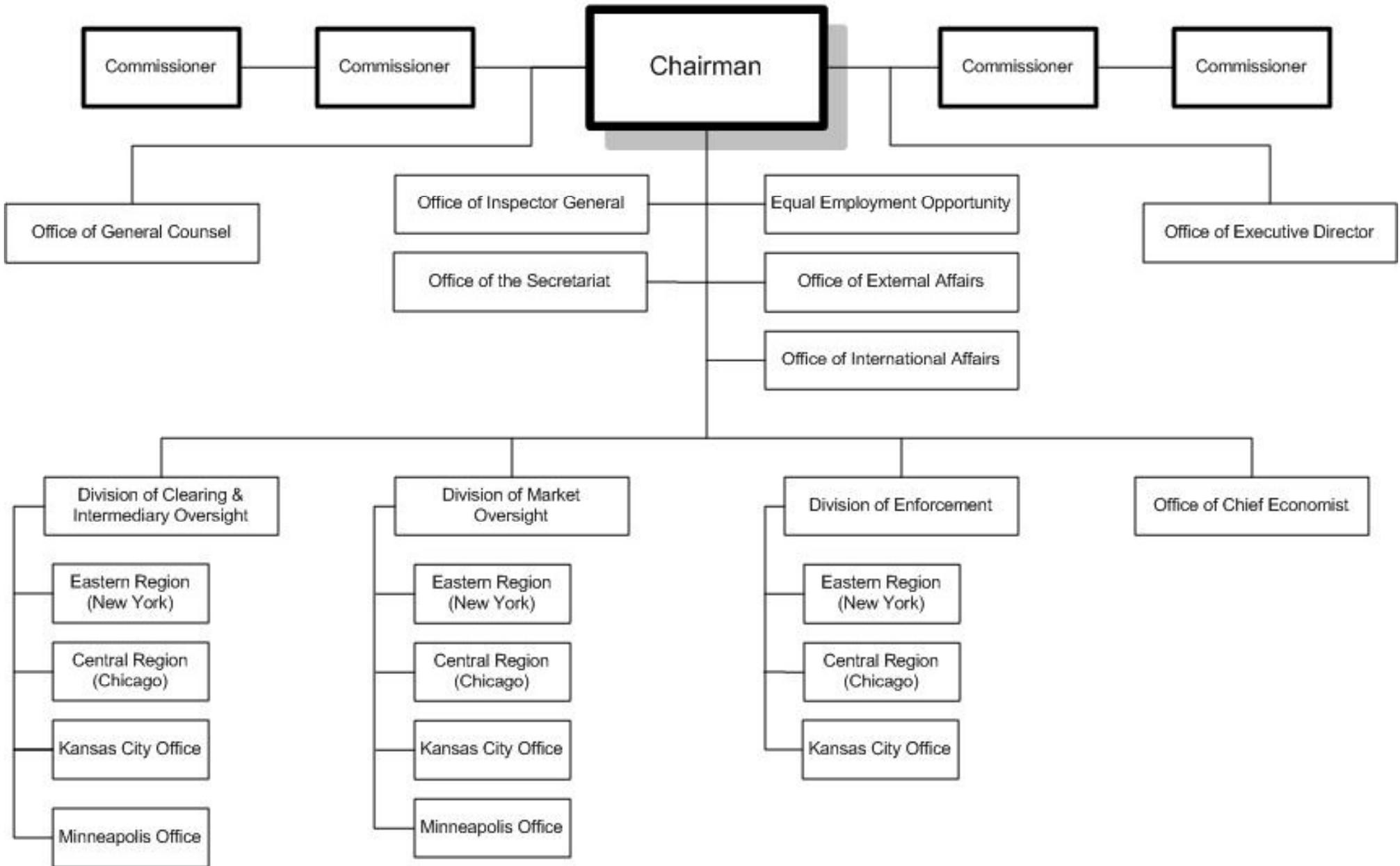
Statement of CFTC Obligations by Geographic Location for Administration of the Commodity Exchange Act (During FY 2003)

California	1,831,000
District of Columbia	53,039,000
Illinois	15,904,000
Minnesota	311,000
Missouri	1,245,000
New York	13,196,000
Total	85,526,000²

¹ Includes Net of \$85,985,000 Appropriation, Less \$558,903 Rescission, Plus \$100,000 Reimbursable Budget Authority.

² Includes reimbursements of \$20,243.

Commodity Futures Trading Commission Organization Chart



CFTC Offices

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Suite 1100
Chicago, IL 60601
Phone: (312) 596-0700

Eastern Region

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

Southwestern Office

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

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