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COMMODITY FUTURES TRADING COMMISSION

Ensuring the Integrity of the Futures & Option Markets

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THE COMMISSIONERS

James E. Newsome

Chairman

James E. Newsome was nominated by President George W. Bush to serve as Chairman of the Commodity Futures Trading Commission. He was confirmed by the U.S. Senate on December 20, 2001, to a term expiring in June 2006. Chairman Newsome served as a Commissioner of the CFTC beginning on August 10, 1998; he left the agency in July 2004.

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

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

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; they have two daughters, Molly and Riley.





Sharon Brown-Hruska

Acting Chairman

Sharon Brown-Hruska was designated by President Bush as Acting Chairman at the Commodity Futures Trading Commission (CFTC) on July 26, 2004. She was first nominated to the Commission by President Bush on April 9, 2002, confirmed by the Senate on August 2, 2002, and sworn in on August 7, 2002. She was subsequently nominated by President Bush to a second term as a Commissioner, and confirmed by the Senate on November 21, 2004, to a term expiring April 13, 2009.

In her capacity as Acting Chairman, Brown-Hruska serves as a member of the President's Working Group on Financial Markets along with the Secretary of the Treasury, the Chairman of the Board of Governors of the Federal Reserve, and the Chairman of the Securities and Exchange Commission. Dr. Brown-Hruska is also the Chairman of the CFTC's Technology Advisory Committee.

Energy: In March 2003, then CFTC Chairman James Newsome announced that Dr. Brown-Hruska would be evaluating legislation, issues and economic developments of relevance to our Nation's energy markets, in addition to her other duties as a Commissioner. She has spoken on energy issues to many forums and organizations, including the Energy Bar Association, Edison Electric Institute, and the World Forum on Energy Regulation. She has recently published articles in the *Energy Daily* on energy derivatives and the *Futures and Derivatives Law Report* on mar-

ket manipulation in the energy markets. For her work in this area, she was awarded the Key Women in Energy's Global Leadership Award, announced at the March 31, 2004, National Energy Marketers Association Conference in Washington, D.C.

Financial literacy and education: Dr. Brown-Hruska serves as the CFTC's representative on the Financial Literacy and Education Commission, chaired by Treasury Secretary John Snow. Subsequently, she was named Chairman of the Subcommittee on Website Development, which is made up of representatives from various agencies within the Federal government. In September 2004, a website, www.mymoney.gov, that serves as a clearinghouse for information on financial literacy was successfully launched.

Financial markets: Dr. Brown-Hruska holds a Ph.D. in economics (1994) from Virginia Tech in Blacksburg, Virginia. Prior to coming to the CFTC, Dr. Brown-Hruska was an Assistant Professor of Finance at George Mason University's School of Management (1998 – 2002) and the A.B. Freeman School of Business at Tulane University (1995-1998). Dr. Brown-Hruska has authored numerous papers based on her research in the areas of derivatives and market microstructure, including, "A Penny for Your Trade" in *Barron's* (2001); "Financial Markets as Information Monopolies?" in *Regulation* (2000), and "Fragmentation and Complementarity: The Case of EFPs" in the *Journal of Futures Markets* (2002).

A native of Winchester, Virginia, she lives with her husband Donald Hruska and their six-year-old son, Jacob, in Burke, Virginia.

Walter L. Lukken

Commissioner

Walter L. Lukken currently serves as a Commissioner of the CFTC with a term expiring in April 2005. President George W. Bush nominated him to this post in January 2002 and the Senate confirmed his nomination in August 2002.

In October 2003, Commissioner Lukken was appointed to serve as Chairman and Designated Federal Official of the CFTC's Global Markets Advisory Committee (GMAC). The GMAC was created by the Commission to provide a forum in which it could discuss the many complex and novel issues raised by the ever-increasing globalization of futures markets. Commissioner Lukken is also Vice Chairman of the Agricultural Advisory Committee.

In May 2003, CFTC Chairman Newsome and SEC Chairman William Donaldson tasked Commissioner Lukken and SEC Commissioner Paul Atkins to work together with agency staff on the completion of issues arising from the implementation of the Commodity Futures Modernization Act (CFMA) of 2000. A memorandum of understanding between the CFTC and the SEC regarding security futures products was completed in December 2003.

Prior to joining the CFTC, Commissioner Lukken served four years on the professional staff of the U.S. Senate Committee on Agriculture, Nutrition, and Forestry under Ranking Member Richard Lugar. While working for the Committee, he specialized in futures and derivatives markets, agricultural banking, and agricultural tax issues. In this capacity, Commissioner Lukken was fully involved in the drafting of the CFMA (H.R. 5660) and the 2002 Farm Bill (H.R. 2646). As a result of his legislative efforts, the Wall Street Letter nominated him for its "Washington Impact Player of the Year 2000." Before joining the Committee, Mr. Lukken worked for five years in the personal office of Senator Lugar as a legislative assistant specializing in finance and tax matters.

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



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.

CFTC Creation and Transformation

Futures contracts for agricultural commodities have been traded in the United States for more than 150 years and have been under Federal regulation since the 1920s. Congress created the CFTC in 1974 as an independent agency with the mandate to regulate commodity futures and option markets in the United States. At the time the Commission was founded in 1974, the vast majority of futures trading took place in the agricultural sector. These contracts gave farmers, ranchers, distributors, and end-users of everything from corn to cattle an efficient and effective set of tools to hedge against price volatility.

Over the years, however, the futures industry has experienced increased complexity. While farmers and ranchers continue to use the futures markets as actively as ever to effectively lock in prices for their crops and livestock months before they come to market, new and highly complex financial contracts based on interest rates, foreign currencies, Treasury bonds, stock market indices, and other products have far outgrown agricultural contracts in trading volume. Latest statistics show that approximately five percent of on-exchange derivatives activity is in the agricultural sector, while financial derivatives make up approximately 86 percent, and other contracts, such as those on metals and energy products, make up about nine percent.

In recognition of this changing environment, in December 2000, Congress and the president reauthorized the Commission through fiscal year (FY) 2005 with the passage of the Commodity Futures Modernization Act (CFMA) of 2000. The CFMA transformed the Commission from a front-line regulatory agency to an oversight regulator. The CFMA 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.

Commission Goals and Objectives

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.

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 ensure the economic vitality of commodity futures and option markets; 2) to protect market users and the public; and 3) to foster open, competitive, and financially sound markets.

Goal One. Ensuring Economic Vitality of Commodity Futures and Option Markets

The Commission oversees registered futures exchanges, intermediaries, and derivatives clearing organizations in order to achieve the following outcomes:

- Markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.
- Markets that are effectively and efficiently monitored to ensure early warning of potential problems or issues that could adversely affect their economic vitality.

Goal Two. Protecting Market Users and the Public

While our country reaps the rewards of an explosive futures industry, the risk of fraud and manipulation has never been high [higher?] for market users and the public.

The trend toward electronic trading platforms as well as the expanding complexity of trading instruments have challenged the Commission to reconfigure its ability to identify, investigate, and prosecute all parties involved in violating applicable laws and regulations. Typically, the Commission has more than 100 investigations open at any time. If evidence of criminal activity is found, matters are referred to state or Federal authorities for prosecution under criminal statutes.

Over the years, the Commission has prosecuted a number of cases involving manipulation or attempted manipulation of commodity prices. The Sumitomo copper case and the Hunt brothers silver case are well-known examples. A variety of administrative sanctions, such as bans on futures trading, civil monetary penalties, and restitution orders, is available to the Commission. The Commission may also seek Federal court injunctions, asset freezes, and orders to disgorge ill-gotten gains.

The desired outcomes of Goal Two are:

- Violations of Federal commodities laws be detected and prevented.
- Commodity professionals meet high standards.
- Customer complaints against persons or firms registered under the Act be handled effectively and expeditiously.

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

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

The focus of Goal Three is:

- Clearing organizations and firms holding customer funds have sound financial practices.
- Commodity futures and option markets be effectively self-regulated.
- Markets be free of trade practice abuses.
- The regulatory environment be flexible and responsive to evolving market conditions.

Organization and Locations

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:

Sharon Brown-Hruska 2002- (Acting Chairman)	David G. Gartner 1978-1982
Walter L. Lukken 2002-	Robert L. Martin 1975-1981
James E. Newsome 1998-2004 (Chairman)	John V. Rainbolt 1975-1978 (Vice Chairman)
Barbara P. Holum 1993-2003	Read P. Dunn, Jr. 1975-1980
Thomas J. Erickson 1999-2002	Gary L. Seevers 1975-1979
William J. Rainer 1999-2001 (Chairman)	William T. Bagley 1975-1978 (Chairman)
David D. Spears 1996-2001	
Brooksley Born 1996-1999 (Chairperson)	
Mary L. Schapiro 1994-1996 (Chairman)	
John E. Tull, Jr. 1993-1999	
Joseph B. Dial 1991-1997	
Sheila C. Bair 1991-1995	
William P. Albrecht 1988-1993	
Wendy L. Gramm 1988-1993 (Chairman)	
Robert R. Davis 1984-1990	
William E. Seale 1983-1988	
Fowler C. West 1982-1993	
Kalo A. Hineman 1982-1991	
Susan M. Phillips 1981-1987	
Philip McBride Johnson 1981-1983 (Chairman)	
James M. Stone 1979-1983 (Chairman)	

THE YEAR IN REVIEW

Overview

During FY 2004, the Commission continued to focus its actions on modernizing regulation and keeping pace with rapidly changing markets. In February 2004, the Commission issued *Keeping Pace with Change*, a strategic plan for FY 2004-FY 2009. This plan reflects the new direction of the agency, driven by the Commodity Futures Modernization Act (CFMA), including three key objectives: 1) modernizing rules affecting trading platforms and market intermediaries; 2) permitting futures based on single stocks or narrow-based stock indices; and 3) providing legal certainty for over-the-counter derivatives. The plan also reflects the enormous and continuing changes in the markets, including rapid growth in volume, globalization, and the movement from open outcry on exchange trading floors to all-electronic trading from widely dispersed geographic locations.

The Commission's most significant accomplishments in this year reflect the following goals:

- Reacting to concerns in particular markets, especially the energy and cattle markets
- Continuing to combat fraud, particularly in foreign exchange (forex) markets
- Cooperating with international regulators and facilitating international trading
- Responding to electronic trading innovations
- Reviewing other market developments, including new products and rule changes
- Modernizing and streamlining regulations
- Implementing the anti-money-laundering provisions of the USA PATRIOT Act
- Developing emergency planning for the Commission in concert with other financial regulators
- Enhancing the automated tools that support the agency's mission
- Promoting better management by implementing the President's Management Agenda.

Energy Markets

Energy Market Surveillance

During FY 2004, crude oil, heating oil, and gasoline prices exhibited great volatility and reached record highs. Natural gas prices rose sharply in December 2003 and remained high. These markets were affected by geopolitical tensions and actual and potential threats to Middle East crude oil supplies; low domestic stocks; and economic growth leading to increased demand, constraints on domestic refining capacity, refinery disruptions, and changes in environmental requirements for gasoline. The Commission closely watched a number of contract expirations in these commodities and analyzed sharp price moves, especially in the natural gas market.

Natural Gas Market Investigation

In August 2004, the Commission completed a seven-month investigation of the sharp upward movement in prices in the natural gas market that occurred in late 2003. The Commission's investigation, which was initiated in early December 2003, did not uncover evidence that any entity or individual engaged in activity with an intent to cause an artificial price in natural gas in late 2003. According to the information obtained during the investigation, the increase in natural gas prices during that time was the result of distinct factors, including market reaction to colder-than-expected weather in the northeast United States during the first week in December 2003, and market statements and projections regarding the inventory of natural gas in underground storage caverns made in late November/early December 2003. The Commission's investigation included the extensive review of documents and audio recordings produced by numerous companies and individuals in the natural gas markets, including physical and financial traders, industry analysts, and operators of natural gas storage facilities, as well as testimony and interviews of dozens of individuals. The Commission worked cooperatively on this matter with both the New York Mercantile Exchange (NYMEX) and the Federal Energy Regulatory Commission (FERC).

Alleged Misconduct by Energy Trading Firms

Through FY 2004, the Enforcement program has continued its extensive investigation of alleged abuses in energy-related markets. The investigation has focused on energy trading firms that have allegedly engaged in: 1) the reporting of false, misleading or knowingly inaccurate market information, including price and volume information; 2) attempted manipulation or manipulation; and/or 3) “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 (CEA). The Commission’s aggressive enforcement actions in the energy sector reflect an approach to market oversight that emphasizes tough enforcement actions against wrongdoers. As a result of its efforts in investigating wrongdoing in the energy markets, the Commission filed 19 major enforcement actions charging 22 companies and three individuals. These enforcement actions have thus far resulted in civil monetary penalties totaling over \$222 million, among other sanctions.

Cattle Markets

Cattle Market Surveillance

The discovery of a cow with Bovine Spongiform Encephalopathy (BSE) or “mad cow” disease in Washington State in December 2003 resulted in a cutoff of U.S. exports of cattle and beef and a sharp downward price move in those products. By early summer 2004, prices had fully recovered, but were being buffeted by news and rumors of the potential lifting of the ban on Canadian cattle and beef, of the possible reopening of export markets, and of the results from a U.S. Department of Agriculture (USDA) program for enhanced testing of cattle for BSE.

Investigation of Cattle Market Trading

The Commission opened an investigation in late December 2003 to determine whether certain commodity traders had advance knowledge of an announcement that BSE had been found in a cattle herd in the northwestern United States. The investigation seeks to determine whether news of the announcement was leaked in advance from government or other sources. The Commission is working cooperatively in this investigation with the Inspector General’s office of the USDA, the Federal Bureau of Investigation (FBI), and the regional U.S. Attorney’s office.

Amendments to the CME Live Cattle Futures Contract

In FY 2004, Commission staff reviewed several actions related to the Chicago Mercantile Exchange’s (CME) live cattle futures contract. These included: an expansion of daily price limits under certain circumstances; subsequent approval of an emergency action that temporarily expanded daily price limits following the USDA announcement of the discovery of a dairy cow afflicted with BSE; a ban on delivery of steers that are older than 30 months of age; and use of the 5-Area Weekly Weighted Average Direct Slaughter Cattle—Premiums and Discounts to determine discounts and premiums applicable to deliveries.

Fraud in Foreign Currency (Forex) Markets

Actions to Combat Retail Foreign Currency Fraud

During FY 2004, the Commission continued its initiative to battle retail foreign currency 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 a futures commission merchant (FCM) or other 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 has brought 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. During FY 2004, 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 65 since enactment of the CFMA in December 2001.

The Enforcement program’s successes in this area include:

- The May 28, 2004, District Court order of final judgment in a forex action brought by the Commission in July 2002. *CFTC v. International Financial Services (New York), Inc., et al.*, No. 02 CIV 5497 (S.D.N.Y. July 17, 2002). Among

other sanctions, the court ordered the defendants to pay more than \$100 million in restitution and penalties for their violations of federal commodity laws.

- “Operation Wooden Nickel,” an 18-month-long undercover investigation into forex and bank fraud conducted by the U.S. Attorney and the FBI in the Southern District of New York. On November 19, 2003, the U.S. Attorney filed criminal charges against 47 defendants and arrested many of them. At the same time, the Commission filed six separate federal injunctive actions against 31 persons and entities. As part of the undercover operation, federal criminal agents infiltrated a forex boiler room in the World Financial Center allegedly operated by corrupt sellers of illegal forex futures contracts. The agents captured hundreds of hours of video and audio recordings of defendants allegedly scheming to deceive unsuspecting customers and steal millions of dollars. Operation Wooden Nickel is the largest undercover operation in which the Commission has participated.
- Fighting illegitimate forex operators who have moved their operations offshore. For example, the defendants in a recent forex case were alleged to have fraudulently solicited U.S. retail customers using the Internet and they challenged the U.S. court’s jurisdiction over them on the basis of a lack of personal jurisdiction over overseas-based, Internet-only business. *CFTC v. E Net Speculation Ltd., et al.*, No. 3:04CV169-s (W.D.Ky. filed March 19, 2004). Also, while not unique to the forex program area, the Commission has increasingly observed wrongdoers attempting to move misappropriated customer funds offshore. See, e.g., *CFTC v. Emerald Worldwide Holding, Inc., et al.*, No. CV03-8339 AHM(Ex) (C.D.Cal. filed May 10, 2004) (in this forex fraud involving a Japanese firm, Citibank agreed to reserve \$600,000 in order to compensate for funds it allowed a defendant to wire to Japan following service of the asset freeze).

International Issues

Foreign Stock Index Offerings in the United States

The Commission under its rules, issues no-action relief for foreign boards of trade wishing to offer and sell stock index futures contracts in the United States. During FY 2004, Commission staff completed economic analyses in support of the issuance of no-action letters for six such index contracts: the Taiwan Futures Exchange’s Taiwan Stock Exchange Capitalization Weighted Index; the LIFFE’s FTSEurofirst 80 Index

and FTSEurofirst 100 Index; the National Stock Exchange of India’s S&P Nifty; the SGX-DT’s S&P Nifty; and the Borsa Italiana’s S&P/MIB Index futures contracts.

Clarification of Registration Rules for Foreign Brokers

On August 12, 2004, the Commission published in the *Federal Register* amendments to Part 30 to clarify when foreign futures and options brokers (FFOBs) who are members of a foreign board of trade must register or obtain an exemption from registration. The Commission amended Rule 30.4(a) to clarify that an FFOB is not required to register as an FCM pursuant to Rule 30.4, or to seek exemption pursuant to Rule 30.10, if it carries: 1) customer omnibus accounts for U.S. FCMs; 2) accounts proprietary to a U.S. FCM; and/or 3) U.S. affiliate accounts that are proprietary to the FFOB. In addition, an FFOB that has U.S. bank branches would be eligible for a Rule 30.10 comparability exemption or exemption from registration under Rule 30.4, based upon compliance with conditions specified in Rule 30.10(b)(1)-(6).

International Information Sharing

Memoranda of Understanding (MOUs) provide a framework for authorities to share information and extend assistance to one another in taking statements, collecting information, and conducting investigations. The Commission continued to use these arrangements to facilitate the sharing of information for enforcement and regulatory purposes throughout the fiscal year. During FY 2004, the Commission announced its participation in a multilateral MOU developed by the International Organization of Securities Commissions (IOSCO) that establishes minimum standards for cooperative enforcement and information exchange. The Commission also entered into a Statement of Intent between the Commission and the Irish Financial Services Regulatory Authority concerning consultation and cooperation. The Commission also entered into an arrangement for regulatory cooperation, consultation, and the provision of technical assistance with the Securities Exchange Board of India. Other activities during FY 2004 included examining methods to enhance cross-border cooperation in a litigation context, reviewing members’ experiences with under-regulated and uncooperative jurisdictions, and the preservation and repatriation of property in cross-border cases.

IOSCO International “Best Practices”

The Commission continued its active participation within IOSCO to develop regulatory “best practices” principles that

are intended to help foster higher international regulatory standards and increase access to markets and products. Among other activities, during FY 2004 the Commission coordinated activities within IOSCO and its Technical Committee and standing committees, with special focus on issues raised by index products, short-selling, transparency, error-trade policies, cross-border activities of intermediaries, outsourcing, and compliance functions. In addition, Commission staff participated 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*, which was adopted by IOSCO; also developed an electronic version of the assessment methodology and instructions to clarify its application and participated in IOSCO seminars in Spain and India explaining the methodology. Staff also worked on the IOSCO-CPSS (Committee on Payment and Settlement Systems) Task Force on Central Counterparties that developed a combined risk-management and default-procedure recommendations and assessment methodology for central counterparties, which was released as a consultative document by IOSCO and the CPSS. In addition, staff worked on the IOSCO Task Force on Client Identification and Beneficial Ownership, which in May 2004 published a set of principles concerning acceptable options for client identification in the securities and futures industries. Commission staff on the IOSCO Chairs' Committee helped examine ways to strengthen capital markets against financial fraud and issues concerning the activities of credit rating agencies.

Promoting International Access to Markets and Products

During FY 2004, the Commission provided representations and regulatory information to regulatory authorities in Australia, Austria, Germany, Italy, the Netherlands, Spain, and Switzerland that supported the recognition of three U.S. futures exchanges' electronic trading systems and provided regulatory information to assist Australian regulators in their determination to issue a blanket exemption to U.S. FCMs offering wholesale business in Australia. The Commission also provided expertise to the Committee of European Securities Regulators, the World Bank/International Monetary Fund, and the Toronto Centre on Leadership, and conducted a number of seminars, including the annual foreign regulators training in Chicago and the international regulators meeting at the annual Futures Industry Association conference.

Electronic Futures Trading

The Commission is faced with an increasing number of important issues concerning the impact of technological changes on methods of transacting business on futures exchanges. During FY 2004, the Commission designated two new exchanges conducting electronic trading and reviewed self-certifications for other electronic trading products. In addition, the Commission also issued rules concerning exempt commercial markets (ECMs) and reviewed notice filings from, and issued acknowledgement letters to, four ECMs and one exempt board of trade (EBOT). ECMs are electronic trading facilities that provide for the execution of futures transactions by eligible commercial entities in exempt commodities, while EBOTs are trading facilities that provide for the execution of futures transactions in exempt commodities by eligible contract participants.

Electronic Futures Exchanges

USFE

After significant comment and dialogue, the Commission designated the U.S. Futures Exchange, L.L.C. (USFE) as a contract market on February 4, 2004. USFE is a Chicago-based exchange that is eighty percent owned by a subsidiary of Eurex Frankfurt AG and 20 percent owned by a limited partnership of 17 shareholders, many of whom were shareholders of the BrokerTec Futures Exchange, L.L.C., a designated contract market that ceased trading operations on November 26, 2003. The USFE trades U.S. Treasury futures and option contracts on an enhanced version of the a/c/e automated trading system.

HedgeStreet

On February 18, 2004, the Commission designated HedgeStreet as a contract market for non-intermediated electronic trading in cash-settled, European-style binary options on various proprietary and non-proprietary indices. Trading on HedgeStreet is conducted over the Internet. The Commission concurrently approved HedgeStreet's application for registration as a derivatives clearing organization.

Electronic Markets

Commission staff reviewed the Chicago Mercantile Exchange's (CME) self-certification of an enhanced system for electronic trading "call market" on GLOBEX of Eurodollar options, which became effective August 2, 2004. The call market uses an electronic request for quote function and combines committed market-making, indicative quotes, and complex spread combinations and trades at the same time as the floor. In FY 2004, Commission staff reviewed CBOT's

self-certification of new rules as well as provisions to facilitate the transfer of CBOT electronic trading to its new e-cbot trading platform using the LIFFE CONNECT technology.

Exempt Commercial Markets

Exempt Commercial Market Requirements

On July 13, 2004, the Commission adopted final rules relating to the responsibilities of ECMs. The rulemaking had two central components:

- First, the Commission amended an existing regulation that governs Commission access to information regarding transactions on ECMs, to provide for access to more relevant and useful information from all such markets. The amendments clarify the Commission's earlier requirements in this area and are intended to strike a balance between the business concerns of ECMs and the Commission's need for access to meaningful information with which to enforce its antifraud and anti-manipulation authority as mandated by Congress.
- Second, the Commission adopted new standards to identify when an ECM is performing a significant price discovery function for transactions in an underlying cash market and, consequently, will be required to publicly disseminate certain specified trading data.

Acknowledgement of Three ECMs

During the fiscal year, the Commission staff reviewed notice filings from, and issued acknowledgement letters to, four ECMs. 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. The new ECMs are Commodity Derivatives Exchange, Inc. (CDXchange), Natural Gas Exchange (NGX), Spectron-Live.com (Spectron), and Traditional Financial Services Pulp and Paper Division (TFS). CDXchange is based in Northfield, Illinois, and trades metals derivatives. NGX is based in Calgary, Alberta, and trades natural gas, electricity, and other energy derivatives; Spectron is based in London, England, and trades liquid petroleum gas derivatives; and TFS is based in Stamford, Connecticut, and trades pulp and paper product derivatives.

Acknowledgement of One EBOT

During the fiscal year, Commission staff reviewed a notice filing from and issued an acknowledgement letter to one EBOT, the Actuarials Exchange, which is based in Chicago, Illinois, and trades financial futures. EBOTs are trading facilities that provide for the execution of futures transactions by eligible contract participants in commodities that have:

- a nearly inexhaustible supply;
- a deliverable supply sufficiently large enough and a cash market liquid enough to render the contract highly unlikely to be susceptible to manipulation; or
- no cash market.

A facility that elects to operate as an EBOT must give notice to the Commission and comply with certain informational, record keeping, and other requirements.

Other Market Developments

New Products

In FY 2004, the exchanges filed with the Commission 207 new futures and option contracts based on a wide variety of underlying physical products, financial instruments, and economic indexes. All except three of these new contracts were filed under the Commission's certification procedures. Under these procedures, exchanges certify that their contracts comply with statutory and regulatory requirements. Many of the contracts represent innovative approaches designed to meet the specialized hedging needs of producers, firms in various industries, or others. For example:

- Exchanges filed a number of over-the-counter-like, cash-settled natural gas and electricity futures contracts covering different regions of the United States, as well as contracts based on ethanol, fertilizers, financial commodities, weather indexes, and a number of option contracts based on macroeconomic and regional indicators.
- Many of the option contracts based on economic indexes represented an innovative approach to derivatives trading as binary options whose payoffs are mutually exclusive and cover all possible outcomes.
- Twenty-nine security futures products were filed during the fiscal year, including: 1) two new CBOE Futures Exchange (CFE) contracts based on the volatility in the S&P 500 index; 2) the CFE's volatility index (Vix) futures contract, which is based on an index composed of options on the S&P 500 index and measures historical volatility; and 3) the S&P 500 three-month variance futures contract, which measures expected volatility.
- A new three-month Eurodollar forward rate agreement futures contract, submitted by the CME in May 2004, included novel features under which the CME maintains a daily listing of contract expirations with trade matching on a weekly periodic basis. For each expiration, all orders are to be executed at a single price determined by a CME-developed trade-matching algorithm.

Exchange Developments

On June 9, 2004, the Commission approved the merger of the Coffee, Sugar and Cocoa Exchange (CSCE) and New York Cotton Exchange (NYCE) into the New York Board of Trade (NYBOT). The Commission approved rulebooks, new bylaws, and certain amendments to the exchange rulebook, as well as the transfer of all contracts currently listed for trading on CSCE and NYCE and all associated open interest to NYBOT.

Clearinghouse Developments

CME/CBOT Common Clearing Link

In April of 2003, the CBOT entered into an arrangement to clear contracts through the CME. Commission staff studied and resolved the policy and legal issues raised by this clearing link and its implementation in order to ensure orderly implementation of the arrangement, legal certainty, financial integrity, and customer protection in the futures markets. On October 9, 2003, the Commission approved CBOT's application for registration as a derivatives clearing organization (DCO). The link was successfully implemented in two phases, in November and December of 2003. Commission staff closely monitored the transition. The link has provided efficiencies both in processing transactions and in utilization of capital. This arrangement furthers the CFMA's goal of supporting innovation in the futures industry.

London Clearing House a Designated Clearing Organization

On May 11, 2004, the Commission approved a request to amend its order registering the London Clearing House (LCH) as a DCO to permit LCH to clear contracts traded on U.S. contract markets. The Commission order addresses, among other things, the treatment of customer funds and bankruptcy issues. LCH was the first foreign entity to obtain registration as a DCO and the first foreign entity to be permitted to clear on behalf of U.S. exchanges.

NYMEX Order

On February 10, 2004, the Commission issued an Order permitting the New York Mercantile Exchange and its member FCMs to carry margin supporting certain OTC option contracts cleared by NYMEX in customer-segregated accounts. The Order was subject to a number of safeguards. Most notably, NYMEX has established and will maintain a permanent customer protection mechanism of not less than \$10 million that will be available at all times

to promptly reimburse retail customers trading on NYMEX whose funds are lost as a result of a default by another customer of the same FCM.

Speculative Limits

In FY 2004, several exchanges amended spot-month speculative position limit rules. For its wheat contracts, the CBOT eliminated the special spot month speculative limits during the last five trading days of the March and May contract months (which were 350 contracts for March and 220 contracts for May) and adopted a scaled-down speculative position limit provision for the May contract so that the limit is based on the CBOT's Stocks of Grain Report on the Friday preceding the first notice day. At the request of Commission staff, based on its review of NYMEX's certification filings, NYMEX amended its spot month speculative position limits for its natural gas basis swap futures contracts, to ensure that the limits comply with Commission policy and are appropriate to deter potential manipulation.

Modernizing and Streamlining Regulations

Continued Modernization of CPO and CTA Rules

In FY 2004, the Commission worked to refine the August 2003 rule revisions for modernizing commodity pool operator (CPO) and commodity trading advisor (CTA) registration requirements and facilitating greater participation in the commodity futures and option markets. The 2003 amendments provided for additional exemptions from CPO registration under Rule 4.13, including: (1) an exemption where pool participants meet certain sophistication standards and the pool's commodity interest trading is restricted; and (2) an exemption where a pool's participants meet a generally higher sophistication standard (and therefore the pool's commodity interest trading does not need to be as restricted).

In response to requests for clarification from the CPO community, in July of 2004 the Commission adopted an amendment to Rule 4.13 that clarifies that a CPO claiming exemption under the first of these additional registration exemptions may accept into its pool participants who meet the (higher) sophistication standards of the second of these additional registration exemptions. Based on figures obtained from the National Futures Association for the year ended September 30, 2004, the vast majority of the more than 1,400 persons who have claimed registration exemption—more than 80 percent—were CPOs and CTAs who had not previously been registered with the CFTC.

Hedge Fund Testimony

At the end of FY 2004, 1,898 CPOs were registered with the Commission. These CPOs sponsored, operated, or advised around 3,255 commodity pools with approximately \$614 billion in net assets. Many hedge fund complexes include Commission-registered CPOs and CTAs. In recognition of this growing and important segment of the futures industry, the Commission was asked to present testimony, which included extensive hedge fund statistical data and related materials, at a hearing of the Senate Committee on Banking, Housing, and Urban Affairs. The testimony, presented in July 2004, concerned proposed SEC regulatory requirements for hedge fund advisors.

Risk-Based Capital

During FY 2004, the Commission approved a final rulemaking to modernize regulatory minimum capital requirements for FCMs. Under the rule amendments, an FCM's minimum capital requirement is no longer based on a percentage of customer funds held by the FCM, but rather on specified percentages of the risk maintenance margin requirements for all positions the FCM holds for customers and noncustomers. The revised rules are intended to provide a better correlation between a firm's minimum capital requirement and the particular risks of the futures and option positions it carries. The final rule is also consistent with the risk-based capital requirements that several futures organizations have implemented previously for their members.

Modernizing and Streamlining Financial Filing Requirements

During FY 2004, the Commission approved final rule amendments that modernize certain financial reporting requirements for Introducing Brokers (IBs) and FCMs. The notice included a proposed rule requiring FCMs, consistent with the monthly reporting requirements of various self-regulatory organizations, to submit financial statements to the Commission on a monthly rather than on a quarterly basis. The more frequent filing of financial statements is an integral component of the Commission's FCM financial surveillance program, which utilizes customer market position data to assess financial exposures to individual firms and to the clearing system. The Commission also amended its rules to permit IBs to file their required semi-annual unaudited reports, and also their certified annual financial reports, solely with the National Futures Association (NFA). The amendments streamline the regulatory reporting requirements for IBs, and the Commission will continue to have access to IB financial statement information through NFA.

New Risk-Based Oversight Examinations

Similar to the approach of other Federal financial regulators and certain overseas financial supervisors, 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 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 clearinghouses that are the backbone of the futures clearing system. The Major Reviews unit, one of two new units within the Division of Clearing and Intermediary Oversight (DCIO), was created during FY 2004 to plan, coordinate, schedule, monitor, and assess major risk-focused reviews. The unit's activities are intended to ensure that multiple, simultaneous major reviews are completed on schedule, follow appropriate benchmarks of consistency and comparability, and ultimately provide meaningful assessments of core principle compliance that, when presented formally to the Commission, provide the Commissioners with confidence that the Commission is fulfilling its responsibilities on this important aspect of market oversight.

Revision of Form 1-FR-FCM and Instruction Manual

The Commission approved amendments to financial Form 1-FR-FCM to reflect the new risk-based capital rules. An FCM is required to file a Form 1-FR-FCM with the Commission and with the firm's designated self-regulatory organization on a monthly basis. The Commission also approved amendments to an instruction manual for the Form 1-FR-FCM. The amendments not only incorporate the changes necessitated by the adoption of a risk-based capital rule, but also reflect necessary changes resulting from numerous rulemakings and interpretations that have been issued by the Commission. The amendments are the first revision to the instruction manual since it was first issued by the Commission in 1989.

Investment of Customer Funds

On February 10, 2004, the Commission amended its rules to further expand the range of permissible investments by FCMs and clearinghouses of their customers' funds and property. FCMs and clearinghouses will now be permitted to enter into repurchase agreements and collateral management programs using customer-deposited securities.

Anti-Money Laundering: USA PATRIOT Act

During FY 2004, the Commission consulted with the U.S. Treasury Department and various Federal financial regulators to develop anti-money-laundering (AML) rules required under the USA PATRIOT Act and to issue guidance regarding the implementation of those rules. During FY 2004, these included:

- Final suspicious-activity reporting rules for FCMs and IBs. The suspicious activity reporting rule applies to transactions occurring after May 18, 2004.
- Guidance in the interpretation of the customer identification and verification rule for FCMs and IBs. The first tier of these staff interpretations for the futures industry was issued on June 14, 2004.

During the development of the AML rules the Commission has reached out to market participants and SRO representatives to facilitate comments to Treasury, so that the resulting rules and guidance reflect the nature of the futures industry and Commission registrants are not placed at a competitive disadvantage relative to other financial services providers. Staff also continue to work with Treasury in a process for sharing information about possible terrorists and money launderers. As part of this process, Commission staff maintain and update a list of FCMs and contact persons, which Treasury then uses when issuing a list of possible money launderers and terrorists on a biweekly basis.

To address anti-money-laundering issues, the Commission created a new unit within the Division of Clearing and Intermediary Oversight, the Major Reviews unit, during FY 2004. In addition to managing major risk-focused reviews of exchanges and clearinghouses, this unit will develop and review standards for the evaluation and audit of registrant compliance with AML requirements applicable to FCMs, IBs, CPOs, and CTA.

Emergency Response

In order to be able to continue the core responsibilities of the Commission in the event of emergency and to ensure the safety and health of its staff, the Commission engaged in a number of activities during FY 2004.

Financial and Banking Information Infrastructure Committee (FBIIC)

The Commission is a member of the Financial and Banking Information Infrastructure Committee (FBIIC), a standing

committee of the President's Critical Infrastructure Protection Board. The FBIIC consists of 17 banking and financial regulators, whose mission is to protect the critical financial industry infrastructures, including information systems. As a member of FBIIC, the Commission shares responsibility for coordinating Federal and state efforts to improve the reliability and security of the U.S. financial systems. During FY 2004, the Commission worked with other FBIIC members to secure and equip an alternate work site that can support continuity of operations in the event of an emergency.

Continuity of Operations Plan

The agency developed a Continuity of Operations Plan (COOP), which was completed in June 2004. The COOP identifies a Commission crisis management committee and defines the roles and responsibilities for disaster management and recovery. The plan sets out policies and procedures, establishes an emergency management organization, and describes how activation, recovery, and reconstitution will function. The COOP includes:

- An Occupant Emergency Plan (OEP) for headquarters and regional offices. The OEP addresses building evacuation and shelter-in-place, the accountability of staff, and emergency supplies.
- An IT Disaster Recovery Plan that provides a structured, systematic approach for ensuring the continuity of Commission IT support and restoration of systems and infrastructure supporting network operations following a disaster or major disruption to Commission headquarters.
- BCPs, which are contingency plans that support the recovery and continuity of the Commission's mission-critical functions and the eventual restoration of normal operation, are in draft for all divisions and offices. In addition, the agency developed policies and procedures to reduce the Commission's vulnerability to cyber attacks and conducted security awareness training programs for all Commission staff.

Technology Initiatives

Project eLaw

Over the last ten years, the legal profession has embraced and employed enhancements in technology to enhance productivity. With increasing frequency, the Commission's legal staff face opposing counsel outfitted with these automated tools. In addition, the use of technology by the courts has increased, with lawyers frequently using new

tools to make presentations in court. Real-time depositions are revolutionizing the taking of testimony, and technology can provide staff with remote access to valuable research and communication tools.

In FY 2004, the Commission initiated Project eLaw, which will result in a modern, automated law office system to support the Division of Enforcement, the Office of General Counsel, and the Office of Proceedings. Project eLaw will seamlessly integrate technology and work processes to support managers and staff across the Commission in their investigative, trial, and appellate work. Specifically, Project eLaw will help staff:

- Efficiently query and retrieve information about investigations and litigation provided to the Commission by outside parties;
- Develop documents in a collaborative electronic work environment across geographically dispersed locations;
- Improve management of investigation leads and trial schedules;
- Track time and resources expended on investigations and cases; and
- Access and present documentary and analytic evidence in court settings.

Integrated Market Surveillance System

During FY 2004, the Commission's primary mission-critical application to support futures and option data for market surveillance, the Integrated Surveillance System, was significantly enhanced to address changes and growth in the futures industry. These changes include accepting markedly different contract markets that are traded on a new exchange, HedgeStreet, and daily futures now being traded on the Chicago Mercantile Exchange. In addition, we improved the capability and availability of the Integrated Surveillance System through the implementation of more than 12,000 system modifications and the development of a second data collection point for transmitted surveillance data.

Trade Practice Oversight

Exchange Database System (EDBS)

During FY 2004, the Commission continued to improve the data collection technology and processes used by the Exchange Database System, which: 1) identifies possible trading abuses for referral to exchanges and the Division of Enforcement; 2) supports Commission investigations and litigation involving manipulation and trade practice abuses; and 3) is an important adjunct to Commission rule

enforcement reviews of contract markets. The goal of the improvements is to provide more effective support for the Commission's market oversight objectives.

The improvements allow the Commission to receive almost all trade data submissions electronically on a weekly basis. The Exchange Database System was also enhanced to capture data from new electronic trading markets, expanding the data available to the Commission to analyze market activities. The number of electronic markets is expanding rapidly and the volume of trade data is significantly greater than it is in the open outcry markets. To address the changes presented in the electronic marketplace, the Commission is working with the exchanges to establish data submission requirements.

Trade Practice System (TRADE)

Although the Exchange Database System was improved during FY 2004, the Commission concluded that the system will not be able to continue to meet its needs with respect to today's futures marketplace. A new, robust system will: 1) allow identification of inter-exchange violations, which individual exchanges lack the capacity to detect; 2) allow quicker access to and more sophisticated and customizable analysis of, the full range of data supplied by exchanges with respect to electronic, as well as open outcry trading; and 3) enable meaningful Commission evaluation of the exchanges' own electronic surveillance systems. In designing and implementing the new Trade Practice System, to be called TRADE, Commission staff will combine custom-built components with available off-the-shelf software to give the Commission unqualified, immediate, and confidential access to all exchange-supplied data. During FY 2004, we hired a project manager, established a project team that includes staff members of the Division of Enforcement and Division of Market Oversight, and began the process to procure contractor support. TRADE will take approximately two and one-half years to implement fully.

Market Risk Analysis (SPARK/RSR Express)

In FY 2004, the Office of the Executive Director (OED) managed the implementation of a new system, Stressing Positions at Risk (SPARK), to analyze the financial positions of trading firms in relation to changing market conditions. SPARK was developed to perform analysis of existing market conditions and conduct "what if" analyses of future changes in support of financial oversight and risk analysis of the futures market. The Risk Statement Review (RSR) Express system was modified to support the Commission's adoption of risk-based capital reporting by FCMs beginning in FY 2005.

President's Management Agenda

The President's Management Agenda (PMA) outlines government-wide priorities in five areas:

- Strategic Management of Human Capital
- Competitive Sourcing
- Improved Financial Performance
- Expanded Electronic Government
- Budget and Performance Integration.

During FY 2004, the Commission implemented several of the many initiatives to address the PMA and the legislation and regulations that have been implemented as a result, including the Accountability of Tax Dollars Act, eGovernment Act, and eTravel Service requirements. These mandates significantly impact the business processes that support the agency's mission, goals, and objectives. Among the most significant of these activities were the Commission's enhancements to its pay plan and the agency's first financial audit.

Strategic Management of Human Capital

In FY 2003, the Commission implemented the initial phase of a new pay and benefits plan for its employees under the authority granted to the agency by the Farm Security and Rural Investment Act of 2002 (FSRIA). The goal of both the legislation and the Commission's pay and benefits plan was to move the agency toward pay parity with the other Federal financial regulatory entities and to reduce turnover in mission-critical positions. During FY 2004, the CFTC continued to move toward pay parity by implementing a dental benefits plan, which is comparable to that offered by other financial regulatory agencies, and making the first pay adjustment to its pay plan, in line with the increases provided to the General Schedule in January 2004. The agency also initiated flexible spending accounts and educated employees on the optimal use of the flexible plans. These actions have met the short-term objective of reducing turnover in mission-critical positions.

Improved Financial Performance

During FY 2004, OED led the Commission's effort to complete its first submission of year-end audited financial statements, in compliance with the Accountability for Tax Dollars Act of 2002 (Act). The Act requires small agencies, for the first time, to provide annual audited financial statements. We developed a statement of work and entered into a contract to provide financial management support for development of the financial statements. The Office of the Inspector General contracted with KPMG, LLP, to perform the audit of the Commission's financial statements and internal controls. Internally, OED staff members are working toward developing the necessary data and expertise to support development of financial statements and resolution of audit results.

DIVISION OF ENFORCEMENT

The Division of Enforcement (Division) investigates and prosecutes alleged violations of the Commodity Exchange Act (CEA) 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.

Expansion of Enforcement Presence

On January 9, 2004, the Commission added an enforcement staff to its regional office in Kansas City, Missouri. Prior to that time, the Commission's Kansas City office had been staffed primarily by personnel from the Divisions of Clearing and Intermediary Oversight and Market Oversight. The office now includes a team of attorneys working to detect and prevent fraudulent and other illegal conduct relating to the commodity markets.

Enforcement Statistical Summary: FY 2004

During FY 2004, the Division had the most active year in the history of the Commission. The Commission filed 83 enforcement actions (44 civil injunctive actions and 39 administrative proceedings) against a total of 226 respondents/defendants. Through these and existing cases previously filed by the Commission, the Commission assessed in excess of \$302 million in civil monetary penalties against 119 respondents/defendants and ordered approximately \$99 million in restitution and disgorgement against 60 respondents/defendants. The full range of sanctions that became final in Commission enforcement actions during FY 2004 are set forth in detail in Table 4, and also include *ex parte* restraining orders, preliminary injunctions, permanent injunctions, cease and desist orders, trading prohibitions, and registration suspensions, denials, or revocations.

Enforcement Cases Filed and Results Achieved During FY 2004

The cases filed and results achieved by the Commission's Enforcement program during FY 2004 are described below.

Settled Energy Market Enforcement Actions

- *CFTC v. Enron Corp. and Hunter Shively*, Civil Docket No. H-03-909 (S.D. Tex. March 12, 2003). On March 12, 2003, the Commission brought an injunctive action against Enron Corporation and one of its former traders, Hunter Shively, alleging that Enron and Shively engaged in a scheme that manipulated the Henry Hub Spot Market, which in turn had a direct and adverse effect on New York Mercantile Exchange natural gas futures prices. Specifically, the complaint alleged that Enron and Shively used Enron's former web-based electronic trading platform to buy an extraordinarily large amount of natural gas in a short period of time. The complaint further alleges that, immediately following the pre-arranged buying spree, Shively took various actions, including agreeing to cover trading losses of, and directing a payment from an account he controlled to, other traders involved in the scheme. As the complaint alleges, the manipulation of the Henry Hub Spot Market had a direct and adverse effect on the New York Mercantile Exchange August 2001 natural gas futures contract, including causing prices in NYMEX Henry Hub Futures to become artificial. Enron also offered an illegal agricultural futures contract on Enron Online (EOL) between at least December 2000 and December 2001. Enron offered a product on EOL it called the US Financial Lumber Swap but, in fact, it was an agricultural futures contract that was not traded on a designated exchange or otherwise exempt. Therefore the contract was an illegal agricultural futures contract.

On May 28, 2004, the Court entered a consent order of permanent injunction prohibiting Enron from violating various provisions of the Commodity Exchange Act and ordered Enron to pay a \$35 million civil monetary penalty. On July 16, 2004, the Court entered a consent order of permanent injunction prohibiting Hunter Shively from violating provisions of the CEA and, pursuant to a settlement agreement between the Commission and Shively, Shively paid a civil monetary penalty of \$300,000.

During FY 2004, the Division continued to investigate numerous other companies in the energy industry to determine whether any of these companies had engaged

in any conduct violative of the Commodity Exchange Act. In particular, the Division investigated conduct including: (1) false reporting of natural gas trading to companies that compile and publish natural gas index prices for delivery hubs throughout the United States; (2) attempts to manipulate or manipulation of natural gas index prices; and (3) non-competitive wash sales or other non-competitive activity in trading natural gas or electricity contracts.

As a result of extensive investigative work in this area, the Commission filed and simultaneously settled six administrative actions in which the complaint alleged that the respondents knowingly delivered false, misleading or knowingly inaccurate reports to companies that compile and publish indexes of natural gas prices for various delivery points, and that the respondents did so with the intent to attempt to manipulate the prices of natural gas. Specifically, the settlement orders found that the respondents delivered reports containing false, misleading or inaccurate price and volume information about natural gas trades, including inclusion of fictitious trades, trades observed in the market but not made by the respondent; respondents also altered price and/or volume information for trades actually made by respondent. The Orders found that, if the attempted manipulations had been successful, they could have affected the prices of natural gas futures and option contracts on the New York Mercantile Exchange. The Commission also filed three administrative actions in which the complaint alleges that the respondents knowingly delivered false, misleading or knowingly inaccurate reports to companies that compile and publish natural gas index prices for various delivery points.

Administrative Cases Alleging False Reporting and Attempted Manipulation

- *In re CMS Marketing Services and Trading Company, et al.* On November 25, 2003, the Commission simultaneously filed and settled an administrative action against CMS Marketing Services and Trading and CMS Field Services, in which the Commission Order found that from at least November 2000 through September 2002, respondents delivered false reports to certain reporting firms and attempted to manipulate natural gas prices. The CFTC Order required respondents to pay a civil monetary penalty of \$16 million.
- *In re Reliant Energy Services, Inc.* On November 25, 2003, the Commission simultaneously filed and settled an administrative action against Reliant Energy Services (RES), in which the Commission found that from at least February 1999 through May 2002, respondent's Houston offices of RES delivered false reports to certain

reporting firms and attempted to manipulate natural gas prices. Moreover, the Order found that on seven occasions between April and November 2000, respondent executed non-competitive, prearranged wash sales during off-exchange trading of electricity contracts. The CFTC Order required respondent to pay a civil monetary penalty of \$18 million.

- *In re Aquila Merchant Services, Inc.* On January 28, 2004, the Commission simultaneously filed and settled an administrative action against Aquila Merchant Services (AMS), in which the Commission found that from at least January 1999 through June 2002, AMS, acting through several regional desks, delivered false reports to certain reporting firms and attempted to manipulate natural gas prices. The CFTC Order required respondent to pay a civil monetary penalty of \$26.5 million.
- *In re e prime, Inc.* On January 28, 2004, the Commission simultaneously filed and settled an administrative action against e prime, in which the Commission found that from at least April 2000 through September 2002, e prime delivered false reports to certain reporting firms and attempted to manipulate natural gas prices. The CFTC Order required respondents to pay a civil monetary penalty of \$16 million.
- *In re Western Gas Resources, Inc.* On July 1, 2004, the Commission simultaneously filed and settled an administrative action against Western Gas Resources, in which the Commission found that from at least March 2001 through December 2002, respondent delivered false reports to certain reporting firms and from at least June 1999 through February 2001, respondent attempted to manipulate natural gas prices. The CFTC Order required respondent to pay a civil monetary penalty of \$7 million.
- *In re Coral Energy Resources, Inc.* On July 28, 2004, the Commission simultaneously filed and settled an administrative action against Coral Energy Resources, in which the Commission found that from at least January 2000 through September 2002, respondent delivered false reports to certain reporting firms and attempted to manipulate natural gas prices. The CFTC Order required respondent to pay a civil monetary penalty of \$30 million.

Administrative Actions Alleging False Reporting

- *In re Entergy-Koch Trading, LP.* On January 28, 2004, the Commission simultaneously filed and settled an administrative action against Entergy-Koch Trading, in which the Commission Order found that from at least Febru-

ary 2001 through October 2002, respondents delivered false reports to certain reporting firms. The CFTC Order required respondent to pay a civil monetary penalty of \$3 million.

- *In re ONEOK Energy Marketing And Trading Company, L.P., et al.* On January 28, 2004, the Commission simultaneously filed and settled an administrative action against ONEOK Energy Marketing And Trading Company and its parent company, ONEOK, in which the Commission found that from at least January 2000 through September 2002, respondents delivered false reports to certain reporting firms. The CFTC Order required respondents to pay a civil monetary penalty of \$3 million.
- *In re Calpine Energy Services, L.P.* On January 28, 2004, the Commission simultaneously filed and settled an administrative action against *Calpine Energy Services*, in which the Commission found that from at least September 2001 through October 2002, respondent delivered false reports to certain reporting firms. The CFTC Order required respondent to pay a civil monetary penalty of \$1.5 million.

Administrative Actions Alleging Wash Trading

- *In re Joseph B. Knauth, Jr.* On May 10, 2004, the Commission simultaneously filed and settled an administrative action against *Joseph B. Knauth, Jr.*, in which the Commission found that on five occasions between April and June 2000, Knauth executed prearranged trades for electricity contracts at identical prices, and that these trades resulted in a financial nullity. Specifically, the Order found that Knauth agreed to execute a buy and a sell order on the electronic trading platform and immediately to reverse the transaction by bilaterally executing over the telephone an equal and opposite buy and sell. The Commission order found that Knauth violated the CEA's wash sales prohibition. Knauth agreed to cooperate with any continuing government investigations and litigations, and was ordered to pay a \$25,000 civil monetary penalty.
- *In re Byron G. Biggs.* On August 11, 2004, the Commission accepted an offer of settlement from Byron G. Biggs and issued an order in which the Commission found that on six occasions between April and June 2000, Biggs executed prearranged trades for electricity contracts at identical prices, and that these trades resulted in a financial nullity. Specifically, the Order found that Biggs agreed to execute a buy and a sell order on the electronic trading platform and immediately to reverse the transaction

by bilaterally executing over the telephone an equal and opposite buy and sell. The Commission order found that Biggs violated the CEA's wash sales prohibition and directed Biggs to pay a \$30,000 civil monetary penalty.

Pending Energy Market Enforcement Actions

- *CFTC v. American Electric Power Company, Inc., et al.*, Case No. C2 03 891 (S.D. Ohio, Sept. 30, 2003) (litigation pending). 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) for false reporting of natural gas market information and attempting to manipulate natural gas prices. The complaint alleges 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 of natural gas prices with the intent to skew the indexes to benefit their trading positions. Specifically, the complaint alleges that the defendants knowingly delivered to one reporting firm, Platts, more than 3,600 purported natural gas trades, 78 percent of which were false, misleading or knowingly inaccurate. The complaint further alleges that defendants' conduct constitutes an attempted manipulation, which, if successful, could have affected prices of NYMEX natural gas futures contracts. AEPES answered the complaint on September 16, 2004.
- *CFTC v. NRG Energy, Inc.*, Case No. C.A. 04-3090 (D. Minn. filed July 1, 2004) (litigation pending). On July 1, 2004, the Commission filed a civil injunctive complaint charging that from at least August 2001 through May 2002, NRG reported false information, including price and volume information, about natural gas trades to *Gas Daily*, an energy index reporting service. The complaint alleges that *Gas Daily* and other reporting firms use price and volume information in calculating surveys or indexes of natural gas prices for various hubs throughout the United States. The complaint alleges that participants in the natural gas markets use these indexes to price and settle commodity transactions, and that traders of natural gas futures and options refer to the published indexes for price discovery and for assessing price risks.

Natural Gas Price Spike Investigation

In August 2004, the Commission announced the completion of its seven-month investigation of the sharp upward movement in prices in the natural gas market that occurred in late 2003. The CFTC investigation probed why natural gas

futures contracts more than doubled in price within a short period starting in November 2003. The Commission's investigation, which was initiated in early December 2003, did not uncover evidence that any entity or individual engaged in activity with an intent to cause an artificial price in natural gas in late 2003. According to the information obtained during the investigation, the increase in natural gas prices during that time was the result of distinct factors, including market reaction to colder than expected weather in the northeast United States during the first week in December 2003, and market statements and projections regarding the inventory of natural gas in underground storage caverns made in late November/early December 2003.

The Commission's investigation included the extensive review of documents and audio recordings produced by numerous companies and individuals in the natural gas markets, including physical and financial traders, industry analysts, and operators of natural gas storage facilities, as well as testimony and interviews of dozens of individuals. The Commission worked cooperatively on this matter with both the New York Mercantile Exchange (NYMEX) and the Federal Energy Regulatory Commission (FERC).

Manipulation of Exchange Prices

- *In re Norman Eisler and First West Trading Inc.* On January 21, 2004, the Commission accepted an offer of settlement from Norman Eisler, a former Chairman of the New York Futures Exchange (NYFE), and his trading company, First West Trading, Inc., in an administrative action alleging that respondents had manipulated NYFE settlement prices for the PSE Technology Index Option contract so as to inflate the value of the First West trading account by, on average, an excess of \$2 million each day. Eisler caused written reports of the false settlement prices to be disseminated to the NYFE and members of the public. The order required respondents to pay a civil penalty of up to \$4,923,000, revoked Eisler's registration with the Commission, barred respondents from trading on or subject to the rules of any registered entity, and imposed a cease and desist order against further violations.

Injunctive Actions Alleging Off-Exchange Foreign Currency Fraud

During FY 2004, the Commission continued its initiative to battle fraud perpetrated on the retail public by firms offering trading in off-exchange foreign currency (forex). While much foreign currency trading is legitimate, numerous companies have fraudulently solicited and traded customer foreign currency futures or option trading accounts. Under the Commodity Futures Modernization Act (CFMA), it is

unlawful to offer off-exchange foreign currency futures or option contracts to retail customers unless the counterparty to the contract is a regulated financial entity enumerated in the CFMA, such as a futures commission merchant (FCM) or financial institution. In addition, even if the counterparty is appropriate, the Commission has jurisdiction to investigate and prosecute foreign currency futures or options fraud. Forex trading scams often attract customers through advertisements in local newspapers, radio promotions, or online. These advertisements often tout purportedly high-return, low-risk investment opportunities in foreign currencies. The Commission has brought enforcement actions against both registered firms (for fraud and for other CEA violations, such as failure to maintain net capital requirements) and unregistered “bucket shops.”¹

During FY 2004, 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 65 since enactment of the CFMA in December 2001. Since the enactment of the CFMA, the Commission has filed actions against 115 companies and 141 individuals and has imposed total civil monetary penalties of \$151,454,785.00 and restitution of \$90,203,526.00.

Among the Enforcement program’s successes in this area was the Division’s central role in the 18-month “Operation Wooden Nickel” undercover investigation into forex and bank fraud conducted by the U.S. Attorney and Federal Bureau of Investigation (FBI) in the Southern District of New York. On November 19, 2003, as part of a broader operation, the U.S. Attorney filed criminal charges against 47 defendants and arrested many of them. At the same time, the CFTC filed six separate federal injunctive actions against 31 persons and entities alleging forex fraud and other violative conduct within the Commission’s jurisdiction. As part of the undercover operation, federal criminal agents infiltrated a forex boiler room in the World Financial Center and captured hundreds of hours of video and audio recordings of defendants allegedly scheming to deceive unsuspecting customers and steal millions of dollars. Operation Wooden Nickel is the largest undercover operation in which the CFTC has participated.

While the Commission has had great success in this area, illegitimate forex operators have tried to keep one step ahead of federal authorities by moving their operations offshore. For example, the defendants in a recent forex case were alleged to have fraudulently solicited U.S.

retail customers through an overseas-based, Internet-only business. *CFTC v. E Net Speculation Ltd., et al.*, Case No. 3:04CV169-s (W.D.Ky. March 19, 2004).

Also, while not unique to the forex program area, the Commission has increasingly observed wrongdoers attempting to move misappropriated customer funds offshore. In *CFTC v. Emerald Worldwide Holdings, et al.*, Case No. 2:03-cv-08339-AHM-E (C.D. CA. November 17, 2003), Emerald solicited more than \$4.7 million from more than 300 customers and moved much of the money offshore. The Commission obtained a Statutory Restraining Order (SRO) against the defendants and froze assets totaling more than \$1 million. In *CFTC v. Lexington Royce & Associates, et al.*, No. 04CV02768 (S.D. N.Y. April 12, 2004), defendants fraudulently misappropriated more than \$2.6 million from at least 50 customers, and at least some of the money was moved offshore to different countries. The Commission obtained an SRO and froze assets totaling more than \$1.8 million, and also coordinated with criminal authorities in this matter, providing them with information that led to the arrest and indictment of the primary individual defendant.

The 24 forex cases filed by the Commission, which includes the six actions arising out of Operation Wooden Nickel and the two actions described above, are as follows: *CFTC v. A.S. Templeton Group, Inc.*, NO. 03 4999 (E.D.N.Y. Oct. 1, 2003); *CFTC v. FX First, Inc., et al.*, No. SACV 03-1454-JVS(MLGx) (C.D.Cal. Oct. 6, 2003); *CFTC v. Bibas Levy Corp., et al.*, No. 03-22624 (S.D.Fla. Oct. 7, 2003); *CFTC v. Rowell*, CFTC Docket No. 04-02 (CFTC Oct. 15, 2003); *CFTC v. First Lexington Group, LLC, et al.*, No. 03 CV 9124 (S.D.N.Y. Nov. 18, 2003); *CFTC v. Bursztyn, et al.*, No. 03 CV 9125 (S.D.N.Y. Nov. 18, 2003); *CFTC v. Walter, Scott, Lev & Associates, LLC, et al.*, No. 03 CV 9126 (S.D.N.Y. Nov. 18, 2003); *CFTC v. ISB Clearing Corp., et al.*, No. 03 CV 9127 (S.D.N.Y. Nov. 18, 2003); *CFTC v. Madison Deane & Associates, Inc., et al.*, No. 03 CV 9128 (S.D.N.Y. Nov. 18, 2003); *CFTC v. Itradecurrency USA LLC, et al.*, No. 03 CV 9129 (S.D.N.Y. Nov. 18, 2003); *CFTC v. Emerald Worldwide Holding, Inc., et al.*, No. CV03-8339 AHM(Ex) (C.D.Cal. Nov. 17, 2003); *In re Yost, et al.*, CFTC Docket No. 04-07 (CFTC filed Dec. 22, 2003); *CFTC v. Erskine, et al.*, No. 1:04 CV 0016 (N.D. Ohio Jan. 6, 2004); *CFTC v. Clearview Capital Mgt., et al.*, No. 04cv45(FSH) (D.N.J. Jan. 8, 2004); *CFTC v. Gibraltar Monetary Corp., et al.*, No. 04-80132 (S.D.Fla. Feb. 10, 2004); *CFTC v. FxTrade Financial, LLC, et al.*, No. 04-2181-Dan (W.D.Tenn. March 17, 2004); *CFTC v. E Net Speculation Ltd., et al.*, No. 3:04CV169-s (W.D.Ky. March 19, 2004); *CFTC v. Calvary Currencies LLC, et al.*, No. 8:04-CV-01021-DKC (D.Md. March 29, 2004); *CFTC v. Lexington Royce & Associates*, No. 04 CV 02768 (S.D.N.Y. April

¹A bucket shop is a brokerage enterprise that “books” (i.e., takes the opposite side of) retail customer orders without actually having them executed on an exchange.

12, 2004); *CFTC v. Axess Trade Co., Inc.*, No. 04 CV 4293 (S.D.N.Y. June 7, 2004); *CFTC v. Sterling Financial Group, Inc.*, No. 04-21346 Civ-Lenard (S.D.Fla. June 7, 2004); *CFTC v. Next Financial Services Unlimited, Inc., et al.*, No. 04-80562 Civ-Ryskamp (S.D.Fla. June 21, 2004); *CFTC v. Global Atlantic Management, Inc., et al.*, No. 04-60797 CIV-JORDAN (S.D.Fla. June 21, 2004); and *CFTC v. First Liberty Group, Inc.* and Mauricio DaSilva, No. 04 CV 7609 (S.D.N.Y. September 27, 2004).

Commodity Pool Operators and Commodity Trading Advisors

Investors continue to fall prey to unscrupulous commodity pool operators (CPOs) and commodity trading advisors (CTAs), including CPOs and CTAs operating self-described hedge 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. The Commission addresses this violative conduct through a combination of enforcement actions and investor education. Some of the scams are operated as "Ponzi schemes"² in which early investors are paid purported "profits" with newer investor funds. The schemes generally involve fraud in soliciting the general public to invest in the pools operated by the CPO or CTA, fraudulent statements concerning the results being achieved by the pool for its investors, and/or outright misappropriation of pool funds by the CPO.

- *In CFTC v. Equity Financial Group LLC; Tech Traders, Inc., Vincent Firth and Robert W. Shimer*, the Commission charged that Equity and Firth fraudulently solicited at least \$5.7 million from at least 29 investors to participate in a commodity pool touted as a hedge fund. The Commission also alleged that Equity and Firth invested funds in Shasta, which were then transferred to Tech Traders, which in turn traded the funds in its own name. The Commission alleged that Tech Traders lost an additional \$3.5 million during the 12 months prior to the Commission's complaint. On April 1, 2004, U.S. District Court Judge Robert B. Kugler entered a statutory restraining order against the defendants, freezing their assets and preventing the destruction or alteration of their books and records. Judge Kugler also appointed a receiver with powers to, among other things, take immediate possession, custody, and control of certain

²A Ponzi scheme is a type of fraud that requires an ever-increasing stream of investors in order to fund obligations to the earlier investors, with a resulting pyramiding of the liabilities of the enterprise.

assets and property and the books and records of the defendants and take all steps necessary to secure and protect the assets and property of the pool.

Injunctive Actions Alleging Fraud

During FY 2004, the Commission's efforts in this area included the following 17 additional matters:

- *CFTC v. Marquis Financial Mgt. Systems, Inc., et al.*, No. 03-74206 (E.D.Mich. Oct. 20, 2003). Defendants fraudulently solicited approximately \$1.2 million from at least 10 customers, and failed to tell the customers that most of the money was lost trading;
- *CFTC v. Friedlander, et al.*, No. 03 CV 8319 (S.D.N.Y. Oct. 21, 2003). Defendants misappropriated more than \$1.3 million of customer funds and concealed their misappropriation by routinely sending customers false compilation reports that claimed the pool was generating significant profits when, in fact, the pool was suffering losses;
- *CFTC v. Charles G. Mady and Relief Defendants Mady Futures, Inc. and Mady Funding Company LLC.*, Case No. 02-73294 (E.D.Mich. June 11, 2002). On November 8, 2003, Court ordered defendants and relief defendants to pay restitution of over \$8.2 million to 30 defrauded investors, and to pay a civil monetary penalty of \$8.2 million. The court found that defendants did not disclose to investors that the pool had sustained over \$4 million in trading losses and that Mady misappropriated \$1 million from the commodity pool funds;³
- *CFTC v. Clearview Capital Management, Inc. and James I. Weiss*, Civil Action No. 04 CV-45-(FSH) (D.N.J. January 13, 2004) Defendants fraudulently solicited at least 42 customers to purchase foreign currency futures contracts on English- and Russian-language Internet websites;
- *CFTC v. Silberstein*, No. 1:04-CV-666 (D.Md. March 5, 2004). Defendant fraudulently solicited approximately \$630,000 from at least seven customers and misappropriated approximately \$400,000;
- *CFTC v. Vanguard Financial Mgt. Assoc., et al.*, No. SAVC 04-575(GLT) (C.D.Cal. May 19, 2004). Defendants fraudulently solicited customer funds and failed to register as a commodity pool operator;
- *CFTC v. Stanley E. Varner*, Case No. 2:02-CV-1373 (C.D. Utah July 8, 2004). Court ordered Varner to pay a \$575,000 civil monetary penalty and to pay restitution of over \$1

³Relief defendants are persons who are alleged to have received funds from an illegal scheme, but who are not charged with legal liability for the scheme itself, and may not have had any knowledge of it.

million, and permanently barred Varner from soliciting or trading customer funds. Complaint alleged that Varner, operating as a commodity-trading advisor, falsely promised prospective customers an annual return of 20 percent; instead, Varner lost approximately \$925,000 of customers' funds trading futures, and misappropriated the remaining \$575,000;

- *CFTC v. Nexgen Software Systems, Inc. and John P. Novak*, Case No. H-04-2947 (S.D. TX, July 20, 2004) Defendants used fraudulent and misleading representations to solicit members of the general public to direct the trading in their commodity interest accounts and failed to register as a commodity trading advisor;
- *CFTC v. Charles L. Harris, Tradewinds International, L.L.C.*, Civil Action No. 04-C-5723 (N.D. Ill., filed September 1, 2004) Defendants defrauded investors by misrepresenting the value of the commodity pool they operated, issued fraudulent statements to investors, and misappropriated investor funds that were allegedly used for personal and business purposes;
- *CFTC v. Edward R. Velazquez et al.*, Civil Action No. 04-C-5853 (N.D. Ill. September 8, 2004). Defendants defrauded at least 43 customers of at least \$2.4 million by fraudulently misrepresenting the profit potential, and failing to adequately disclose the risks, of trading commodity futures;
- *CFTC v. Vision Capital Corp., et al.*, Case No. 04CV00804 (D.Utah September 16, 2004). Defendants, including a Utah attorney, fraudulently solicited approximately \$300,000 for a commodity pool they operated, and then misappropriated pool funds; and
- *CFTC et al. v. Randall Nelson, et al.*, Case No. CV 04 B 2794 NE (N.D. Ala. September 23, 2004). Defendant fraudulently solicited approximately \$680,000 from at least 29 customers; by representing to pool participants that the pool was generating trading profits, when in fact the pool sustained substantial trading losses which defendant concealed by providing pool participants with false written reports showing fictitious trading activity and trading profits and by engaging in a "Ponzi" scheme by issuing checks from the pool's bank account to various participants and falsely representing that the checks represented trading profits.

Other Actions Against Commodity Pool Operators and Commodity Trading Advisors

- *CFTC v. Boston Trading Advisors, LLC, et al.* (CFTC Oct. 27, 2003) (unregistered commodity pool operator; failure to provide required cautionary and risk disclosure

statements to clients or prospective clients; and individuals failed to register with the Commission as associated persons);

- *In re Jeffrey W. Allen* (April 9, 2004) (failure to register as a commodity trading advisor);
- *In re Samuel Newman* (CFTC September 9, 2004) (failure to register as a commodity trading advisor);
- *In re The Options Advisors, LLC, Mark Mellin and David Farra*, Docket No. 04-28 (CFTC September 30, 2004) (unregistered CTAs used misleading and false advertising to solicit the public through the Internet);
- *CFTC v. Weatherford*, No. CV04-4079SJO(CWz) (C.D.Cal. June 8, 2004). (Defendant's website falsely claimed that he traded the funds of commodity pool participants through a registered commodity trading advisor).

Futures Commission Merchants and Introducing Brokers

The Commission diligently redresses misappropriation and other violative conduct by futures commission merchants (FCM) and introducing brokers (IB). The Commission's efforts in this program area during FY 2004 include:

- *CFTC v. Keith Wilson Krynski*, Civil Action No. 03C 8571 (N.D. Ill. November 26, 2003). Defendant ordered to pay more than \$350,000 in restitution to two customers and to pay a \$60,000 civil monetary penalty. Defendant, a registered floor broker, fraudulently solicited more than \$400,000 in customer funds and created a false statement to cover up the fraud;
- *CFTC v. Thomas D. Chilcott, d/b/a Trade Master of Southwest Florida, Ted E Whidden, and Leona Westbrook*, Civil Action No. 2:02-cv-94-FtM-29SPC (M.D. Fla. January 6, 2004). Defendants Chilcott and Westbrook ordered to pay \$2.1 million in restitution and more than \$1.43 million in civil monetary penalties, and defendant Whidden ordered to share liability for repaying customers and to pay a civil monetary penalty of \$990,000. Defendants defrauded pool investors and misappropriated their funds;
- *In re Steven G. Soule, Kyler F. Lunman II and Hold Trade Inc.* (CFTC February 11, 2004). Commission found that respondents participated in a trade allocation scheme to defraud Coastal Corporation (now part of El Paso Corporation) of profits from its trading of commodity futures contracts on the New York Mercantile Exchange (NYMEX). Soule and a floor clerk working for another participant in the scheme misappropriated numerous Coastal futures transactions and then wrongfully allocated the misappropriated trades to brokerage accounts

controlled by other scheme participants. The fraudulent scheme generated at least \$276,557 in profits for defendants. Soule, Lunman and Hold Trade were ordered to pay \$276,557 in restitution to Coastal; Soule was ordered to pay a civil monetary penalty of \$276,000, and was permanently banned from trading; and Lunman and Hold Trade were ordered to pay a civil monetary penalty of \$250,000, Lunman was banned from trading for ten years, and Hold Trade was permanently banned from trading;

- *CFTC v. Kenneth Lee and KJL Financial Group, Inc.*, Case No. 4:02-cv-1477 CAS (E.D.MO. September 30, 2002). Defendants ordered to pay \$567,000 in restitution to defrauded customers whose funds they had misappropriated and to pay a civil monetary penalty of \$300,000;
- *CFTC v. Oscar Goldman*, Case No. CV-03-3265 JFW (RCx) (C.D.CA. May 9, 2003). Defendant ordered to pay \$95,500 to customers and to pay a civil monetary penalty of \$180,000. Defendant fraudulently solicited customers to invest in a directed account program, misrepresented his past trading success, failed to register as a commodity trading advisor and failed to provide a disclosure document to participants in his program;
- *In re Roy M. Sidewitz and Qi2 Technologies, Inc.*, Docket No. 03-18 (April 6, 2004). Commission Order found that respondents fraudulently solicited clients through their website by falsely touting substantial profits from using the trading systems and commodity options trading advisory service, and by mischaracterizing the performance records of the systems and advisory service as being based on actual trades, when they were actually based on simulated or hypothetical trades. Respondents ordered to pay a \$25,000 civil monetary penalty;
- *CFTC v. E Net Speculation Ltd., Patrice Cornaz, and Athos Socratous*, Case No. 3:04-CV-169-S (W.D. KY March 19, 2004). Defendants enjoined from offering futures contracts to residents of the United States during the pendency of the action. The Commission charged that the defendants engaged in the offer and sale of illegal off-exchange commodity futures contracts to U.S. retail investors, and bucketing, a conduct that involves taking the other side of customer orders without causing the orders to be competitively traded;
- *CFTC v. Commercial Hedge Services, Prime Trading Company and Lawrence Joseph Volf* (D. Neb. May 4, 2004). Defendants enjoined from violating provisions of the CEA and required to provide written disclosures to the farmers regarding their trading strategy. The Commission charged that defendants managed the commodity trading accounts of nearly 100 Nebraska farmers and, in that capacity, both committed solicitation fraud and engaged in unauthorized trading;
- *In re William Scott Cordo and Mitchell Stephen Davis and First Investors Group of the Palm Beaches, Inc.* (CFTC May 24, 2004). Commission accepted an offer of settlement from defendants and ordered Cordo to pay a \$480,000 civil monetary penalty and Davis to pay a \$120,000 civil monetary penalty; and banned Cordo and Davis from trading. Complaint alleged that defendants used a misleading television infomercial to convince customers to trade options on commodity futures contracts;
- *CFTC v. First American Investment Services, Inc., Steve Knowles, Michael Savitsky, Greg Allotta, Adam Mills and James Eulowith*, Case No. CV04-60744 (S.D. FL June 7, 2004). Commission charged that defendants fraudulently solicited customers to trade options on commodity futures. The Commission alleged that customers lost more than \$12 million trading commodity options in 2002 and 2003, including more than \$6 million in commissions;
- *In re Harold Ludwig, William Rogers and Maria Toczylowski*, Docket Nos. 04-19 and 20 (CFTC July 13, 2004). Commission ordered defendants to pay more than \$11 million in restitution and more than \$4 million in civil monetary penalties for aiding and abetting a Ponzi scheme operated by Martin Armstrong. Armstrong pretended to be hugely successful, while in fact incurring trading losses in excess of \$600 million. Armstrong, who was indicted by a federal grand jury in 1999 for fraud in connection with the alleged scheme, has spent four and one-half years in jail on civil contempt charges for failing to comply with court orders to turn over certain assets obtained through the fraud. In the *Rogers and Toczylowski* orders, the Commission found that while Armstrong suffered massive commodity futures and options trading losses, Rogers and Toczylowski deceived investors about the value of their accounts and helped to conceal Armstrong's trading losses. In the *Ludwig* order, the Commission found that Ludwig engaged in a fraudulent trade allocation scheme by opening his own personal trading account and, with the assistance of Rogers and Toczylowski, allocating winning trades to that account and losing trades to his customer accounts, all to the detriment of the investor victims. The Commission ordered Rogers to pay \$6 million in restitution and \$2 million in civil monetary penalties, Ludwig to pay \$4.9 million in restitution and \$2 million in civil monetary penalties, and Toczylowski to pay

\$400,000 in restitution and \$240,000 in civil monetary penalties. On July 28, 2004, the United States Attorney for the Southern District of New York announced that defendants had each pled guilty to conspiracy, securities fraud and commodities fraud charges related to the same conduct alleged in the CFTC's actions;

- *CFTC v. Carnegie Trading Group, Ltd., Inc., John Glase, John Hollenbaugh and Reid Henshaw*, Docket No. 1:04CV1403 (CFTC July 23, 2004). Commission charges defendants with customer solicitation fraud, including distribution to certain customers of a false and misleading advertisement regarding a proposed trading program;
- *CFTC v. Worldwide Commodity Corporation, Steven Labell, Joseph L. Allen, Bruce N. Crown and Phil Ferrini*, Case No. 04-CV-0461 (E.D. PA August 2, 2004). Commission charges that defendants fraudulently solicited customers to trade commodity options, resulting in customer losses of more than \$4 million;
- *CFTC v. Chase Commodities Corporation, Lee Lagorio and Excel Obando*, Case No. CV04-6463 (C.D. CA August 4, 2004). On August 5, 2004, the Court entered a statutory restraining order, freezing defendants' assets and preventing the destruction or alteration of their books and records. Commission complaint alleges that defendants fraudulently solicited customers to trade options on commodity futures contracts, resulting in customer losses of more than \$4 million, including more than \$2 million in commissions;
- *CFTC v. International Funding Association, et al.*, Case No. CV03-1826 (D. Ariz. July 29, 2004). The Court entered an order against Ronald Stephen Holt, finding him in civil contempt for failing to comply with the court's September 29, 2003 order of preliminary injunction entered against Holt, as well as for violations of the court's receivership order. The court's civil contempt order was entered as part of consolidated contempt proceedings brought by the Commission with the Securities and Exchange Commission, which also filed suit against Holt for securities fraud in the same court before Judge Rosenblatt. The court ordered Holt jailed immediately until he accounts for all receivership assets, believed to total at least \$25 million, including \$3 million in customer funds. To date, the CFTC and the SEC have seized nearly \$1.5 million of stolen customer funds. The Commission had filed an action charging that, since 1997, Holt and his companies had defrauded customers of as much as \$25 million by claiming returns of seven percent to 10 percent per month, when the defendants, instead, allegedly misappropriated most customer funds and also had offered illegal off-exchange futures contracts to the public.
- *CFTC v. Wilshire Investment Management Corporation, Andrew Alan Wilshire, Eric Scott Malcolmson, James Joseph Russo, and National Commodities Corporation, Inc.*, Case No. CV04-80862 (S.D. FL. September 14, 2004). The Commission complaint alleges that since at least September 2000, defendants fraudulently solicited customers to trade commodity options;
- *CFTC v. Liberty Financial Trading Corp., et al.*, Case No. 04-61235 (SD Fl. September 21, 2004). Complaint alleges that defendants fraudulently solicited customers to trade commodity options contracts;
- *In re Steven Matrix* (CFTC October 7, 2003). The Commission accepted respondent Steven Matrix's offer of settlement and ordered him to pay a \$15,000 civil monetary penalty. Complaint alleged that respondent fraudulently solicited clients through his website to purchase a trading system manual with chart updates and e-mail support, by representing that he had actually earned profits while trading commodity futures according to that system when, in fact, he had not;
- *In re George R. Harrison* (CFTC November 18, 2003). The Commission accepted respondent's offer of settlement and ordered respondent to pay an \$18,000 civil monetary penalty. The commission complaint alleged that respondent fraudulently solicited clients to purchase a commodity futures trading system called the MBP Method;
- *CFTC v. Profit Partners, Inc.*, Case No. cv03-9190 (C.D. CA December 16, 2003). The Court entered a preliminary injunction, which barred defendant from engaging in fraud during the pendency of the CFTC civil action. The Commission charged defendant with fraudulently claiming to potential customers that Profit Partners' commodity trading systems generated annual profits of 300 to 600 percent, as well as guaranteeing that their commodity trading systems would be profitable; and
- *CFTC v. Stephen A. Schmidt, TradeWins Publishing Corp., Shri Krishna Investment Research Corporation, and Anand Inamdar*, Case No. CV04-3081 (E.D.N.Y. July 20, 2004). Complaint alleges that defendants fraudulently promoted a trading system, including representations that trades posted on the website were actual trades. The complaint also charged that, by means of the alleged false claims, Schmidt and TradeWins violated a prior CFTC consent order issued against them in April 2002.

Trade Practice Actions

The legislative history of the CEA notes that one of the fundamental purposes of the Act is to ensure fair practices and honest dealing in the futures market and to control those forms of speculative activity that demoralize the market to the detriment of producers, consumers, and the markets. Consistent with Congress' mandate, the Commission brings trade practice cases to address a variety of unfair, abusive, or deceptive ploys by traders to avoid exposing their orders to market risk. Such actions can create non-competitive prices in the marketplace and have the potential to harm public customers, producers, and others. Improper trade practices include a variety of activities, including trading done in violation of exchange rules, such as trading ahead of a customer order, wash trading, accommodation trading, and fictitious trading.

During FY 2004, the Commission has undertaken the following enforcement actions in this program area:

- *In re Contrino, Disarro, Overland, and Paulino*, Docket No. 02-13 (January 7, 2004). The Commission issued an order suspending the registrations of floor brokers Carmelo Contrino, Robert Disarro, William Overland, and Persio Paulino because, on certain days between January 2000 and October 2000, the respondents unlawfully executed coffee futures trades on the Coffee, Sugar & Cocoa Exchange (CSCE), a subsidiary of the New York Board of Trade. The Commission order found that Contrino, Disarro, and Paulino fraudulently executed trades in the coffee futures ring of the CSCE by indirectly bucketing their customer orders, non-competitively trading for their own accounts indirectly opposite their customer orders, and engaging in non-competitive trading and reporting prices that were not *bona fide*. Finally, the Commission order found that Contrino failed to record required trading information on his trading cards. Contrino, Disarro, Overland, and Paulino were required to pay civil monetary penalties and were suspended as follows: Contrino—\$90,000 and four-month suspension; Disarro—\$50,000 and six-month suspension; Overland and Paulino—\$60,000 and six-month suspension each.
- *In re Robert Benjamin Harmon*, Docket No. 03-25 (January 16, 2004). The Commission issued an order against Robert Benjamin Harmon, Jr., a registered floor broker, which found that on certain days in July 2000, Harmon and another floor broker unlawfully executed crude oil futures trades on the New York Mercantile Exchange (NYMEX). The Commission found that Harmon engaged in wash sales and reported non *bona fide* prices. Harmon was ordered, among other sanctions, to pay a civil penalty in the amount of \$8,500.
- *In re Olam International Limited*, Docket No. 04-13 (April 6, 2004). The Commission issued an order against Olam International Limited, a company incorporated in Singapore, based on illegal wash trading on the Coffee, Sugar & Cocoa Exchange (CSCE), a subsidiary of the New York Board of Trade. The Commission found that on two occasions in June and July 2002, an Olam trader engaged in wash sales, and ordered Olam to pay a \$20,000 civil monetary penalty.
- *In re Barry Callebaut Sourcing AG*, Docket No. 04-16 (May 13, 2004). The Commission issued an order against respondent relating to illegal wash trading on the Coffee, Sugar & Cocoa Exchange (CSCE). The order found that on two separate occasions, in November 2001 and July 2002, Barry engaged in wash sales, and imposed a \$25,000 monetary penalty and other sanctions.
- *In re Daniel J. Collins, Thomas M. Gianos, Bernard Miraglia, John R. Wade, and Edward M. Collins*, Docket No. 94-13 (July 20, 2004). The Commission issued an order against respondents that found that during the late 1980s, a trader established commodity futures inter-market spread transfer trades, as well as made fictitious and non-competitive transfer trades. The Commission permanently prohibited all respondents except Gianos from trading on or subject to the rules of a contract market, and barred respondent Gianos from trading for six months.
- *In re Izmir Mehmedovic*, Docket No. 04-23 (August 24, 2004). The Commission issued an order against Izmir Mehmedovic, a registered floor broker in the crude oil ring of the New York Mercantile Exchange. The order found that on September 18, 2002, Mehmedovic violated the anti-fraud provisions of the CEA by knowingly engaging in at least one instance of trading ahead of an executable customer order in the crude oil ring at a price better than that received by his customer. The order imposed various sanctions on Mehmedovic, including a \$10,000 civil monetary penalty, a three-month suspension of his floor broker registration, and an 18-month prohibition on trading for others.
- *Credit Lyonnais Rouse Ltd.*, Docket No. 04-25 (September 29, 2004); *In re Fimat International Banque SA* (UK Branch), Docket No. 04-26 (September 29, 2004); and *In re Refco Overseas Ltd.*, Docket No. 04-27 (September 29, 2004). The Commission issued an order in each of these actions that found that the respondent knowingly participated in illegal wash trading on the Coffee, Sugar & Cocoa Exchange. The Commission found in each order issued that between November 2001 and

July 2002, each trading firm employed certain account executives who, on at least one occasion, received and entered for execution orders that were structured by the firms' customers to meet and be crossed on the floor of the CSCE cocoa pi, and that on each such occasion, the orders did cross and the transactions therefore resulted in a virtual financial nullity. Accordingly, each trading firm either failed to undertake an inquiry to evaluate the orders received for indications that participation in the transaction was legally prohibited or knew that the customer's intention was to negate market risk and price competition, and thereby violated the CEA's prohibition against participating in illegal wash sales. Each of the respondents was ordered to pay a \$25,000 civil penalty and comply with specified undertakings.

Statutory Disqualifications

During FY 2004, the Commission brought the following administrative actions to suspend, revoke, or condition the registration of registrants: *In re Donald R. Van Patten*, Docket No. SD04-02 (March 25, 2004); *In re Scott C. Anixter*, Docket No. SD04-03 (June 30, 2004); *In re Bruce Crown*, Docket No. SD04-04 (July 30, 2004); *In re Premier Trading Group, Inc.*, Docket No. SD04-05 (August 12, 2004); *In re Douglas Brian Stevens*, Docket No. SD04-07 (August 12, 2004); *In re Udo Rotmistrenko*, Docket No. SD04-05 (August 17, 2004); and *In re Stuart Michael Helffrich*, Docket No. SD 04-08 (September 2, 2004).

Cooperation Factors

On August 11, 2004, the Division of Enforcement issued an Enforcement Advisory identifying and discussing cooperation factors that the Division may take into account when recommending enforcement sanctions for violations of the CEA. The Advisory is intended to provide assistance to defendants and their counsel in assessing possible settlement positions and litigation risks, and to help those persons identify conduct that may mitigate a party's sanctions.

The Advisory outlined three broad categories of cooperation factors and provided a list and discussion of additional points that might lend weight or perspective to the cooperation factors. According to the Advisory, the Division is most likely to afford recognition to a party's efforts to cooperate when the party's conduct is sincere, cooperative, and indicative of a willingness to accept responsibility for the wrongdoing. The Advisory went on to say that the Division is least likely to recommend reduced sanctions when a company hides or misrepresents information about the misconduct, impedes Division efforts to obtain information, or creates a drain on government resources by unnecessarily prolonging the Division's investigation.

Internet Surveillance

The Commission monitors the Internet for illegal activity involving our jurisdiction. This monitoring of the Internet generates enforcement inquiries concerning issues such as possible misrepresentations of the success of trading programs and the offer of potentially illegal products that are not traded on a trading facility designated or registered by the Commission. Commission enforcement actions often include allegations of violative conduct involving use of the Internet. The success of the Internet Enforcement Group during FY 2004 is reflected, in part, by the following 15 enforcement actions that involve allegations of fraudulent Internet solicitations: *CFTC v. Matrix*, CFTC Docket No. 04-01 (CFTC filed Oct. 2, 2003); *CFTC v. Rowell*, CFTC Docket No. 04-02 (CFTC filed Oct. 15, 2003); *CFTC v. Bibas Levy Corp., et al.*, No. 03-22624 (S.D.Fla. Oct. 7, 2003); *CFTC v. Marquis Financial Mgt. Systems, Inc., et al.*, No. 03-74206 (E.D.Mich. Oct. 20, 2003); *CFTC v. Profit Partners, Inc.*, No. CV03-9190 (Dec. 16, 2003); *CFTC v. Emerald Worldwide Holding, Inc., et al.*, No. CV03-8339 (C.D.Cal. filed May 10, 2004); *In re Harrison*, CFTC Docket No. 04-04 (Nov. 18, 2003); *CFTC v. Clearview Capital Mgt., et al.*, No. 04cv45 (FSH) (D.N.J. Jan. 8, 2004); *CFTC v. Gibraltar Monetary Corp., et al.*, No. 04-80132 (S.D.Fla. Feb. 10, 2004); *CFTC v. E Net Speculation Ltd., et al.*, No. 3:04CV169-s (W.D.Ky. March 19, 2004); *CFTC v. Equity Financial Group LLC, et al.*, No. 04CV1512 (D.N.J. April 1, 2004); *CFTC v. Axess Trade Co., Inc.*, No. 04 CV 4293 (S.D.N.Y. June 7, 2004); *CFTC v. Weatherford*, No. CV04-4079 (C.D.Cal. filed June 8, 2004); *In re Samuel Newman*, CFTC Docket No. 04-24 (September 9, 2004); and *In re Options Advisor LLC, Mark Melin and David Farra*, Docket No. 04-28 (September 30, 2004). Four of these actions are the direct result of the automated Internet surveillance contract.

Recordkeeping

Keeping adequate records is essential to ensuring that the Commission can fulfill its statutory mandates. The Commission takes seriously recordkeeping lapses by its registrants. During FY 2004, the Commission filed the following enforcement actions in this program area: *CFTC v. G. Victor Johnson and Altschuler, Melvoin & Glasser LLP*, Docket No. 04-29 (September 30, 2004); *In re United Energy, Inc. and Dana Christopher Bray* (Docket No. 04-18 July 6, 2004).

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 Division of Enforcement's Office of Cooperative Enforcement

The Division of Enforcement has dedicated staff in the creation of the Office of Cooperative Enforcement (OCE) for the purpose of coordinating investigations and prosecutions of commodities violators with other civil and criminal authorities at the Federal and state levels. OCE also trains other authorities about commodities violations, to ensure that all misconduct within the Commission's jurisdiction is addressed at some level of government. Moreover, OCE also ensures that Division staff and the staff of self-regulatory organizations properly share information, data, and enforcement tasks.

Domestic Cooperative Enforcement

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 Division of Enforcement 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 staff have worked with 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 to 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 Actions to Which the Division of Enforcement Provided Assistance

- *United States v. Russell Cline*. On May 19, 2004, a federal grand jury in the United States District of Oregon issued a criminal indictment against Russell Cline, charging him with 39 counts of mail fraud, wire fraud, and money laundering in connection with a foreign currency scheme. Cline is the principal defendant in a pending injunctive action filed by the Commission and the State of Oregon on June 18, 2003 in the United States District Court for the District of Oregon.
- *United States of America v. Charles Mady*. On May 6, 2004, a grand jury sitting in the United States District Court for the Eastern District of Michigan issued an indictment charging Charles Mady with wire fraud, mail fraud, acting as an unregistered commodity pool operator, and embezzlement by a commodity pool operator. Previously, on June 11, 2002, the Commission filed a civil injunctive action against Mady and relief defendants Mady Funding Company LLC and Mady Futures, Inc., charging that Mady solicited more than \$6 million for trading in a commodity pool, then misappropriated more than \$1 million of the funds entrusted to him and issued false account statements to conceal the misappropriation.
- *United States of America v. John Martin Lofgren*. On May 6, 2004, a grand jury sitting in the United States District Court for the Northern District of Illinois issued an indictment charging John Lofgren with one count of wire fraud and one count of commodity pool fraud under Section 4o(1) and 9(a)(2) of the Act. On June 9, the U.S.

Attorney and Lofgren entered into a plea agreement in which Lofgren pled guilty to both offenses. Previously, on August 30, 2002, the CFTC filed a civil injunctive action charging Lofgren and the registered commodity pool operator Melrose Asset Management with misappropriating more than \$1.8 million from customers, issuing at least 200 false statements to pool participants, and filing false annual reports with the CFTC.

- *United States v. Michael Colton.* On April 20, 2004, Michael Colton pleaded guilty to a one-count information, filed on March 9, 2004, in the United States District Court for the Middle District of Florida, charging him with perjury in violation of 18 U.S.C. § 1621 stemming from an investigation conducted by the CFTC. As charged in the information, the CFTC filed a complaint against Colton on December 16, 1998, charging him with various commodity-related offenses involving his improper use of investor funds in a commodity pool that resulted in investor losses of \$523,950. On April 20, 2001, Colton allegedly made false statements under oath to the CFTC in an assets deposition by failing to disclose his ownership of Phantom Computers, a company that he operated under an alias. On September 30, 2004, Colton was sentenced to three years' probation with six months' home detention, electronic monitoring, and 300 hours of community service.
- *United States of America v. John Forney.* On August 5, 2004, the United States Attorney's Office for the Northern District of California announced that John M. Forney, one of Enron's former top energy executives and the inventor of the "Death Star" trading scheme, pled guilty to having conspired to commit wire fraud for the purpose of manipulating California's energy markets during the height of California's energy crisis. As part of his guilty plea, Mr. Forney agreed to cooperate in the government's ongoing investigation into Enron and other companies' actions during the energy crisis. In the plea agreement, Mr. Forney admitted that as part of the conspiracy, he and others at Enron fictitiously relieved congestion on California transmission lines and otherwise improperly collected congestion management fees; misrepresented the origin of energy; misrepresented that Enron intended to supply types of energy it did not have; and did so for the purpose of maximizing the profit Enron would receive from its energy trading operations. Mr. Forney agreed in the plea that the acts of Enron energy traders affected the price of electricity. U.S. Attorney Ryan extended his particular thanks to the CFTC, which
- detailed a staff member to the U.S. Attorney's Office to work on this case.
- *United States v. Reliant, Jackie Thomas, Reginald Howard, Lisa Flower and Kevin Frankeny.* On April 8, 2004, a federal grand jury in San Francisco returned a six-count indictment against Reliant Energy Services, Inc., a subsidiary of the company now known as Reliant Resources, Inc., and four of its officers: Jackie Thomas, Reggie Howard, Lisa Flowers, and Kevin Frankeny. The indictment alleged that, in June 2000, Reliant Energy Services and its officers and employees intentionally drove up the price of electricity in the state by shutting off its power generation to create the false appearance of a shortage. According to the indictment, the plan worked, and Reliant Energy Services allegedly reaped millions in illegal profits. The prosecution was the result of a 17-month investigation overseen by the U.S. Attorney's Office, with the assistance of trial attorneys from the Antitrust Division of the Department of Justice and the CFTC, as well as special agents of the FBI. (The CFTC enforcement action, filed November 25, 2003, is described above.)
- *In re William Rogers, Maria Toczyłowski and Harold Ludwig.* In Spring 2004, the United States Attorney for the Southern District of New York announced that William Rogers and Maria Toczyłowski, the former President and Vice President, respectively, of the commodity futures division of Republic New York Securities, Corp., and Harold Ludwig, former co-director, with Martin Armstrong, of Princeton Global Management, Ltd., had each pled guilty to conspiracy, securities fraud and commodities fraud charges. The actions arose out of a Ponzi scheme operated by Martin Armstrong that was the subject of a September 1999 action by the CFTC against Armstrong and two companies he controlled. As part of the fraudulent scheme, Armstrong marketed "Princeton Notes," promising investors that their funds would be used only for safe investments. Armstrong allegedly used the proceeds to engage in risky commodity futures and options trading, about which his investors knew nothing. Armstrong pretended to be hugely successful, while in fact incurring trading losses in excess of \$600 million, and while Armstrong suffered massive commodity futures and options trading losses, Rogers and Toczyłowski, at Martin Armstrong's instruction, deceived investors about the value of their accounts. As part of the deception, Rogers and Toczyłowski moved funds from one investor account to another and commingled assets to conceal Armstrong's trading losses, and issued false net asset value letters on Republic letterhead, misrepresenting the actual amounts

in customers' accounts. Harold Ludwig, as co-director of Princeton Global Management, Ltd., engaged in a fraudulent trade allocation scheme by opening his own personal trading account and, with the assistance of Rogers and Toczyłowski, allocating winning trades to that account and losing trades to his customer accounts, all to the detriment of the investor victims. In the first order, the CFTC had found that Rogers and Toczyłowski aided and abetted Ludwig's fraudulent allocation scheme. Previously, on July 13, 2004, the Commission filed administrative actions against the three respondents and issued two orders requiring respondents to pay more than \$10 million in restitution and more than \$4 million in civil monetary penalties.

- *CFTC v. Lexington Royce Associates, et al.* In April 2004, the United States Attorney's Office for the Southern District of New York indicted Artour Arakelian on five counts of conspiracy to commit mail fraud and wire fraud for his role in the fraudulent solicitation and misappropriation of more than \$3.3 million in customer funds from more than 50 investors to be invested in Lexington Royce & Associates ("LRA"), a brokerage operating out of New York that purported to invest customer funds in foreign currency contracts. In November 2004, Arakelian accepted an open plea to all counts. More than \$2.2 million dollars in funds has been seized to be returned to customers. Previously, on April 12, 2004, the CFTC filed a complaint in the Southern District of New York against Lexington Royce & Associates and Arakelian alleging that they fraudulently misappropriated more than \$2.6 million from at least 50 customers.
- *Operation Wooden Nickel.* On November 19, 2003, the U.S. Attorney for the Southern District of New York filed 13 complaints and indictments against firms and individuals involved in illegal foreign currency fraud, among other things, in connection with "Operation Wooden Nickel," the most significant law enforcement investigation ever of criminal activity within the Foreign Currency Exchange markets. Also in connection with that investigation, on November 18 and 19, 2003, more than 200 FBI Agents executed arrest warrants and search warrants in New York, New Jersey, Connecticut, Florida, Tennessee, and Colorado. As part of that investigation, on November 19, 2003, the Commission filed six separate federal injunctive actions charging a total of 31 individuals and entities with engaging in fraud in the sale and solicitation of illegal foreign currency futures contracts. Operation Wooden Nickel was an undercover law enforcement sting run by federal law enforcement

personnel from the FBI and the U.S. Attorney's Office for the Southern District of New York. As part of the undercover operation, federal criminal agents infiltrated a forex boiler room in the World Financial Center allegedly operated by corrupt sellers of illegal forex futures contracts. The agents captured hundreds of hours of video and audio recordings of defendants allegedly scheming to deceive unsuspecting customers and steal millions of dollars. Operation Wooden Nickel is one of the largest undercover operations in which the CFTC has participated. The Commission filed six federal injunctive actions charging a total of 31 individuals and entities with engaging in fraud in the sale and solicitation of illegal forex futures contracts, as set forth below. The U.S. District Court in New York entered restraining orders in all six cases, which, among other things, froze the defendants' assets.

- *CFTC v. Madison Deane, et al.*, Dkt. No. 03-CV-9128 (filed SDNY Nov. 18, 2003)
- *CFTC v. First Lexington Group, et al.*, Dkt. No. 03-CV-9124 (filed SDNY Nov. 18, 2003)
- *CFTC v. Walter Scott Lev, et al.*, Dkt. No. 03-CV-9126 (filed SDNY Nov. 18, 2003)
- *CFTC v. Itradecurrency USA, et al.*, Dkt. No. 03-CV-9129 (filed SDNY Nov. 18, 2003)
- *CFTC v. Ian Bursztyn, et al.* aka "Knowledgeable Trades," Dkt. No. 03-CV-9125 (filed SDNY Nov. 18, 2003)
- *CFTC v. ISB Clearing Corp., et al.*, Dkt. No. 03-CV-9127 (filed SDNY Nov. 18, 2003)
- *CFTC v. A.S. Templeton Group, Inc., et al.*, Dkt. No. 03-4999 (filed EDNY Oct. 1, 2004). The CFTC complaint charged A.S. Templeton Group, Vitebsky, and Shuster with fraud for allegedly misappropriating customer funds in a telemarketing scam where retail customers were solicited to trade forex futures contracts; the CFTC also charged the defendants with trading illegal, off-exchange forex futures contracts.

Civil Actions to Which the Division of Enforcement Provided Assistance

- *SEC v. Preston Hopper and Tamela Pallas.* On March 17, 2004, the SEC issued a cease-and-desist order and filed a civil action relating to alleged fraudulent statements by CMS Energy Corporation ("CMS"), a Michigan-based energy company, in connection with more than \$5 billion in round-trip energy trades—simultaneous, pre-arranged, buy-sell trades of energy with the

same counter-party, at the same price and volume, and over the same term, resulting in neither profit nor loss to either transacting party. The civil action alleged that Preston D. Hopper, CMS's former controller, violated the antifraud provisions of the federal securities laws and aided and abetted CMS's violations of the antifraud, reporting, books-and-records, and internal controls provisions, and that Tamela C. Pallas, the former chief executive of CMS's Houston-based trading subsidiary, violated the antifraud provisions of the federal securities laws and aided and abetted CMS's violations of the antifraud and reporting provisions.

- *CFTC and Alabama v. Randall Nelson d/b/a Commodity Investment Club of Huntsville.* The CFTC and the Alabama Securities Commission filed a joint action on September 23, 2004, in the United States District Court for the Northern District of Alabama alleging violations of the antifraud, registration, reporting, and other provisions of the federal commodity laws and the Alabama securities. The complaint charged that, from May 2000 through March 2003, Nelson acted as an unregistered commodity pool operator and engaged in a Ponzi scheme by stealing customer funds, making fraudulent sales solicitations, and issuing false account statements. By presenting historical trading data as actual trading results and thus causing prospective pool participants to believe that the Club was generating trading profits, Nelson solicited at least 29 individuals residing in Alabama, Mississippi, Tennessee, and Ohio to invest \$680,000 in the Club for the purpose of trading commodity futures contracts. Contrary to Nelson's representations that the Club was generating trading profits, the Club sustained substantial trading losses. In order to conceal the trading losses, Nelson provided pool participants with false written reports showing fictitious trading activity and trading profits, and engaged in a "Ponzi" scheme by issuing checks from the Club's bank account to various participants and falsely representing that the checks represented trading profits. On October 14, 2004, the Court entered a Consent Order against Nelson, resolving this action.
- *CFTC v. Prime Trading Co. d/b/a/ Commercial Hedge Services.* On May 5, 2004, the National Futures Association's Business Conduct Committee filed a complaint against two Nebraska companies, Commercial Hedge Services of North Platte, Nebraska, and Prime Trading Company of Loup City, Nebraska, and their principal, Lawrence Joseph Volf of North Platte, Nebraska, charging that they managed the commodity trading accounts of nearly 100 Nebraska farmers and, in that capacity, engaged in unauthorized trading. Previously, on May 4, 2004, the Commission filed an injunctive action against the same defendants alleging that, without approval from the farmers, and rather than following the explicit instructions in the farmers' hedge account agreements, defendants executed a speculative trading strategy that resulted in approximately \$5.1 million in trading losses for those farmers. Defendants consistently led the farmers to believe that defendants' trading strategy would reduce the farmers' trading risks when, in fact, the trading strategy substantially increased the farmers' risks and their ultimate exposure to adverse price fluctuations.
- *CFTC v. Burton Friedlander.* The CFTC filed an injunctive complaint on October 21, 2003, in conjunction with an amended complaint filed by the Securities and Exchange Commission and a criminal indictment obtained by the United States Attorneys' Office for the Southern District of New York against the same defendants. The Commission complaint alleged that, from 1998 through 2001, FCMC and Friedlander solicited customers to invest in a commodity pool and then misappropriated more than \$1.3 million of customer funds to pay for personal and business expenses, including boats, automobiles, country club dues, and legal expenses. The complaint further alleges that FCMC and Friedlander perpetuated and concealed their misappropriation of customer funds by routinely sending customers false compilation reports that claimed the pool was generating significant profits when, in fact, the pool was suffering losses.
- *CFTC v. Charles L. Harris, Tradewinds International, L.L.C.* On September 1, 2004, the CFTC and SEC coordinated the simultaneous filing of separate injunctive actions in the United States District Court for the Northern District of Illinois against Charles L. Harris of Winnetka, Illinois, and his hedge fund, Tradewinds International, LLC. The Commission complaint alleges that defendants defrauded investors by misrepresenting the value of the commodity pool they operated, issuing fraudulent statements to investors, and misappropriating investor funds that Harris used for personal and business purposes.
- *CFTC and State of Maryland v. Andrew M. Silberstein.* In a joint action filed on March 5, 2004, the two agencies charged Andrew Silberstein, a resident of Baltimore, Maryland, with soliciting and accepting approximately \$630,000 from at least seven customers to participate in a commodity pool Silberstein operated to trade S & P 500 futures contracts. Silberstein misappropriated more

than \$400,000 of investors' funds and provided customers with false trading statements.

International Cooperative Enforcement

The Commission continues to coordinate enforcement activities with foreign authorities. During FY 2004, the Commission made 113 requests for assistance to 56 foreign authorities, and it received 27 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 2004, the Commission froze foreign assets totaling approximately \$4.1 million in five enforcement actions.

The Division also has devoted time and resources to matters involving cross-border activities necessitating assistance from the Commission's international counterparts. Such activities can adversely affect U.S. firms as well as customers located in the United States and overseas. The following enforcement actions involved cooperative enforcement activities with foreign authorities:

- *CFTC v. Marquis Financial Mgt. Systems, Inc., et al.*, No. 03-74206 (E.D.Mich. filed Oct. 20, 2003);
- *CFTC v. Emerald Worldwide Holdings, et al.*, No. 2:03-cv-08339-AHM-E (C.D. CA. November 17, 2003);
- *CFTC v. Itradecurrency USA LLC, et al.*, No. 03 CV 9129 (S.D.N.Y. filed Nov. 18, 2003);
- *CFTC v. ISB Clearing Corp., et al.*, No. 03 CV 9127 (S.D.N.Y. filed Nov. 18, 2003);
- *CFTC v. Madison Deane, et al.*, No. 03 CV 9128 (S.D.N.Y. filed Nov. 18, 2003);
- *CFTC v. Burstzyn, et al.*, No. 03 CV 9125 (S.D.N.Y. filed Nov. 18, 2003);
- *CFTC v. Walter Scott Lev, et al.*, No. 03 CV 9126 (S.D.N.Y. filed Nov. 18, 2003);
- *CFTC v. First Lexington Group, et al.*, No. 03 CV 9124 (S.D.N.Y. filed Nov. 18, 2003);
- *CFTC v. Gibraltar Monetary Corp., et al.*, No. 04-80132 (S.D.Fla. filed Feb. 10, 2004);
- *CFTC v. E Net Speculation Ltd., Patrice Cornaz, and Athos Socratous*, Case No. 3:04-CV-169-S (W.D. KY filed March 19, 2004);
- *CFTC v. Equity Financial Group LLC, et al.*, No. 04CV1512 (D.N.J. filed April 1, 2004);
- *CFTC v. Lexington Royce & Associates, et al.*, No. 04CV02768 (S.D. N.Y. April 12, 2004);
- *CFTC v. Sterling Financial Group, Inc.*, No. 04-21346 CIV-LENARD (S.D.Fla. filed June 7, 2004);
- *CFTC v. Worldwide Commodity Corporation, Steven Labell, Joseph L. Allen, Bruce N. Crown and Phil Ferrini*, Case No. 04-CV-0461 (E.D. PA filed August 2, 2004);
- *CFTC v. Charles L. Harris, Tradewinds International, L.L.C.*, Civil Action No. 04-C-5723 (N.D. Ill., filed September 1, 2004);
- *CFTC v. First Liberty Group, et al.*, Dkt. No. 04 CV 7609 (S.D.N.Y. filed Sept. 7, 2004);
- *CFTC v. Edward R. Velazquez et al*, Civil Action No. 04-C-5853 (N.D. Ill., filed September 8, 2004);
- *In the Matter of Credit Lyonnais Rouse Ltd.*, CFTC Docket No. 04-25 (filed September 29, 2004);
- *In the Matter of Fimat International Banque SA* (UK branch), CFTC Docket No. 04-26 (filed September 29, 2004); and
- *In the Matter of Refco Overseas Limited*, CFTC Docket No. 04-27 (filed September 29, 2004).

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 2004, the Commission continued its work on the International Organization of Securities Commissions' (IOSCO) Multilateral Memorandum of Understanding (MMOU) Concerning Consultation, Cooperation, and the Exchange of Information. 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 26 MMOU signatories, including nine foreign authorities with whom the Commission did not have an information-sharing arrangement previously.

Screening and Approving MMOU Applicants. Enforcement program staff, along with three other foreign regulators as members of a MMOU Verification Team, evaluated the applications of four IOSCO members to become signatories to the MMOU this year. The Commission also is part of the Screening Group that makes recommendations to a decision-making body of IOSCO concerning whether to accept or reject specific MMOU applications.

Client Identification Task Force. 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. In May 2004, the Task Force released a report that

may be found at: <http://www.iosco.org/library/index.cfm?whereami=pubdocs>.

During FY 2004, 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.

National Futures Association Assistance

During FY 2004, the National Futures Association (NFA) provided valuable assistance to the Commission's Enforcement program in several of its most important program areas, including its investigation into the alleged misconduct in the energy markets and its investigation of foreign currency trading fraud. NFA's assistance included detailing several of its employees to work shoulder-to-shoulder with Enforcement program staff on these matters. NFA also continued to assist the Division in monitoring the fulfillment of monetary judgments by defendants and respondents in the Commission's enforcement actions, and in distributing restitution funds collected pursuant to those judgments. The CFTC received substantial help from the National Futures Association on the following matters, all of which are described above:

Introducing Broker Fraud: *CFTC v. First American Investment Services, Inc.*; *CFTC v. Edward R. Velazquez et al.*; and *CFTC v. Wilshire Investment Management Corporation, et al.*

Forex Fraud: *CFTC v. FX First, et al.*; *CFTC v. Sterling Trading Group, Inc*, *Universal FX, Inc*, *et al.*; *Wooden Nickel actions*

Energy: *In the Matter of Duke Energy*; *In the Matter of Reliant Energy*; *In the Matter of Aquila Energy*; *In the Matter of Western Gas Resources*, and *In the Matter of CMS Energy*

Spanish Language Consumer Advisory. On April 14, 2004, the Commission issued a Spanish-Language Consumer Advisory warning the public to be wary of a number of scams that falsely promise high profits with low risks, which may be targeted at ethnic communities in their language. At the same time, the Commission announced that its toll-free customer protection hotline had Spanish-speaking enforcement staff to respond to customers' inquiries and reports of possible suspect activity.

Table 1: Enforcement Cases Filed During FY 2004

CASE (ARRANGED BY PROGRAM AREA)	PRESS RELEASE NO.	DATE FILED
ENERGY MARKET CASES		
<i>In re CMS Marketing Services and Trading Company, et al.</i>	4869-03	11/25/2003
<i>In re Reliant Energy Services, Inc.</i>	4869-03	11/25/2003
<i>In re Aquila Merchant Services, Inc.</i>	4883-04	1/28/2004
<i>In re e prime, Inc.</i>	4883-04	1/28/2004
<i>In re Entergy-Koch Trading, LP</i>	4883-04	1/28/2004
<i>In re ONEOK Energy Marketing And Trading Company, L.P., et al.</i>	4883-04	1/28/2004
<i>In re Calpine Energy Services, L.P.</i>	4883-04	1/28/2004
<i>In re Joseph B. Knauth, Jr.</i>	4925-04	5/10/2004
<i>In re Western Gas Resources, Inc.</i>	4948-04	7/1/2004
<i>CFTC v. NRG Energy</i>	4947-04	7/1/2004
<i>In re Coral Energy Resources, Inc.</i>	4964-04	7/29/2004
<i>In re Byron Biggs</i>	4967-04	8/11/2004
FOREIGN CURRENCY CASES		
<i>A.S. Templeton Group, Inc., et al.</i>	4852-03	10/16/2003
<i>Arthur Douglas Rowell</i>	4855-03	10/22/2003
<i>Bibas Levy, Corp., et al.</i>	4858-03	10/23/2003
<i>Operation Wooden Nickel - Madison Dean, et al.; First Lexington Group, et al.; Walter Scott Lev, et al.; Itradecurrency USA, et al.; Knowledgeable Trades, et al.; and ISB Clearing Corporation, et al.</i>	4867-03	11/19/2003
<i>FX First, Inc., Alexey Mironov, and William Whyte</i>	4868-03	11/20/2003
<i>Emerald Worldwide Holdings, Inc.; Jian Zhuang; and Jan Lu Hao</i>	4871-03	12/8/2003
<i>David Yost and UR-Link</i>	4872-03	12/23/2003
<i>Ross Erskine and Goros, LLC</i>	4879-04	01/15/2004
<i>Gibraltar Monetary Corporation, Jayson Kline, Charles Fremer, Thomas Clancy, Ed Johnson and Forex Capital Markets, LLC</i>	4892-04	02/11/2004
<i>FX First, Inc.</i>	4897-04	03/04/2004
<i>FxTrade Financial, LLC, Jeffrey A. Mischler, Lee N. Romano II, and Mary Jo Sibbitt</i>	4904-04	03/23/2004
<i>Lexington Royce & Associates, et al.</i>	4916-04	04/15/2004
<i>Calvary Currencies LLC a/k/a Calvary Currency; Arthur John Keefe, II</i>	4921-04	05/03/2004
<i>Axess Trade Co., Inc.</i>	4938-04	06/14/2004
<i>Worldwide Forex, Inc.; Global Atlantic Management, Inc.; and Steven Labell</i>	4944-04	06/29/2004
<i>Next Financial Services Unlimited, Inc.; New World Trading LLC; Robert LaRocca; and Aaron Ettinger</i>	4945-04	06/29/2004
<i>Sterling Trading Group, Inc.; Universal FX, Inc., et al.</i>	4946-04	06/29/2004
<i>First Liberty Group, Inc., et al.</i>	None Issued	09/27/2004

CASE (ARRANGED BY PROGRAM AREA) PRESS RELEASE NO. DATE FILED

COMMODITY POOLS, COMMODITY POOL OPERATORS AND COMMODITY TRADING ADVISORS

<i>Marquis Financial Management Systems, Inc., et al.</i>	4857-03	10/23/2003
<i>Friedlander Capital Management Corporation and Burton G. Friedlander</i>	4859-03	10/24/2003
<i>Boston Trading Advisors, LLC, et al.</i>	4860-03	10/29/2003
<i>CFTC v. Charles G. Mady and Relief Defendants Mady Futures, Inc. and Mady Funding Company LLC</i>	4863-03	11/10/2003
<i>Clearview Capital Management, Inc. and James I. Weiss</i>	4877-04	01/13/2004
<i>Equity Financial Group; Vincent Firth; Shasta Capital Associates, LLC</i>	4908-04	04/06/2004
<i>Andrew Silberstein</i>	4912-04	04/14/2004
<i>David Parker and Vanguard Financial Management Association a/k/a Vanguard Financial Management Foundation</i>	None Issued	05/19/2004
<i>James Weatherford</i>	4939-04	06/14/2004
<i>CFTC v. Stanley E. Varner</i>	4958-04	07/15/2004
<i>Charles L. Harris and Tradewinds International, LLC</i>	4984-04	09/02/2004
<i>Edward R. Velazquez, et al.</i>	4988-04	09/16/2004
<i>Vision Capital Corporation, et al.</i>	4989-04	09/16/2004
<i>Samuel Newman</i>	4992-04	09/17/2004
<i>CFTC et al. v. Randall Nelson, et al.</i>	None Issued	09/23/2004
<i>The Options Advisors, et al.</i>	None Issued	09/30/2004

FUTURE COMMISSION MERCHANTS, MANAGED ACCOUNTS, AND INTRODUCING BROKERS

<i>Steven Matrix</i>	4849-03	10/7/2003
<i>George R. Harrison</i>	4866-03	11/18/2003
<i>Keith W. Kryszinski</i>	4870-03	12/4/2003
<i>Profit Partners, Inc.</i>	4898-04	03/11/2004
<i>Jeffrey W. Allen</i>	4917-04	04/20/2004
<i>E Net Speculation Ltd.; Patrice Cornaz; and Athos Socratous</i>	4918-04	04/22/2004
<i>Commercial Hedge Services; Prime Trading Company; Lawrence Joseph Volf</i>	4924-04	05/05/2004
<i>First American Investment Services, et al.</i>	4943-04	06/21/2004
<i>William Rogers; Maria Toczyłowski; Harold Ludwig; and Martin Armstrong</i>	4952-04	07/13/2004
<i>TradeWins Publishing, Corp.; Stephen A. Schmidt; Shri Krishna Investment Research Corp.; and Anand K. Inamdar</i>	4962-04	07/21/2004
<i>Carnegie Trading Group Ltd., Inc.; John Glase; John Hollenbaugh; Reid Henshaw</i>	4966-04	08/09/2004
<i>Worldwide Commodity Corporation; Steven Labell; Joseph L. Allen; Bruce N. Crown; Phil Ferrini; Universal Financial Holding Corporation</i>	4971-04	08/13/2004
<i>Chase Commodities Corporation; Lee Lagorio; Excel Obando</i>	4973-04	08/17/2004
<i>Nexgen Software Systems, Inc.; John P. Novak</i>	4977-04	08/18/2004
<i>Liberty Financial Trading Corp. et al.</i>	None Issued	09/21/2004
<i>Wilshire Investment Management Corporation, et al.</i>	4997-04	09/28/2004

CASE (ARRANGED BY PROGRAM AREA)	PRESS RELEASE NO.	DATE FILED
FINANCIAL, SUPERVISION, COMPLIANCE AND RECORDKEEPING CASES		
<i>United Energy, Inc. and Dana Christopher Bray</i>	4953-04	07/14/2004
<i>G. Victor Johnson and Altschuler, Melvoin & Glasser LLP</i>	5000-04	09/30/2004
TRADE PRACTICE CASES		
<i>Donald R. Van Patten</i>	4907-04	04/01/2004
<i>Olam International Limited</i>	4914-04	04/15/2004
<i>Barry Callebaut Sourcing AG</i>	4927-04	05/13/2004
<i>Izmir Mehmedovic</i>	4980-04	08/26/2004
<i>In re Refco Overseas Ltd.</i>	None Issued	09/29/2004
<i>Credit Lyonnais Rouse Ltd,</i>	None Issued	09/29/2004
<i>In re Fimat International Banque SA (UK Branch)</i>	None Issued	09/29/2004
STATUTORY DISQUALIFICATION CASES		
<i>Scott C. Anixter</i>	4957-04	07/15/2004
<i>Udo Rotmistrenko</i>	4972-04	08/17/2004
<i>Stuart Michael Helffrich</i>	4985-04	09/03/2004
<i>Bruce N. Crown</i>	None Issued	07/30/2004
<i>Premier Trading Group, Inc.</i>	None Issued	08/12/2004
<i>Douglas Brian Stevens</i>	None Issued	08/12/2004

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
2004	44	177

Table 3: Administrative Actions

FISCAL YEAR	ACTIONS INITIATED	DEFENDANTS NAMED
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
2004	39	49

Table 4: FY 2004 Performance Statistics

CASES

Opened	83
Closed	70
Pending	122

SANCTIONS ASSESSED⁴

Administrative Cases

Persons Subject to Cease and Desist Orders:	61
Persons Subject to Trading Prohibitions:	30
Persons Subject to Registration Suspensions, Denials or Revocations:	27
Amount of Civil Monetary Penalties:	\$133,332,500
Number of Persons Assessed:	56
Amount of Restitution or Disgorgement Ordered:	\$11,853,114
Number of persons assessed:	5

Civil Cases

Persons Enjoined:	
Statutory Restraining Orders	69
Preliminary Injunctions	37
Permanent Injunctions	58
Equity Receivers Appointed:	0
Assets Placed Under Receiver's Protection:	\$0
Amount of Civil Monetary Penalties:	\$168,217,439
Number of persons assessed:	63
Amount of Restitution or Disgorgement Ordered:	\$99,471,111
Number of persons assessed:	60

⁴This report includes only those sanctions that became final during FY 2004. 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 is responsible for carrying out the Commodity Futures Trading Commission's (CFTC's or Commission's) market surveillance and trade practice oversight programs. DMO staff conduct examinations of exchange compliance programs and monitor daily trading activity, positions of large traders, and supply and demand factors affecting prices. DMO also reviews products listed by exchanges 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, protect market participants, and prevent trading abuses.

Significant Accomplishments in FY 2004

Significant Rulemakings

- Application Review Procedures for Derivatives Transaction Execution Facilities (DTEFs) and Designated Contract Markets (DCMs).** DMO developed a proposed rulemaking to set the fast-track period for reviewing DTEF and DCM applications at 90 days (the statutory review timeframe is 180 days). The proposed rulemaking was based upon the Commission's experience in processing the large number of applications it has received since the passage of the Commodity Futures Modernization Act of 2000 (CFMA) and in consideration of the Commission's new policy of posting of all such applications on its website for public review and comment. In addition, the proposed rulemaking identified more comprehensively which materials DTEF and DCM applicants should include in their applications.
- Information Access and Price-Discovery Provisions for Exempt Commercial Markets (ECMs).** DMO developed amendments to the Commission's rules relating to ECMs that set forth the type of information, and method of provision, that ECMs must routinely provide to the Commission. The amendments clarify the Commission's earlier requirements in this area and are intended to strike a balance between the business concerns of ECMs and the Commission's need for access to meaningful information with which to enforce its anti-fraud and anti-manipulation authority as mandated by Congress. In the same rulemaking, the Commission also established a set of standards to identify when ECM products perform a significant price-discovery function for transactions in the underlying cash market. Consistent with the mandate of section 2(h)(4) of the Act, the rulemaking also prescribes that ECM products that are found to perform a significant price-discovery function must ensure the timely dissemination of price, trading volume, and other trading data regarding transactions in those products.
- Large-Trader Reporting Levels and Recordkeeping.** DMO developed a proposed rulemaking that would amend Parts 15 through 19 and 21 of the Commission's regulations relating to large-trader reporting levels and recordkeeping in a number of areas. First, the proposal would amend Part 15 to include additional contracts and to raise the reporting levels at which futures commission merchants, clearing members, and foreign brokers must file large trader reports in certain commodities. Second, proposed amendments to Parts 16 and 17 would address the manner in which certain new products, such as exchanges of futures for swaps, should be reported to the Commission. Third, the proposal would amend Parts 16, 17, 18, and 21 to address current data transmission practices, to foster innovative means of filing forms 102 by reporting firms, and to eliminate form 103 for the submission of special call data by large traders. Finally, the proposal includes various other technical and clarifying amendments to the large-trader reporting rules.

- **Exclusion from the Statutory Definition of a Narrow-Based Index.** DMO staff, in cooperation with staff of the Securities and Exchange Commission (SEC), developed standards and issued a joint order to allow certain security indexes composed of broad-based index options to be excluded from the statutory definition of a narrow-based index.

Contract Market Designation Applications

DMO staff led interdivisional teams reviewing three new contract market applications during this fiscal year. These reviews resulted in two new designations (one application was still pending as of year-end). DMO staff also reviewed draft applications from several other entities that are planning to submit formal contract market applications in the future.

Exempt Markets

DMO staff reviewed notice filings from and issued acknowledgment letters to three ECMs. DMO staff also reviewed a number of draft exempt market notices and held discussions with several other entities that were actively considering operations as ECMs and exempt boards of trade.

New Product Filings

DMO staff conducted due diligence reviews of designated contract markets' new product filings to ensure that the contracts were not readily susceptible to manipulation. In FY 2004, the exchanges submitted 207 filings to list new futures and option contracts. Of the 207 contracts filed, three were submitted for Commission approval, and 204 were submitted under exchange self-certification procedures. Many of the new products were innovative. For example, of the 204 contracts filed under certification procedures, 22 contracts were binary options listed for trading on HedgeStreet, a newly designated contract market. The CBOE Futures Exchange (CFE) certified two futures contracts based on volatility in the S&P 500 index. One is the CFE's volatility index (Vix) futures contract, which is based on an index composed of options on the S&P 500 index and measures historical volatility, while the other is the S&P 500 three-month variance futures contract, which measures expected volatility.

Contract Market Rule Enforcement Reviews

DMO staff conducted rule enforcement review examinations of the compliance programs of three exchanges during FY 2004. Staff reviewed the self-regulatory programs at the Coffee, Sugar & Cocoa Exchange (CSCE), Minneapolis Grain Exchange (MGE), and New York Mercantile Exchange

(NYMEX). The examinations included analysis of these exchanges' trade practice surveillance, audit trail, disciplinary, and dispute resolution programs. During the MGE review, the staff also evaluated the market surveillance program.

Placement of Electronic Terminals in the United States

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 United States without requiring contract market designation for those boards of trade. During FY 2004, the division received requests for new foreign terminal no-action relief letters from the European Energy Exchange in Leipzig, Germany (EEX), the Winnipeg Commodity Exchange, Inc. (WCE), and Euronext Amsterdam. The Division also received requests to amend existing no-action relief from the Sydney Futures Exchange (SFE) and Eurex Deutschland (Eurex).

Surveillance of Energy Futures Markets

Energy futures prices were high and volatile during the year as a result of geopolitical tensions and terrorism, low inventories, little spare production capacity, supply disruptions, and strong world demand for oil and oil products, especially from the United States and China. Surveillance staff intensively monitored activity in the energy markets during this period.

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

Economists in the Market Surveillance Section monitor all actively traded futures and option markets to detect and prevent price manipulation. They routinely review the

positions of large traders, futures and cash-price relationships, and supply and demand factors to detect threats of price manipulation.

Market Surveillance staff work closely with the exchanges and other government agencies to deal with any potential market threats that may develop. They inform 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 2004:

- **Financial Markets.** FRB policy was again the major influence on the broad spectrum of financial markets as the FRB raised the target federal funds rate to 1.25 percent in June, ending a 3.5-year period during which that rate fell from 6.50 percent to 1.00 percent. The market's attention was repeatedly directed toward the domestic economic climate, which was, at times, indicating both strong and weak growth in GDP. In the midst of all these factors, the 10-year treasury note yield seesawed from a year-to-date low of 3.68 percent on March 16, to 4.87 percent on June 14, and to 3.98 percent on September 22. Continued violence in Iraq, terrorist activities in Russia and Spain, and sharply rising energy prices buffeted the financial markets. The dollar dropped significantly during the year, reflecting massive U.S. current account deficits and a growing Federal budget deficit. Massive intervention primarily by Asian central banks to devalue their currencies ceased during the year under pressure from the G7. The recycling of the U.S. currency bought by the central banks into U.S. Treasury, corporate, and municipal bonds provided much of the financing for the current account deficit; the cessation of intervention will mark a change in those markets. As a result of several instances where there were rumors and allegations that data from major economic reports were being leaked prior to official release, staff have been conducting intensified surveillance of debt and equity futures price movements just prior to the official release times of major economic reports.
- **Agricultural Markets.** The discovery of a cow with Bovine Spongiform Encephalopathy (BSE) in Washington State in December 2003 resulted in a cutoff of U.S. exports of cattle and beef and a sharp downward price move in those products. By early summer 2004, prices had fully recovered, but were being buffeted by news and rumors of the potential lifting of the ban on Canadian cattle and beef, of the possible reopening of export markets, and

of the results from the U.S. Department of Agriculture's (USDA's) program for enhanced testing of cattle for BSE. Feeder cattle cash and futures reached record-high prices at levels near \$120 per hundredweight because of supply shortfalls and strong beef demand. Staff conducted an extensive inquiry during a follow-up to the feeder cattle expiration.

Some dairy prices, including the Chicago Mercantile Exchange (CME) milk futures, hit record-high price levels during the year and have been volatile, with record futures volume and open interest. This has been the result of milk production levels that are lower than a year ago, a ban on dairy cattle imports from Canada due to BSE, a decrease in production of a hormone that induces greater milk production from cows, and low carbohydrate diets, which have increased demand for some dairy products.

Several periods throughout the year required intensified soybean market surveillance activity by the staff. From the fall of 2003 through the spring of 2004, lower-than-anticipated soybean production in both the United States and South America, coupled with unexpectedly large Chinese imports, led to a USDA forecast for the smallest U.S. ending stocks since 1977. The expectations of limited supplies resulted in nearby soybean prices trading above \$10, their highest levels since 1988, and greater volatility than had occurred in the past 20 years. During the summer and fall, soybean prices dropped precipitously as ideal growing conditions led the USDA to forecast the second largest crop while, at the same time, Chinese demand was moderating. The decline left the nearby soybean future trading below \$5.50, more than \$5 below the level of the spring. Close examinations were made of the strong price increases and volatility in the winter and spring, the sharp price declines in May and again in July, and the economics of taking delivery on the August soybean expiration.

An unusually active hurricane season in 2004 had significant impacts on a number of commodity markets, and, in particular, on the Florida orange juice market. Prior to the hurricane season, orange juice prices were very low due to weak demand and abundant supplies from a large Florida crop in 2003, and expectations of large crops from Brazil and Florida in 2004. However, in August and September, Florida's citrus belt suffered significant damage from an unprecedented three hurricanes: Charley, Frances, and Jeanne. By the end of September, the nearby frozen concentrated orange juice future was trading at a 15-month high of 87.50 cents per pound, having risen by more than 40 percent since the middle

of August. Early industry estimates of hurricane-related losses lowered the expected 2004 crop from around 230 million boxes of oranges to between 180 and 190 million boxes. The USDA scheduled release of its first estimate of the size of the Florida crop was complicated by the dramatically changing crop conditions taking place as the department was conducting its crop survey. USDA consulted with Market Surveillance staff, among others, to determine the best way to quickly and accurately inform market participants and others about the condition of the Florida orange crop after the hurricanes.

- **Energy Markets.** Crude oil futures prices were extremely volatile during FY 2004, and ended the year at record levels of over \$50 per barrel, having increased by about 70 percent during the year. A strong global economic expansion in 2004, led by China and the United States, contributed to the largest increase in world oil demand in 24 years. Prices continued to climb despite the Organization of Petroleum Exporting Countries (OPEC) raising production to 25-year highs and, as world excess production capacity declined, to less than one million barrels per day. Below-normal petroleum inventories, both in the United States and the rest of the industrialized world, added to the price pressure. The extremely tight supply/demand balance magnified the impact of actual and potential supply disruptions. Such disruptions included: numerous halts in Iraq's oil exports due to acts of sabotage that kept supplies below pre-war levels; trimmed exports from Russia's largest oil producer, Yukos, who warned of production cuts as the government pursued payment of billions of dollars in tax arrears; slowed oil shipments to the United States and shut-in domestic production in the Gulf of Mexico due to hurricane Ivan. In addition, there were a number of potential supply shocks that affected oil prices—political instability in Venezuela; terrorist attacks in Saudi Arabia leading to concerns that infrastructure in the oil-rich Middle East region was vulnerable to attack; and ethnic violence in the Niger Delta region in Nigeria.

Gasoline prices also reached record levels in FY 2004 due, in large part, to high crude oil prices. As with crude oil inventories, gasoline inventories were below normal. Spring maintenance at U.S. refineries prevented refiners from running at maximum capacity. In addition, changes in product specifications requiring lower sulfur content and the introduction of ethanol-enhanced reformulated gasoline in New York and Connecticut further fragmented the gasoline market and limited the flexibility of gasoline suppliers to react to regional supply and demand

conditions. There were also concerns that refining capacity would be inadequate to meet peak summer driving demand. Despite record-high gasoline prices, growth in U.S. vehicle miles traveled continued to push gasoline demand higher. Market Surveillance staff carefully monitored the monthly crude oil and oil product expirations during this period of high prices and price volatility to ensure that the actions of large traders did not exacerbate an already tight supply and demand balance.

Natural gas futures prices also experienced sharply higher prices and price volatility during the past year. The natural gas market is prone to price volatility during the heating season because of several long-term demand and supply issues, including declining U.S. and Canadian production; increased demand for natural gas by electric generators; pipeline capacity constraints during periods of peak demand; and the inability to bring in significant supplies in the form of liquefied natural gas from overseas. During late November and early December 2003, the natural gas market experienced a period of high volatility, as the futures price increased by 56 percent to reach a high of \$7.55 per million BTUs. The rally was initiated by unexpectedly cold temperatures in the Northeast following the Thanksgiving holiday. Bullish long-term weather forecasts and two significant snowstorms contributed to the price rise. Although storage appeared abundant going into the heating season at around 3,155 billion cubic feet, worries over the adequacy of storage mounted as larger-than-expected withdrawals from storage facilities were reported by the Energy Information Administration in early December. Expectations for strong natural gas demand were sparked by the early cold snap, a series of U.S. macroeconomic data reports indicating robust growth, and strength in competing petroleum product prices. As prices increased, noncommercial traders covered short positions that were losing money. Market Surveillance staff closely monitored trading activity during this period, and conducted detailed analyses of trading during periods of intraday price volatility. Market Surveillance staff also cooperated with the Commission's Division of Enforcement (DOE) and the Federal Energy Regulatory Commission (FERC) in investigations of the natural gas market during this period. These investigations found that the price rise was not caused by market manipulation.

Large-Trader Reporting

After the staff's careful examination of the various rules for reporting large-trader data to the Commission, proposed

amendments to its large-trader reporting rules were published for comment in May 2004. As proposed, the revised rules would amend Part 15 to include additional contracts and to raise the reporting levels at which futures commission merchants, clearing members, and foreign brokers would have to file large-trader reports in certain commodities. The proposal clarified the manner in which certain transactions, such as exchanges of futures for swaps, would have to be reported. Under the proposal, the rules would also be amended to address current data transmission practices, to foster innovative means of filing forms 102 by reporting firms, and to eliminate form 103 for the submission of special call data by large traders.

Special Reviews

Staff of the Market Surveillance Section initiated several extensive reviews during the fiscal year. Areas of significant interest include a review of trading in a feeder-cattle future, a review of trading in two soybean futures, and a detailed response to allegations of manipulation of the silver market.

- **Feeder Cattle.** Market Surveillance staff in Chicago reviewed the trading activity and market conditions for the expiration of the October 2003 feeder-cattle future. The examination was initiated in response to a sharp rise in the 7-day moving average of cash prices used to cash-settle that contract and complaints about fraudulent or manipulative cash-market dealings.
- **Soybeans.** The end of crop year August soybean futures in 2003 and 2004 were the subject of heightened surveillance and post-expiration reviews. In both instances, these reviews were sparked by relatively tight cash-market conditions, volatility in basis and spread price relationships, and highly questionable economics of taking futures delivery to meet domestic processing requirements.
- **Allegations of Price Manipulation in the Silver Market.** In response to numerous letters and e-mails from individuals alleging a long-term, short-side manipulation of silver prices on the NYMEX's silver market, DMO prepared an open letter to silver investors that was posted on the CFTC's internet website. The letter informed investors that the CFTC had found no evidence to support the allegation of manipulation. The complainants alleged that, although there had been silver production deficits for many years, silver prices had been kept artificially low by the large selling of commercial firms. DMO's letter responded that, while there had been a production deficit, there was no supply deficit. Large silver stocks have

existed, and have been made available as a source of supply at prevailing prices. This has had a dampening effect on silver prices, but there is no evidence that silver prices have been distorted or manipulated. DMO further stated that it found no evidence to substantiate the allegation of improper trading by commercial firms holding short positions in the silver futures market.

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 DCMs or as DTEFs to ensure that the exchanges are 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 Product Review Branch of the Market and Product Review Section 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 due diligence 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 the 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.

Staff of the Market Review Branch of the Market and Product Review Section, in cooperation with other Commission staff, review 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. The Market Review Branch 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.

In cooperation with the Office of International Affairs (OIA), Market and Product Review staff work 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 DOE in the form of economic and legal analyses in connection with manipulation cases or other violations of commodity laws.

New Contract Market Designations

On February 4, 2004, the Commission granted contract market designation to U.S. Futures Exchange, LLC (USFE or Eurex US). Eighty percent of USFE is owned by U.S. Exchange Holdings, Incorporated (USEH), a Delaware corporation that is a separately capitalized, wholly-owned subsidiary of Eurex Frankfurt, AG (which also operates Eurex Deutschland (Eurex)), and 20 percent is owned by Exchange Place Holdings, L.P. (EPH), a Delaware limited partnership formerly known as BTEX Holdings, L.P. Under the oversight of USFE's Compliance Department, the National Futures Association (NFA) carries out most self-regulatory functions for USFE, including market and financial surveillance and trade practice investigations, while The Clearing Corporation (TCC) provides clearing and settlement services for the new exchange. USFE uses the USFE trade-matching engine, an enhanced version of the a/c/e trading system, as the platform for its electronic trading facility. USFE currently trades U.S. Treasury futures and options.

On February 18, 2004, the Commission granted contract market designation to HedgeStreet, Inc. (HedgeStreet), a non-intermediated market offering small-sized option contracts based on economic indexes, currencies, and physical commodities. Under the oversight of HedgeStreet's Compliance Department, NFA carries out most self-regulatory functions for HedgeStreet, including market and financial surveillance and trade practice investigations. HedgeStreet

uses the on Exchange Board of Trade's (ONXBOT) Extensible Clearing System (ECS) as its trading system. Clearing and settlement services are carried out by HedgeStreet in its capacity as a DCO. HedgeStreet trades European-style binary options and plans to trade variable payout derivative contracts with caps and floors.

Exempt Markets

DMO staff reviewed notice filings of three ECMs, Tradition Financial Services Paper and Pulp Division (TFS), Spectron Live.com Limited (Spectron), and the Commodities Derivative Exchange, Inc. (CDXchange), and issued acknowledgment letters to these entities noting their compliance with statutory requirements. TFS is based in Stamford, Connecticut, and trades paper and pulp derivatives; Spectron is based in London, U.K., and trades liquid petroleum gas; and CDXchange is based in Northfield, Illinois, and trades derivatives based on metals. 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 and 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 2004, 207 new contracts were submitted. Exchanges requested Commission approval of three of the contracts filed, while 204 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 certifications by the CFE for its volatility index futures contract and S&P 500 three-month variance futures contract. In addition, the Chicago Board of Trade (CBOT) certified the Dow Jones U.S. total-market-index futures contract and an option on the mini Dow Jones industrial average futures contract, the CME-certified E-mini Nasdaq composite futures and option contracts, and the New York Board of Trade (NYBOT) certified the Russell 2000 growth and Russell 2000 value futures and option contracts.
- **Petroleum and Natural Gas Swaps.** The NYMEX filed under certification procedures 28 new energy futures contracts based on natural gas (12 contracts) and petroleum products (16 contracts) representing the price of the commodity at a particular production, distribution, or consumption point.

- **Agricultural Products.** The NYBOT submitted approval requests for the frozen concentrated orange juice (FCOJ) A futures and option contracts and the FCOJ B futures contract. Those futures contracts replace the NYBOT's FCOJ-1 and FCOJ-2 contracts. The Coffee, Sugar, and Cocoa Exchange, now part of the NYBOT, also certified futures and option contracts on ethanol.
- **Security Futures Products (SFPs).** A total of 30 SFPs were submitted under certification procedures. NQLX Futures Exchange certified one SFP and OCX certified 29 SFPs. Underlying these SFPs are 116 different stocks, 8 different exchange-traded funds, and 15 different narrow-based indexes. As part of its review process, DMO staff ensure that all SFPs filed under certification procedures comply with listing standards filed with the SEC.
- **Interest Rates.** The CBOT filed under certification procedures futures contracts Bunds, Bobls, and Schatz, which are long-term, medium-term, and short-term German government debt instruments, respectively. In addition, the CBOT certified the when-issued two-year Treasury note futures contract, which is cash-settled based on the U.S. Department of the Treasury's auction of two-year Treasury notes. The CME certified the three-month eurodollar forward rate agreement futures contract. The terms and conditions of that contract are substantially similar to those of the CME's three-month eurodollar futures contract, although the CME lists 60 daily expirations rather than quarterly expirations. The USFE, a newly-designated contract market, certified futures and option contracts on U.S. Treasury bonds, long-term U.S. Treasury notes, medium-term U.S. Treasury notes, and short-term U.S. Treasury notes. HedgeStreet, a newly designated contract market, certified binary options on the Federal Open Market Committee's target Federal Funds rate, the one-year adjustable mortgage rate, and the 30-year fixed mortgage rate.
- **Weather-Related Instruments.** The CME filed under certification procedures 58 weather-related index futures and option contracts. Degree-day contracts are based on indexes of accumulated temperature variations, i.e., heating and cooling degree days, over a specified period (one month, summer, or winter) for a particular city. Cumulative average temperature indexes are defined as the sum of average daily temperatures in a particular city over a one-month period or over a particular season. The CME certified monthly and seasonal degree-day futures and option contracts and monthly and seasonal cumulative average temperature indexes for five European cities: Amsterdam, Berlin, London, Paris, and Stockholm. The CME also certified seasonal degree-day futures and option contracts for five cities in the United States: Boston, Massachusetts; Houston, Texas; Kansas City, Missouri; Minneapolis, Minnesota; and Sacramento, California. The CME also certified Pacific Rim and seasonal Pacific Rim index futures and option contracts that are defined as the arithmetic average of daily average temperatures for a particular Japanese city over a particular month or season, respectively. The CME certified Pacific Rim and seasonal Pacific Rim index futures and option contracts for the cities of Osaka and Tokyo. 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 CME filed under certification procedures new currency futures and option contracts based on the Hungarian forint, Czech koruna, and Polish zloty. It also filed currency cross-rate futures and option contracts based on the Euro-Hungarian forint, Euro-Czech koruna, and Polish zloty. In addition, the CME certified European-style options on its British pound, Canadian dollar, Euro, Japanese yen, and Swiss franc futures contracts. The New York Cotton Exchange (NYCE) filed under the certification procedures new futures and option contracts on the Norwegian krone-Swedish krona cross-rate and mini versions of its British pound, Canadian dollar, Japanese yen, and Swiss franc futures contracts. The Philadelphia Board of Trade (PBOT) certified a cash-settled Euro futures contract. HedgeStreet, a newly designated contract market, certified binary options on the British pound, Euro, Japanese yen, and Swiss franc.
- **Non-Equity Indexes.** A number of new contracts were filed this fiscal year based on various nonsecurity indexes. These include the CME's gold TRAKRS futures contract, the consumer price index futures contracts, and X-fund futures contracts. The Gold TRAKRS contract is based on the London spot price for gold and a total return component that measures the return to lending gold. X-Funds are managed by the CBOT and are composed of up to four futures contracts listed for trading on the CBOT and CME. HedgeStreet, a newly designated contract market, certified several binary options based on various indexes. These indexes include housing price indexes for the cities of Chicago, Los Angeles, Miami, New York, San Diego, and San Francisco, the consumer price index and sub-indexes based on prescription drug prices and hospital services, government statistics such as nonfarm payrolls, retail sales, and unemployment

claims, and the manufacturing PMI issued by the Institute for Supply Management.

- **Regional Electricity Contracts.** The NYMEX filed under certification procedures four electricity swap futures contracts, including the Dow Jones Palo Verde electricity price swap, the Dow Jones mid-Columbia electricity price swap, the Dow Jones NP15 electricity price swap, and the Dow Jones SP15 electricity price swap. These contracts provide electricity market participants with 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. In addition, the NYMEX filed under certification procedures an option on the PJM (Pennsylvania-New Jersey-Maryland) calendar-month daily locational marginal price (LMP) swap futures contract.

Significant Rule Changes to Contract Terms and Conditions

During FY 2004, the Product Review Branch processed 324 amendments to contract terms and conditions for existing futures and option contracts, including 140 amendments that were economically significant. Twenty of those economically significant rule changes were submitted for Commission review and approval, while 120 rule changes were filed under exchange self-certification procedures. Significant rule changes reviewed this fiscal year include:

- An increase in the daily maximum price fluctuation limits for the CME live cattle and feeder cattle futures contracts following the CME's emergency action to increase those limits as a result of extreme price volatility caused by the announcement that BSE had been found in U.S. cattle.
- Amendments to the delivery standards for the CME live cattle futures contract to ban the delivery of steers that are 30 months of age or older. The rule change was made in response to a USDA ruling prohibiting the use in the human food supply of certain animal parts from cattle 30 months of age or older, which was issued in response to the occurrence.
- An increase in the minimum delivery lot per port to 80 contracts from 20 contracts for the NYBOT sugar no. 11 futures contract, an increase in the minimum daily loading rate for sugar deliveries to 4,000 from 3,000 long tons, an increase in the par polarization of deliverable sugar to 97 from 96 degrees, a revision in the schedule of price differentials for polarization levels deviating from par, and a provision that deliverable sugar must be manufactured no earlier than 12 months, rather than 18 months, prior to the delivery month.
- Amendments to the spot-month speculative position limits for the CBOT wheat and mini-wheat futures contracts. The amendments replaced a flat spot-month limit with one based on levels of deliverable wheat stocks, as reported on the CBOT's stocks of grain report on the Friday preceding the first notice day.
- HedgeStreet requested Commission approval of general rules that provided for the listing of "linear hedgelets." Linear hedgelets essentially are futures contracts that have a cap and a floor.
- A rule amendment to the CBOT long-term municipal bond futures contract to remove the pricing collar for each component bond. The collar excluded from the final settlement price calculation any bond whose price change on the last trading day is larger than one standard deviation from the average price change for all the component bonds.
- Conversion of each of the PBOT foreign currency contracts from physical delivery to cash settlement using PHLX intraday spot reference quotes during the last three minutes at or before 2:30 p.m. The PBOT also eliminated position accountability standards.
- Recertification of several dormant CME contracts, including the option on the S&P MidCap 400 futures contract; the Japanese Government bond futures contract; 90-day U.S. Treasury bills futures and option contracts; options on the S&P 500/Barra value and S&P 500/Barra growth futures contracts; options on the Euro/British pound, Euro/Swiss franc, and Euro/Japanese yen cross-rate futures contracts; options on the Russian ruble futures contract; the overnight Federal funds effective rate futures contract; options on the nonfat dry milk futures contract; and the Euro/yen LIBOR futures contract.
- An increase in the price discount for delivery of Oseberg blend foreign crude oil on the NYMEX crude oil futures contract to 55 cents from 30 cents per barrel.
- Elimination of the 5 percent and 15 percent interim daily price limits on the Kansas City Board of Trade (KCBT) value-line average futures contract, adopt a quarterly calculation of the circuit breaker price limits and reduce to 5 minutes from 10 minutes the duration of a trading halt at the 10 percent price limit that is limit bid after 1:30 p.m.

Significant Market-Related Rule Changes

During FY 2004, the Market Review Branch processed 263 exchange submissions, including 2,669 new rules and rule amendments. Ten of the submissions were submitted for Commission approval, while 252 submissions were filed

under exchange self-certification procedures. Significant rule changes reviewed this year include:

- Establishment of a safe harbor from cross-trade rule violations resulting from inadvertent cross-trades between securities-option market-makers and market-makers at OneChicago from the same firm as long as the firm has internal Chinese Walls.
- Conversion of CBOT electronic trading from the *a/c/e* automated trading system to the London International Financial Futures Exchange (LIFFE) Connect system.
- Establishment of trading incentives and market-maker programs to encourage trading on USFE, and reductions in minimum block trade sizes.
- Merger of CSCE and NYCE into NYBOT, with CSCE and NYCE ceasing to exist and NYBOT becoming the DCM, and the associated transfer of all contracts and all open interest to NYBOT.
- Adoption of a market-maker program and procedure for automatic subscription and redemption of bundles of HedgeStreet contracts (a buy and a sell) involving separate members (each member obtains or relinquishes one contract of the contract bundle).
- Revisions of CBOT rules allow a floor broker, after specified types of execution errors, to guarantee the customer a fill at the price to which the customer was entitled via an assignment trade and thus allow the broker to incur the cost of the “adjustment” through a transaction for his error account rather than by the allocation of a cash adjustment to the customer.
- Changes to CBOE Futures Exchange rules providing for trading against customer orders rule, allowing members to enter opposite proprietary orders of up to 30 percent of the size of customer orders without having to wait five seconds, so long as the proprietary orders are at or within the current bid/ask spread.
- Introduction of a “call market” functionality and a market-maker incentive program providing an enhanced electronic option trading system on CME’s GLOBEX.
- Movement of market supervision duties for USFE overnight trading (12 midnight to 7:00 a.m. (CST)) to Eurex Frankfurt AG.
- Adoption of a switch-trade matching algorithm where the prices of the trades are based on the fair and reasonable price-matching algorithm applied following the completion of order entry.

Foreign Stock Offerings in the United States

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 United States. During FY 2004, the Product Review Branch completed economic analyses in support of the issuance of no-action letters for five index contracts: The National Stock Exchange of India’s S&P CNX index futures contract; the SGX-DT’s S&P CNX index futures contract; the Euronext LIFFE’s FTSEurofirst 80 and FTSE Eurofirst 100 futures contracts; and the Taiwan Futures Exchange’s Taiwan Stock Exchange capitalization weighted index futures contract.

Initiatives to Encourage Trading In ECM Energy Products

On March 22, the Commission issued a *Federal Register* release requesting comment on a petition from IntercontinentalExchange (Intercontinental) to lower certain barriers to trading energy products on ECMs and in OTC markets. Intercontinental requested that International Petroleum Exchange (IPE) brokers and traders (both floor and electronic), when acting in a proprietary trading capacity, be deemed “eligible commercial entities.” Thus, IPE brokers and traders would be permitted to enter into transactions in exempt commodities on ECMs that meet the requirements of section 2(h)(3)-(5) of the Act. The conditions included in the Intercontinental petition include requiring that the broker or trader must: be a U.K. member of or have trading privileges on IPE, a U.K.-registered investment exchange; have as part of its business the business of acting as a floor broker or floor trader or performing an equivalent function on IPE’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 U.K.-registered clearing organization and an ECP.

Studies

Crude Oil Futures. The Product Review Branch continued work on 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 DCMs 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 Commodity Exchange Act (Act) and the Commission's regulations. The examinations result in rule enforcement review reports that evaluate an exchange's enforcement capabilities. The reports set forth recommendations for improvement, where appropriate, with respect to an exchange's trade practice surveillance, market surveillance, disciplinary, audit trail, and record-keeping programs. These periodic reviews promote and enhance continuing effective self-regulation and ensure that self-regulated organizations enforce compliance with their rules.

Market Compliance staff also monitor trading activity in order to detect and prevent possible trading abuses at all DCMs. 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, review exchange applications for approval as DCMs or DTEFs to ensure that the exchanges are in compliance with those aspects of the approval criteria and core principles that relate to the exchanges' 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 2004, the Market Compliance Section completed three rule enforcement reviews of exchange compliance programs:

- **CSCE.** On May 27, 2004, the Market Compliance Section completed a rule enforcement review of CSCE's audit trail, trade practice surveillance, disciplinary, and dispute resolution programs. The target period for the review was June 1, 2002 to June 1, 2003. Compliance staff found that CSCE maintained adequate programs in each of the areas reviewed. Audit trail data were used routinely to assist in the identification of market abuses and to provide evidence of rule violations. In addition, members demonstrated a high level of compliance with CSCE's order ticket and trading card recordation requirements. The trade practice surveillance program

was improved, with the exchange examining trading activity for a period of time sufficient to establish whether a pattern of trading violations may have existed, and expanding its investigations to include examination of a subject member's trading cards and order tickets for the entire day that suspected trades may have occurred. Market Compliance staff made several recommendations, including that CSCE: (1) increase the number of large-size cross trades it reviews for compliance with exchange rules; (2) develop procedures to identify and examine brokers who execute a large number of small-size cross trades in liquid contract months; (3) develop an automated exception report to assist in the surveillance of cross trades; (4) document floor surveillance for its option markets; and (5) impose consistently meaningful sanctions in similar cases involving substantive trading violations.

- **Minneapolis Grain Exchange.** On September 16, 2004, the Market Compliance Section completed a rule enforcement review of MGE's market surveillance, audit trail, trade practice surveillance, disciplinary, and dispute resolution programs. The target period for the review was December 1, 2002 to December 1, 2003. Market Compliance staff found that MGE maintained adequate programs in each of the areas reviewed. The exchange's market surveillance program included daily monitoring of, among other things, volume and open interest, the relationship between cash and futures prices, and spread and basis relationships. With respect to trade practice surveillance, MGE conducted daily reviews of computer-generated exception reports and daily floor surveillance to identify potential trading violations. Inquiries and investigations were generally thorough, well documented, and completed in a timely manner. Staff also found that the exchange maintains an adequate audit trail program, with members maintaining high rates of compliance with trade timing and recordkeeping rules. Market Compliance staff recommended that MGE: (1) implement supplementary review procedures to ensure that the trading cards and order tickets of floor members who did not trade on the dates selected for annual audit trail reviews are nevertheless reviewed within a reasonable period of time; (2) expand investigations to include additional trading days when review of exception reports suggests a wider pattern of possible trade practice violations; and (3) ensure that investigations resulting in a recommendation for disciplinary action are presented to disciplinary committees promptly, and that charges are issued promptly.

- **NYMEX.** On September 16, 2004, the Market Compliance Section completed a rule enforcement review of NYMEX's audit trail, trade practice surveillance, disciplinary, and dispute resolution programs. The review covered the target period of January 1, 2003 December 31, 2003. Market Compliance staff found that NYMEX maintained an adequate audit trail program. NYMEX also provided for the recording and safe storage of trade information in a manner that allowed their staff to use the information to detect and prosecute rule violations. NYMEX also maintained an adequate trade practice surveillance program, using floor surveillance and a computerized trade practice surveillance system to monitor its markets. Investigations were thorough, well documented, and completed in a timely manner. Likewise, the exchange's dispute resolution program was adequate. With respect to NYMEX's disciplinary program, Market Compliance identified several disciplinary cases where the disciplinary committees did not follow NYMEX staff's recommendations for more substantial sanctions, including sanctions imposed on some repeat offenders and restitution for customers. Market Compliance recommended that disciplinary committees give careful consideration to NYMEX staff's recommendations and that, if committees' sanctions ultimately differ from those recommended by staff, they articulate their rationale in committee minutes. Market Compliance staff also recommended that NYMEX: (1) include spread trades in its trade timing summary enforcement program; and (2) increase the number of broker groups and individual brokers reviewed annually in order ticket reviews.

Studies

Self-Regulation in the Futures Industry. The Market Compliance Section continued work on a study of self-regulation in the futures industry and broadened this study to encompass the governance of self-regulatory organizations (SROs). While continuing to focus on self-regulation in light of changes taking place in the futures industry, including increasing competition and demutualization, Market Compliance staff are also analyzing the significant influence that SROs' governing bodies can have on key aspects of self-regulation. In this connection, the Commission published a request for comments on the governance of self-regulatory organizations in the *Federal Register*, seeking comment on a series of questions concerning board composition, regulatory structures, the impact of different business and ownership models, disciplinary committees, and transparency of operations. Simultaneously, the Market Compliance Section

forwarded to each SRO a questionnaire seeking information on their governance structures, policies, and procedures.

Electronic Trading. In addition, the Market Compliance Section completed its review of surveillance methods used to detect trading abuses on electronic trading platforms. The review was conducted to determine the implications of the dramatic growth in electronic trading for DMO's trade practice oversight program.

DIVISION OF CLEARING AND INTERMEDIARY OVERSIGHT

The mission of the Division of Clearing and Intermediary Oversight (DCIO) is to protect the economic integrity of the markets; protect market users; foster open, competitive and financially sound markets; and promote an effective, flexible, regulatory environment responsive to evolving conditions. DCIO is responsible for overseeing market intermediaries and the self-regulatory programs and compliance activities of the futures industry self-regulatory organizations (SROs), which include the U.S. commodity exchanges and the NFA and derivatives clearing organizations (DCOs). DCIO also is responsible for developing rules to protect market users and financial intermediaries, including requirements related to registration, fitness, financial adequacy, sales practices, protection of customer funds, and clearance and settlement activities. In addition, DCIO develops 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 and Protecting Market Users and the Public

Risk-Based Capital

During FY 2004, the Commission approved a final rule-making to modernize regulatory minimum capital requirements for futures commission merchants (FCMs). Proposed versions of the rule amendments had been published in the Federal Register in FY 2003 as part of a notice of proposed rulemaking relating to the minimum financial requirements of FCMs and introducing brokers (IBs). Under the rule amendments as adopted in FY 2004, an FCM's minimum capital requirement is no longer based on a percentage of customer funds held by the FCM, but rather on specified percentages of the risk maintenance margin requirements for all positions the FCM holds for customers and noncustomers. The revised rules are intended to provide a better correlation between a firm's minimum capital requirement and the particular risks of the futures and option positions

it carries. The final rule is also consistent with the risk-based capital requirements that several futures organizations have implemented previously for their members.

Updating and Streamlining Financial Condition Filing Requirements

During FY 2004, the Commission approved final rule amendments to modernize certain financial reporting requirements for FCMs and IBs. Public comment on the new procedures was solicited originally in a notice published in the Federal Register in July of 2003, which proposed various new rules relating to the minimum financial requirements of FCMs and IBs. The notice included a proposed rule requiring FCMs, consistent with the monthly reporting requirements of various self-regulatory organizations, to report their financial condition by filing a Form 1-FR-FCM on a monthly rather than a quarterly basis. The more frequent filing of financial statements is an integral component of the Commission's FCM financial surveillance program, which utilizes customer market position data to assess financial exposures to individual firms and to the clearing system.

The Commission also adopted amendments that harmonize reporting requirements for FCMs that are registered with the Securities and Exchange Commission as broker-dealers. Also, IBs will not be required to file with the Commission copies of the semiannual unaudited reports and certified annual financial reports that they file with the NFA, as the NFA maintains a database of such reports that is made available to the Commission. The Commission also approved amendments to update the Instructions Manual for the Form 1-FR-FCM, which was first issued by the Commission in 1989.

In June 2004, the Commission approved NFA rules to implement a new web-based electronic filing system (EasyFile) for IBs to file financial statements with NFA. Prior to the implementation of EasyFile, IBs filed their financial statements with NFA using the WinJammer electronic filing system, which also is used by futures commission merchants. The EasyFile system was developed by NFA to address difficulties that some IBs had experienced with the WinJammer system. EasyFile provides IBs with a simpler electronic filing process, and was effective for unaudited financial statements dated June 30, 2004 or later.

Risk Management

During FY 2004, DCIO strengthened its Financial Surveillance Program by further developing an automated tool that enhances its ability to evaluate the potential impacts of price volatility on portfolios of futures and option positions to assess the financial effects that market risk may have upon individual accounts, the FCMs carrying those accounts, and the DCOs clearing the positions. This automated tool, the Stressing Positions at Risk (SPARK) system, identifies portfolios for further review based upon the individual trader information that is required to be reported to the Commission.

After a portfolio is identified, staff use yet another recently developed tool, SPAN Risk Manager (developed and offered commercially by the Chicago Mercantile Exchange), to conduct stress tests and other risk management analysis using real or hypothetical price moves to assess the potential for, and severity of, financial risks. Those financial risks can be compared to the financial statement information maintained by the Commission to assess whether the FCM carrying an identified portfolio appears prepared to handle those financial risks. Use of these automated tools provides the Commission with the ability to be proactive in conducting financial surveillance.

Form 1-FR-FCM and Instructions Manual

To implement the Commission's adoption of the amendment to Rule 1.17 for risk-based capital, the Commission also adopted amendments to the Commission's Form 1-FR-FCM. Futures commission merchants file their financial, minimum capital, and segregation statements on the Form 1-FR-FCM. As the Form 1-FR-FCM is filed electronically through FCM's designated SRO, necessary programming was completed at such SROs and the Commission so that the revised form was available for all FCM report filings made after September 30, 2004. In addition to the revised Form 1-FR-FCM, the Commission also adopted a revised instructions manual to the Form 1-FR-FCM, effective September 2004. The revised instructions manual incorporated the amendment to Rule 1.17 for risk-based capital as well as other necessary cumulative changes in regulation and interpretation related to the Form 1-FR-FCM since 1989, the prior date of issuance of the instructions manual.

NYMEX OTC Clearing

In February 2004, the Commission issued an order permitting the New York Mercantile Exchange (NYMEX) and its clearing members to hold funds related to over-the-counter (OTC) products in customer-segregated accounts. The order included an innovative provision under which

NYMEX has established and maintains a permanent customer protection mechanism represented by a commitment \$10 million that is available to reimburse retail customers trading on NYMEX whose funds are lost as a result of the default of another customer of the same firm in a contract cleared by NYMEX.

London Clearing House

In May 2004, the Commission issued an order amending the registration of LCH Clearnet as a derivatives clearing organization. LCH Clearnet became the first non-U.S. clearing organization to become authorized to clear U.S. contract markets.

Investment of Customer Funds

In February 2004, the Commission amended Regulation 1.25, which governs the investment of customer funds by FCMs and DCOs. The amendments permit FCMs and DCOs to engage in repurchase agreements with securities deposited by customers, subject to certain conditions.

Hedge Street

In February 2004, the Commission requested Hedge Street as a derivatives clearing organization. Hedge Street clears exclusively for its affiliated contract market, also named Hedge Street.

OCC Review

CFTC staff participated with staff of the Securities and Exchange Commission (SEC) in a joint review of the Options Clearing Corporation (OCC). OCC is registered with the SEC as a registered securities clearing agency and with the SEC as a derivatives clearing organization.

Registration and Other Relief for Certain Commodity Pool Operators (CPOs) and Commodity Trading Advisors (CTAs)

During FY 2004, the Commission worked to refine the initiative begun in the previous year with the adoption of rule revisions to modernize CPO and CTA registration requirements and facilitate greater participation in the commodity futures and option markets. In August 2003, the Commission adopted two additional exemptions under Rule 4.13 from the CPO registration requirement. Broadly stated, the first new exemption is available where: (1) a pool's participants meet certain sophistication standards (e.g., all participants are accredited investors); and (2) the pool's commodity interest trading is restricted as specified in the rule (e.g., the pool won't commit more than five percent of the liquidation value of its assets to establish its commodity interest trading

positions). The second new exemption is available where a pool's participants meet (in the case of non-natural person U.S. entities) or exceed (in the case of natural persons) the sophistication standards of the first of the new exemptions. Because of this higher sophistication standard, there is no trading restriction under this exemption.

In April 2004, Commission staff issued a letter clarifying application of the first of the new exemptions under Rule 4.13. The letter stated that a CPO claiming registration exemption under that provision may admit non-U.S. persons (as defined in Rule 4.7) as participants in the CPO's pool *without* regard to whether such non-U.S. persons meet the investor qualifications set forth in the provision.

In light of the April 2004 staff letter, and in response to requests for formal clarification from the CPO community, in July 2004 the Commission adopted an amendment to Rule 4.13 that expressly permits a CPO claiming exemption under the first of the new exemptive provisions to admit to its pool any person eligible to participate in a pool operated in accordance with second exemptive provision. The rationale for this amendment is that, if a person can participate in a pool operated pursuant to the second provision, which has no trading restrictions, it similarly should be able to participate in a pool operated pursuant to the first of the new provisions (which does have a trading restriction).

Annual Report to the Federal Reserve Board (FRB)

In March 2004, the Commission submitted a 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 (SFPs). In its delegation letter of March 6, 2001, the Board requested that the Commission and the SEC submit such an annual report. The SEC submitted a report in April 2004. The FRB replied to the two reports in June 2004.

Memorandum of Understanding with the SEC

In March 2004, the Commission and the SEC signed 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. The MOU provides that the CFTC and SEC will notify each other of any planned examinations, advise the other of reasons for an intended examination, provide each other with examination-related information, and conduct examinations jointly, if feasible. The agencies will notify each other of significant market issues and will share trading data and related market information.

Proficiency Testing for SFP Trading

DCIO permitted NFA to postpone indefinitely updating the Series 3 and Series 30 examinations to include questions on security futures products. Staff has discussed with NFA and the National Association of Securities Dealers how to accomplish eventual updating of the examinations, but for the time being, salespersons will be permitted to continue to offer SFPs following the taking of a web-based training module. The SEC is in accord with this approach. This issue may be revisited when SFP trading volume increases significantly.

Security Futures Audit Agreements between NFA and Futures Exchanges

In September 2004, NFA Bylaw 1508 became effective under the "10-day" provision without Commission review. This bylaw allows NFA to enter into regulatory services agreements with futures exchanges that are the designated self-regulatory organizations for, and that audit, FCMs that are notice-registered as broker-dealers for the purpose of conducting SFP transactions. NFA would retain full responsibility for its oversight obligations under the Securities Exchange Act of 1934 over such notice-registered broker-dealers.

Implementation of the USA Patriot Act

During the past year, DCIO staff worked with representatives of other Commission units and other federal financial regulators on various aspects of a program to combat money laundering and terrorist financing. Specifically, staff worked with the U.S. Treasury Department in developing suspicious-activity reporting and customer-identification rules applicable to FCMs and IBs. The suspicious-activity reporting rules apply to transactions occurring after May 18, 2004. In FY 2003, staff worked with Treasury in developing proposed anti-money-laundering (AML) program rules for CTAs, investment advisers, and unregistered investment companies. Staff continue to work with Treasury in developing the final rules. Staff also worked with the SEC and other agencies in drafting interpretations of the customer identification rules and a proposed no-action position concerning the customers of certain CTAs and Investment Advisors (IAs). The first tier of the interpretations was issued on June 14, 2004. Staff also continue to work with Treasury in a process for sharing information about possible terrorists and money launderers. As part of this process, Commission staff maintain and update a list of FCMs and contact persons, which Treasury then uses when issuing a list of possible money launderers and terrorists on a biweekly basis.

The Major Reviews unit, one of two new units within DCIO, was created during FY 2004 to manage major risk-focused reviews of exchanges and clearinghouses and, in addition, to develop standards for the review and evaluation of registrant compliance with AML requirements applicable to futures commission merchants, introducing brokers, commodity pool operators, and commodity trading advisors.

Oversight of Registered Futures Associations

The Commission oversees the NFA registration program through frequent contact 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 2004, the RWG discussed, among other things: (1) holds on registration to prevent a registrant's withdrawal; (2) permitting oral hearings as part of the process of determining whether to suspend a person's registration for willful failure to disclose a criminal matter; (3) the impact of a new Illinois statute on registration under the Act; (4) exemptions from Commission registration as an IB, CPO, or CTA for intermediaries involved solely in foreign futures and option transactions in accordance with Rule 30.5; and (5) fingerprint processing.

The Commission also is working with NFA regarding retail off-exchange foreign currency trading through FCMs and their affiliates. Commission staff have discussed this issue internally and have responded to numerous telephone and e-mail inquiries. NFA submitted further rules in this area concerning required customer security deposits in May 2004, which were allowed to become effective without formal review under the "10-day" provision. In September 2004, NFA filed and requested formal Commission approval of amendments to two interpretive notices, regarding: (1) disclosure of fees and bid/ask spreads in forex trading; and (2) enhanced supervisory procedures for members who have a large number of employees who previously worked at disciplined firms. As of the end of FY 2004, the Commission's staff were reviewing changes to the interpretive notices. DCIO staff have also been considering the issuance of an advisory to provide additional formal guidance regarding compliance and registration issues pertaining to entities involved in off-exchange retail foreign currency trading. DCIO staff have also discussed with NFA issues concerning NFA audits and required adjusted net capital for firms engaged in retail foreign currency transactions.

During FY 2004, a number of NFA rule changes were approved by the Commission or permitted to go into effect,

while others filed near the end of FY 2004 were pending as of the end of the fiscal year:

- **CTA Past Performance Presentation.** In January 2004, the Commission reviewed and permitted to go into effect rules submitted by NFA regarding presentation of CTAs' past performance information. NFA Compliance Rule 2-34 contains specific requirements for CTAs regarding the calculation, documentation, and disclosure of the performance of partially funded client accounts to prospective clients. The rule requires CTA members to calculate rates of return and drawdown figures based upon nominal account size, as opposed to actual account size; specifies the terms of written confirmation for partially funded accounts; and sets forth certain additional disclosures that must be provided concerning the impact of partial funding. NFA also adopted an Interpretive Notice that provides guidance on each aspect of proposed Rule 2-34. In April 2004, the Commission approved amendments to NFA's Interpretive Notice to Compliance Rule 2-34. The amendments provide for use of an additional method of accounting for the impact of significant additions and withdrawals in the calculation of the rate of return information required to be included by Commission rules in the CTA's disclosure document. The Only Accounts Traded method permits exclusion from the rate of return calculation of accounts that meet specified criteria, on the basis that the program's composite rate of return would be distorted if the calculation included accounts that did not participate fully in the program, or had significant changes in their value during the period.
- **CPO Disclosure.** In December 2003, the Commission permitted NFA, under the "10-day" provision without Commission review, to repeal two rules related to CPO disclosure. One rule permitted CPOs to solicit accredited investors with a notice of intended offering and statement of terms, and the other permitted solicitation of any prospective participant with a profile document, rather than a Disclosure Document. The Commission's August 2003 amendments to its rules concerning delivery of CPO and CTA Disclosure Documents made NFA's rules unnecessary.
- **Registration Procedures.** In March 2004, the Commission approved two NFA rules concerning registration. The first rule permits an interim oral hearing in a disqualification case to determine whether a failure to disclose derogatory information was willful. The other rule prohibits firms from sponsoring conditional registrants if the firms' principals (rather than just the firms

themselves) are subject to a pending NFA proceeding alleging failure to supervise or fraud. The latter rule is intended to prevent persons charged by NFA from continuing their business as part of a newly created legal entity during the pendency of the charges.

- **Foreign Firms.** In December 2003, the Commission permitted NFA, under the “10-day” provision without Commission review, to make several amendments concerning foreign firms to NFA’s rules. The rule amendments included: (1) requiring foreign firms exempt from registration under Part 30 of the Commission’s rules to pay the same \$100 annual records maintenance fee as Commission registrants (NFA confirms that such firms are eligible for the registration exemption and maintains their names and pertinent information in the registration database); (2) terminating the registration exemption of a foreign firm 30 days after it terminates its agreement designating a U.S. agent for service of process; (3) requiring foreign firms applying for FCM registration to make their books and records available in the U.S. on 24 hours’ notice, rather than the previous requirement allowing 72 hours’ notice; and (4) requiring foreign firms applying for registration to provide records of examination reports and disciplinary actions issued by their foreign regulators.
- **Arbitration Rules.** In December 2003, the Commission permitted NFA, under the “10-day” provision without Commission review, to make several technical amendments to its member arbitration rules. These amendments included: (1) requiring a counterclaim to be filed within two years or in a timely filed answer, whichever comes later; and (2) allowing a party 35 days (up from 20 days) to file a reply to a counterclaim or cross-claim if the aggregate claim amount exceeds \$50,000.
- **SFP Proficiency Examination.** In December 2003, the Commission determined, under the “10-day” provision without Commission review, not to review NFA’s proposal to amend its Interpretive Notice: Concerning Proficiency Requirements for Securities Futures Products, which indefinitely postpones updating the Series 3 and Series 30 examinations to include questions on SFPs. NFA had anticipated changing the exams by January 2004, but the number of persons interested in qualifying to engage in SFP activities has been below expectations. Commission staff have discussed with industry representatives expansion of the general proficiency examinations for associated persons of futures firms (Series 3) and registered representatives of securities firms (Series 7) to include questions concerning SFPs. Staff have discussed with NASD ways to address delays in, and possible SRO reluctance concerning, revision of the Series 7 examination to include questions about SFPs. An extra day of testing may be required for an expanded Series 7 examination that includes SFP questions, if the number of questions in existing topic areas is not reduced, or if there is a separate examination focused solely upon SFPs. For the time being, salespersons will be permitted to offer SFPs following the taking of a web-based training module.
- **Dues and Fee Reductions.** In July 2004, amendments to NFA Bylaw 1301(b)(ii) and (d) became effective under the “10-day” provision without Commission review. These amendments reduced membership dues by 25 percent, such that dues for FCMs for which NFA is the Designated Self-Regulatory Organization (DSRO) were reduced from \$7,500 to \$5,625 (the reduction is from \$2,000 to \$1,500 for all other FCMs) and dues for other member firms (IBs, CPOs, and CTAs) were reduced from \$1,000 to \$750. NFA also amended Bylaw 1301(b)(i), effective January 2005, to reduce the assessment fees charged to FCM members for customer trades from \$.06 to \$.04 per round-turn for futures contracts and from \$.03 to \$.02 for option contracts.
- **Recovery of Legal Fees and Costs.** In September 2004, NFA filed for Commission approval new NFA Bylaw 1402. The new bylaw requires a present or past NFA member or associate who brings an unsuccessful legal proceeding against NFA to pay NFA’s reasonable expenses incurred in defending the proceeding, including attorneys’ fees. The bylaw is comparable to similar provisions adopted by other futures industry SROs. The matter is under consideration by the Commission as of the end of FY 2004.
- **Involvement of Non-Members in NFA Disciplinary and Membership Committees.** In August 2004, NFA submitted for Commission approval proposed amendments to Bylaws 301, 701, 702, 704, and 707, as well as Compliance Rule 3-17 and Registration Rule 501 (the “governance bylaws”). NFA proposes to require that certain members of its disciplinary committees be neither NFA Members nor Associates nor employees of an NFA member. For the Business Conduct Committee and the Hearing Committee, at least one-third of the committee members would not be NFA Members or Associates or employees of a Member, instead of the present requirement of one non-NFA member. For the Membership Committee or any subcommittee, at least one member must be neither an NFA Member or Associate nor an employee of an NFA member; this was previously unrestricted. NFA also proposes to restrict the members rep-

representing FCMs, IBs, and CPOs/CTAs on the Appeals Committee to no more than three of five and to require that removal of a committee or subcommittee member by the Board of Directors be done “for cause.” These rule changes are under consideration by the Commission as of the end of FY 2004.

- **Per-Trade Fee Assessment.** In August 2004, NFA filed for Commission approval a proposed amendment to Bylaw 1301 concerning the scope of the exemption from the per-trade fee assessment for transactions involving persons with “privileges of membership.” A person with “privileges of membership” is exempt from paying NFA’s assessment fee for trades occurring on the exchange where the person is a member. Recently, certain exchanges have created membership opportunities for passive investment vehicles, including commodity pools operated by CPO members of NFA. The proposed amendment would exclude the passive-investment memberships from the fee exemption, because NFA is concerned that the future volume of these memberships could result in a significant loss of revenue, while NFA’s audit and regulatory responsibilities for CPOs will remain the same. The matter is under consideration by the Commission as of the end of FY 2004.
- **Promotional Materials for Third-Party Trading Systems.** In September 2004, NFA submitted for Commission review and approval a proposed Interpretive Notice to NFA Bylaw 1101 and Compliance Rules 2-9 and 2-29. The proposed Interpretive Notice is intended to give guidance to NFA Members that trade accounts pursuant to the advice of, or that provide trade execution services for, third-party trading system developers. First, the proposed Interpretive Notice provides guidance as to the potential liability of a Member under NFA Bylaw 1101 where the Member trades customer accounts pursuant to the trading signals of a third-party trading system developer that is not properly registered with the Commission and, in particular, circumstances in which the commodity trading advisor registration exemption of Commission Rule 4.14(a)(9) is not available for third-party trading system developers. Second, the proposed Interpretive Notice provides guidance as to circumstances in which a Member may be responsible if third-party trading system promotional material is misleading. The matter is under consideration by the Commission as of the end of FY 2004.
- **Foreign Exchange (Forex) Trading.** Commission staff continue to work with NFA staff regarding retail off-exchange foreign currency trading through FCMs and

their affiliates. Commission staff have discussed this issue internally and have responded to numerous telephone and e-mail inquiries. NFA submitted further rules in this area concerning required customer security deposits in May 2004, which were allowed to become effective without formal review under the “10-day” provision. In September 2004, NFA filed and requested formal Commission approval of amendments to two interpretive notices, regarding: (1) disclosure of fees and bid/ask spreads in forex trading; and (2) enhanced supervisory procedures for members who have a large number of employees who previously worked at disciplined firms. As of the end of FY 2004, the Commission’s staff were reviewing changes to the interpretive notices. DCIO staff also have been considering the issuance of an advisory to provide additional formal guidance regarding compliance and registration issues pertaining to entities involved in off-exchange retail foreign currency trading. DCIO staff have also discussed with NFA issues concerning NFA audits and required adjusted net capital for firms engaged in retail foreign currency transactions.

Fostering Open, Competitive, and Financially Sound Markets

DCIO conducts a financial surveillance program and oversees the self-regulatory programs of NFA and the exchanges; these 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.

Chicago Mercantile Exchange (CME) Review

In December 2003, the DCIO completed its SRO oversight review of the CME and issued a report to the Commission. The review covered five functional areas: financial capacity; customer protection; risk management; market move surveillance and stress testing; and operational capability. In addition to the five functional areas examined at CME, Commission staff directly examined four CME-member FCMs to independently corroborate CME’s performance of its SRO responsibilities.

Joint Audit Committee (JAC) Examination Program Review

In connection with the Commission’s SRO study, DCIO completed a comprehensive review of the 2003 examination programs submitted by the JAC for use in the JAC members’ periodic examinations of their futures commis-

sion merchants. Findings from this review will be communicated to the JAC so that they may be considered with respect to the JAC's revision of the 2004 examination program to be received by the Commission in January 2005.

DCIO's financial surveillance and audit program also fostered the furtherance of sound financial practices in FY 2004 through:

- review of 4,687 financial reports filed by registrants
- processing of 174 risk-assessment filings
- issuance of 13 warning and non-compliance letters
- follow-up of 193 required special notices reporting events such as reductions of capital of registered firms
- conduct of 86 major market move reviews.

Promoting an Effective, Flexible, Regulatory Environment

In FY 2004, DCIO supported the Commission's ongoing regulatory reform program, as well as actions required by or appropriate to the implementation of the CFMA. 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 markets. In February 2004, the Commission amended its rules to further expand the range of permissible investments by FCMs and clearinghouses of their customers' funds and property, which will now be permitted to enter into repurchase agreements and collateral management programs using customer-deposited securities.

Exemptive, Interpretive, and No-Action Relief

DCIO is responsible for providing exemptive, interpretive, or other relief to facilitate the continued development of an effective, flexible, regulatory environment responsive to evolving market conditions. DCIO responded to a high number of formal and informal requests for guidance concerning the application of regulatory requirements to specific transactions, new products, and market circumstances. Staff issued 700 formal responses to written requests, including electronic responses, from members of the public and the regulated industry to provide guidance concerning the application of Commission rules and to provide exemptions. The average response time was five weeks. Staff also responded to more than 2,500 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 persons may conduct their activi-

ties to comply with relevant requirements and by granting relief from requirements where application of the rules would not serve the public interest. Highlights include:

- In February and April 2004, DCIO granted no-action relief expanding relief previously granted to permit a firm exempt from registration as an FCM pursuant to Rule 30.10 to act as an IB in introducing institutional U.S. customers to an affiliated U.S. FCM for purposes of trading U.S. exchange-traded futures and options. The February and April 2004 no-action letters permit the firm to introduce customers to any FCM, conditioned, among other things, on an acknowledgment by the affiliated U.S. FCM that it will be jointly and severally liable for any violations of the Act or the Commission's rules committed by the firm in connection with the latter's handling of U.S. customers' futures and option orders on U.S. Exchanges, including those orders executed by the firm and given up to another FCM.
- In March 2004, DCIO issued an interpretation that a software provider is not an IB when it markets and distributes a trading and order management software program that allows institutional customers to directly access their FCM's order entry system through the proprietary software screen. This interpretation is based on the representations that: (1) the software provider does not solicit customers or orders for an FCM for the trading of futures contracts; (2) even in response to a customer inquiry, the software provider does not recommend, propose, or encourage that customers use any particular FCM, or place any orders for futures contracts; (3) the software does not provide express "buy" or "sell" signals; (4) the fees paid to the software provider by the FCM are unrelated to the FCM's fees for placement of customer orders; (5) the software will be licensed only to institutional customers; and (6) the software provider's central business activities are the collection and distribution of data services.
- In July 2004, DCIO issued an interpretation that an AP of an IB may allocate bunched orders on a post-trade basis in accordance with Rule 1.35(a-1)(5). Although APs are not deemed "eligible account managers" under that rule, nevertheless, where the AP in question is operating as a CTA that is exempt from registration under Rule 4.14(a)(5) and (a)(10), the fact that the person is also registered as an AP does not disqualify him or her from acting as an eligible account manager and thereby being permitted to allocate bunched orders on a post-traded basis in accordance with Commission Rule 1.35(a-1)(5).

- In July 2004, DCIO issued an interpretation that a registered FCM could retain daily and monthly trader statements and reports in Adobe PDF format, without being required to retain a third-party technical consultant, provided: (1) each record is stored on the CD or DVD in format "filename.pdf"; (2) the date and type of record are easily discernible, whether from the file name, from an index, or otherwise; (3) the information is updated at least daily; and (4) each record is maintained in a consistent format in terms of size, font, and orientation on the page.

Foreign Futures and Options

- **Rule 30.10 Orders.** 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 connection with this process, DCIO issued letters to other recipients of Rule 30.10 Orders, requesting that: (1) they advise of any material changes to the representations, facts, or circumstances upon which the Commission's order was based, including changes in the regulatory program; and (2) submit an updated list of members and regulatees who have received confirmation of relief. Based upon the responses, DCIO staff have determined that revisions to the Orders are not necessary, except for the Order issued to ASXF due to the assumption of its functions by the Australian Stock Exchange.
- **Part 30 Rule Clarification.** In August 2004, the Commission issued an amendment to Rule 30.4 that clarifies when foreign futures and option brokers (FFOBs) who are members of a foreign board of trade must register with the Commission or obtain an exemption from registration. Specifically, the Commission modified Rule 30.4(a) to clarify that an FFOB is not required to register as an FCM pursuant to Rule 30.4, or to seek exemption pursuant to Rule 30.10, if it carries the following types of U.S.-related accounts that trade on or are subject to the rules of non-U.S. exchanges: (1) customer omnibus accounts for U.S. FCMs; (2) accounts proprietary to a U.S. FCM; and/or (3) U.S. affiliate accounts that are proprietary to the FFOB. In addition, an FFOB that has U.S. bank branches is eligible for a Rule 30.10 comparability exemption or exemption from registration under Rule 30.4, based upon compliance with conditions specified in Rule 30.10(b)(1)-(6), and thereby will be able to carry any U.S.-related account for trades on non-U.S. exchanges. The Commission also deleted Rule 30.4(e), which required an FCM registered under Part 30 to maintain a U.S. office.
- **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 related funds from persons located in the U.S. for trades on the exchange without registering under the Act or complying with Commission rules based upon substituted compliance with applicable Australian law and ASXF rules. ASXF effected a corporate reorganization in March, 2004 pursuant to the Australian Financial Services Reform Act (FSRA). The legislation also eliminated the regulatory evaluation of non-Australian exchanges ("overseas exchanges") where ASX and Sydney Futures Exchange (SFE) members trade, one basis for the Commission's Part 30 "expanded relief" orders. Staff are working with the Australian exchanges to clarify procedures for surveillance of member trading on overseas exchanges, and will then propose amending the Part 30 "expanded relief" orders for SFE and ASX to address the change in circumstances.
- **Revised U.K. Rule 30.10 Order.** In September 2003, the Commission issued an Order to the U.K. Financial Service Authority (FSA) consolidating and updating the relief set forth in prior orders issued pursuant to Commission Rule 30.10 regarding the offer and sale of foreign futures and option contracts to customers located in the U.S. by firms located in the U.K. This order reflects the substitution of the FSA for various U.K. regulatory and self-regulatory organizations (SROs). Among other changes to the terms and conditions for relief, the Commission exempted firms designated by the FSA from compliance with the Commission's risk disclosure requirements as they apply to transactions under Part 30 of the Commission's rules, and authorized such firms to permit U.S. customers that are eligible contract participants to opt out of segregation with respect to foreign futures and option transactions entered into pursuant to the revised order. The Commission's Order also revised the treatment of customer funds attributable to trading on the London Metals Exchange under certain prior DCIO staff no-action letters.

Remote Clearing

In a matter of first impression, commonly referred to as “remote clearing,” a foreign firm whose customers are located outside of the U.S. requested to become a full clearing member of a combined designated contract market and derivatives clearing organization. Commission staff researched the legal question as to whether a foreign firm clearing for non-U.S. customers only would be required to register with the Commission as an FCM, and addressed the material policy issues of remote clearing with respect to both customer protection and the financial integrity of the markets. After discussions with staff, the foreign firm decided to apply for registration with the Commission as an FCM. As circumstances warrant, staff will further consider the issue of remote clearing and how it may relate to cross-border clearing arrangements.

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 2004, 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 polices 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 and initiated research concerning hedge fund use of 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, staff participated in the analysis and disposition of major revisions to the CFTC/Exchange system of speculative limits and in the analysis of several "event-type" contract proposals. 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. They 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 developed and conducted a training series on futures, options, and their regulation. Staff also provided the principal editorial input into the development and revision of several CFTC educational pamphlets, including the CFTC Glossary.

On another educational front, OCE staff have contributed to the U.S. 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 continue to present their research findings at industry conferences and academic annual meetings and frequently have those findings published in refereed academic journals. During FY 2004, staff papers presented or published in this way covered topics relating to price discovery, hedging and risk aversion, the theory of storage, electronic versus open outcry trading, 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*, *The Journal of Futures Markets* and *The Southern Economic Journal*.

OFFICE OF THE GENERAL COUNSEL

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

Litigation

During FY 2004, 26 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 2004, OGC appeared before the U.S. courts of appeals and defended enforcement decisions rendered by the Commission in the following noteworthy cases:

Slusser v. CFTC, No. 04-2138 (7th Cir.); *Miller v. CFTC*, No. 04-73914 (9th Cir.). In each of these appeals, petitioners challenge the Commission's imposition of a civil monetary penalty, following remand from courts of appeals, as a sanction for violation of the Act. The appeals remain pending at the close of FY 2004.

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

During FY 2004, 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). In 2002, the U.S. Court of Appeals for the Eleventh Circuit granted the Commission's appeal and reversed a district court's entry of judgment against the Commission. The court recognized that solicitation fraud under the CEA often involves a broker's portrayal of a customer's 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. On April 12, 2004, the court of appeals denied petitioners' request for rehearing and petitioners subsequently filed a petition for review before the U.S. Supreme Court, purporting to challenge the legal standard applied by the court of appeals. OGC assisted the U.S. Solicitor General in explaining that the law as applied in this case is consistent with previous Supreme Court authority and with cases decided by other courts of appeals.

CFTC v. Zelener, 373 F.2d 861 (7th Cir. 2004). In this case, the U.S. Court of Appeals for the Seventh Circuit affirmed the decision of the district court, which held that the foreign currency transactions at issue were not subject to regulation under the CEA. Specifically, the court held that

the transactions were “spot” rather than futures transactions and thus were not within the jurisdiction of the CEA. The court of appeals based its analysis on the Customer Agreement between the entity offering the contracts and the customer. It held that fungibility is the essential inquiry in determining whether contracts are futures and opined that these contracts were not fungible. Because the transactions at issue in this case could be, and always were, settled through offset, could be held open indefinitely, and never resulted in physical or cash equivalent delivery, the Commission has continued to argue that the transactions were futures contracts. The Commission filed a petition for rehearing en banc, which remains pending at the close of FY 2004.

CFTC v. Matrix Trading Group, Inc., et al., No. 03-13123-JJ (11th Cir. Jan. 26, 2004). In this appeal, the district court found that the defendants—an introducing broker and its principal—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 U.S. Court of Appeals for the Eleventh Circuit affirmed the district court’s permanent injunction as well as a \$296,000 restitution award. The Court found no error in the district court’s findings of fraud and held that the district court did not abuse its discretion in issuing the injunction or in granting restitution.

CFTC v. Infinite Trading Group, No. 03-13934 (11th Cir. Aug. 26, 2004). The U.S. Court of Appeals for the Eleventh Circuit affirmed judgment in favor of the Commission in this case. The court of appeals agreed with the district court that there was uncontested evidence that Mr. Lindsey had defrauded clients with fraudulent solicitations regarding options on foreign currencies on behalf of an entity called Infinite Trading Group. The court of appeals concluded that Mr. Lindsey had never invested any of the solicited money in the foreign currency market, and, instead, converted clients’ monies for personal use. It further found that Mr. Lindsey unlawfully failed to offer the options on a board of trade registered with the CFTC and did not provide clients with the CFTC-mandated disclosure statement.

CFTC v. Wall Street, et al., No. 04-3131 (10th Cir.). In this pending appeal, the district court found that defendants, acting as part of a common enterprise, violated the

CEA by employing a scheme to defraud investors and conducting business practices that operated as a fraud via mail and electronic delivery. Because the fraud encompassed all aspects of defendants’ businesses, the district court’s preliminary injunction shut down the entire enterprise. On appeal, two defendants argued that they were not commodity trading advisors; they did not commit fraud; the statutory definition of “commodity trading advisor” is unconstitutionally vague; and the preliminary injunction is an unconstitutional prior restraint on speech. The Commission has urged the court of appeals to affirm the district court’s judgment.

Other Litigation Involving the Enforcement Program

OGC also 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 or to adjudicate certain matters. OGC handled four such matters in FY 2004.

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 2004, there were no significant decisions in this area.

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 a Registered Futures Association (RFA) or an exchange. During FY 2004, OGC handled two such matters on behalf of the Commission, the more notable of which is summarized below:

Stephen Bronte Advisors, LLC v. CFTC, [Current Transfer Binder] *Comm. Fut. L. Rep. (CCH)* ¶ 29,738 (9th Cir. 2004). The U.S. Court of Appeals for the Ninth Circuit affirmed the Commission’s statutory disqualification of Stephen Bronte Advisors, LLC, for “good cause” because its sole principal gave false and misleading testimony under oath regarding his work as a commodity trading advisor and commodity pool operator. Petitioner argued that the Commission’s interpretation of the CEA regarding “good cause” was erroneous and not entitled to judicial deference; the Commission lacked authority to adjudicate the state law

crime of perjury; the evidence did not support NFA's findings; and, finally, continued registration would pose no risk to the public. The court of appeals held that the Commission's interpretation of the CEA was due deference because it was reasonable; the weight of the evidence established that petitioner gave false and misleading testimony under oath; and petitioner's due process rights were not violated.

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.
- 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).

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 2004, OGC monitored 24 bankruptcy cases and actively participated in 9 of those cases. The following noteworthy matters were addressed during FY 2004.

- In energy-related affairs, OGC appeared in a Chapter 11 proceeding to defend the Commission's authority to proceed with an enforcement action in the face of a pending bankruptcy plan of reorganization. *In re NRG Energy, Inc.*, No. 03-13024 (PCB) (Bankr. S.D.N.Y.). In other cases, OGC defended the Commission's interest in having civil money penalties recognized in corporate reorganization plans. *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 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 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. OGC actively participated in six such cases in FY 2004.

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 three cases during FY 2004.

Opinions

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

- Administrative Law Judges (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 2004, including those outlined below.

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

During FY 2004, the Commission issued several decisions resolving questions raised in the context of administrative enforcement actions.

- *In re Miller*, CFTC Docket No. 92-4 (July 23, 2004). In this case, the Commission revisited its approach to imposing civil monetary penalties in light of guidance from a U.S. court of appeals. Notably, the Commission stated that it would resume its prior practice of looking at cases of comparable gravity in assessing civil penalties.

The civil money penalty of \$600,000 that the Commission imposed on Miller in 1995 was vacated on review by the U.S. Court of Appeals for the Ninth Circuit, and the case was remanded. On remand, the Commission addressed the appropriate amount of the penalty for Miller's "very grave" conduct under the CEA's "\$100,000 per violation" provision. Because the record lacked a sufficient basis for reliably estimating the number of customers exposed to Miller's wrongful solicitations, the Commission limited its analysis of the financial consequences flowing from Miller's wrongdoing to the seven customers who testified for the Division of Enforcement. The Commission found that the record permitted a reliable estimate that losses suffered by the seven customers exceeded \$100,000, and that Miller's gains with respect to these customers could not be determined. Comparing the instant facts to a comparable case, the Commission imposed a \$350,000 civil penalty. It noted that the penalty did not exceed the statutory maximum because the deception of each customer could be treated as an individual violation.

In a separate opinion concurring in part and dissenting in part, Commissioner Brown-Hruska stated that the methodology used by the majority would not result in penalties sufficiently high to deter others. Commissioner Lukken filed a separate concurrence. Respondent has appealed the decision. *Miller v. CFTC*, No. 04-73914 (9th Cir.) (pet. for review filed Aug. 9, 2004).

- *In re Staryk*, CFTC Docket No. 95-5 (July 23, 2004). Staryk appealed an ALJ's decision on remand that found him liable for fraudulent inducement and imposed sanc-

tions, including a \$1.3 million penalty. The Commission affirmed the ALJ's finding that Staryk acted with scienter in using a misleading "seasonality" sales pitch to market oil and gas options, and rejected Staryk's argument that the ALJ was biased.

In assessing a civil penalty, the Commission noted that the CEA permitted alternative approaches for calculating amounts imposed: (1) \$100,000 times the number of proven violations; or (2) three times the respondent's monetary gain from the proven violations. The Commission rejected the ALJ's use of the second approach, principally because the record lacked sufficient reliable evidence to permit a reasonably precise determination of Staryk's gains "based on actual revenues and expenses." Applying the \$100,000 per violation alternative, the Commission found that Staryk defrauded at least 30 customers, and concluded that, as a result, Staryk was on notice that he could face a civil money penalty of up to \$3 million. In examining the financial consequences flowing from Staryk's conduct, the Commission concluded that the record reliably established that Staryk's customers suffered losses of approximately \$730,000 stemming from his fraud.

After considering penalties imposed in comparable cases, the Commission determined that Staryk's fraud was more serious than the misconduct in those cases, warranting a higher penalty. The Commission noted that his fraud was knowing and widespread, and continued over more than two years. In light of all of these factors, the Commission imposed a civil penalty of \$450,000 and affirmed the ALJ's non-monetary sanctions: revocation of Staryk's registration, a permanent trading ban, and a cease and desist order. Because the Commission considered only conduct that occurred after the CEA was amended in October 1992, Staryk's net worth played no role in assessing the penalty.

Commissioner Brown-Hruska issued a separate opinion concurring in part and dissenting in part, in which she asserted that the "monetary penalty . . . will not serve to deter this type of misconduct from occurring in the future." Chairman Newsome filed a separate concurrence.

- *In re Fisher*, CFTC Docket No. 93-2 (March 24, 2004). Respondents appealed from a decision finding them liable for knowing participation in unlawful trading practices and imposing sanctions. Emphasizing that the decision-maker's task is to determine liability on the weight of the evidence, the Commission acknowledged that, although there were a number of suspicious

circumstances on the record, the evidence supporting inculpatory and exculpatory inferences was roughly in balance. Moreover, the Commission identified material procedural errors by the ALJ that would warrant remand for additional proceedings. Given the age of the proceeding and the overall balance in the record's support for inculpatory and exculpatory inferences, the Commission dismissed the complaint's allegations for a failure of proof.

- *In re Gorski*, CFTC Docket No. 93-5 (CFTC March 24, 2004). In this trade practice case, the Division of Enforcement appealed from an ALJ's dismissal of its complaint alleging noncompetitive gold futures trading on the Commodity Exchange, Inc. (COMEX). The Commission concluded that a number of the trading sequences violated the CEA because they demonstrated a pattern of wash sale results accompanied by significant audit trail anomalies connected to the type of wrongdoing alleged. The Commission also concluded that other trade sequences failed to show sufficient reliable evidence from which it could conclude that the trades were not the product of open and competitive trading. The Commission imposed sanctions on the respondent, consisting of a cease and desist order, a registration suspension, and a limited trading ban. Commissioner Brown-Hruska filed a concurring opinion urging greater use of quantitative evidence in trade practice cases and more rigor in assessing expert testimony.
- *In re Grain Land Cooperative*, CFTC Docket No. 97-01 (Nov. 25, 2003). In this case, one of three involving the nature of hedge-to-arrive (HTA) contracts, a grain cooperative appealed from the ALJ's decision finding that its HTA contracts were unlawful, off-exchange futures transactions. The cooperative entered into "flex" HTA contracts with several hundred corn and soybean farmers. Most of the contracts allowed the farmers to "roll" the delivery date into the future and defer delivery of grain covered by the contracts. Many contracts also allowed farmers to cancel their contracts for a cash settlement.

The Commission determined that the record did not support the conclusion that the contracts were unlawful off-exchange futures. It adhered to the traditional test for distinguishing futures from cash forward contracts, under which the key difference is expectation of delivery, as determined by the totality of the circumstances. The Commission found that the evidence showed Grain Land's contracts *could* have been used for speculation without delivery, but did not prove that this was their intended purpose. The Commission agreed with court

decisions holding that a right to roll does not convert a forward contract to a future because a roll merely delays delivery. Furthermore, no evidence showed that rolling indefinitely was a plausible strategy for obtaining speculative profits.

The Commission held also that the right to cancel contained in some Grain Land contracts did not *per se* convert a forward contract to a future. The analysis required an evaluation of how the right was used, the Commission stated. The record, however, documented only a limited number of cancellations and contained little information on the reasons farmers cancelled. The cancellation clause and evidence of some cancellations were deemed insufficient to establish that the parties to the contracts did not have a legitimate expectation of delivery. Based on the foregoing, the Commission vacated the initial decision and dismissed the complaint.

- *In re Competitive Strategies for Agriculture, Ltd.*, CFTC Docket No. 98-4 (Nov. 25, 2003). Great Plains Cooperative (Great Plains) appealed from an ALJ's decision finding it liable for engaging in off-exchange futures transactions. Great Plains marketed HTA contracts to farmers located a relatively long distance from the cooperative's elevators. The written contract terms called for delivery of grain, but the farmers, in fact, sold and delivered their grain to other elevators and cash-settled with Great Plains. The Commission held that the contracts were unlawful off-exchange futures because the parties had no legitimate expectation of delivery of the grain covered by the contracts.

Great Plains contended that it arranged to have the farmers deliver to other elevators in fulfillment of obligations by Great Plains to those elevators. The Commission agreed in principle that delivery by farmers to third parties to fulfill a grain dealer's obligations could be considered a form of delivery for purposes of determining whether a contract is a future or a cash-forward contract. The Commission found, however, that the evidence did not support Great Plains' factual claims, and that the farmers sold and delivered grain to local elevators independently of Great Plains. The Commission held that absent a connection to Great Plains, deliveries to third parties did not establish that the contracts were forwards rather than futures. Thus, the Commission held that the contracts functioned as a price hedging mechanism, not a merchandising device. It found further that Great Plains's continued course of dealing over an extended period of time showed that the elevator intended for its contracts to be used as a hedging

device. Based on these determinations, the Commission concluded that the Great Plains contracts were futures contracts rather than forward contracts.

The Commission affirmed the non-monetary sanctions imposed by the ALJ on Great Plains and its manager, respondent Herman Gerdes, rejecting the Division of Enforcement's cross-appeal seeking civil monetary penalties. Commissioner Brown-Hruska filed a dissenting opinion stating that the majority did not "give controlling significance to contract terms, and relie[d] upon ex post observation to deduce what the parties intended." In a subsequent Order Granting Reconsideration, issued March 15, 2004, the Commission amended its analysis of the Division's request for a civil penalty, but still declined to impose one.

- *In re Cargill, Inc.*, CFTC Docket No. 99-16 (Nov. 25, 2003). In a third HTA case, the Commission summarily affirmed the ALJ's dismissal of the complaint, based on his finding that respondent's "premium offer contracts" were cash contracts outside the scope of the CEA.

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

During FY 2004, the Commission resolved several significant appeals from decisions in reparations actions.

- *Chaudhry v. Livoti*, CFTC Docket No. 02-R042 (October 30, 2003). Complainant Chaudhry lost about \$5,640 during the eight-month period that he traded commodity options. Three months after Chaudhry opened his account, a dispute developed between Chaudhry and his account executive, whereupon a second account executive—respondent Livoti—was assigned to work with him. Within two months, Livoti left the futures commission merchant where Chaudhry traded. During the period that Livoti handled Chaudhry's account; however, Chaudhry used part of his profits from the sale of a soybean option to establish a Treasury bond option that expired worthless. He successfully sued for damages, claiming that Livoti misrepresented her expertise and lulled him into maintaining a losing position. Livoti appealed. The Commission affirmed the initial decision, holding that the presiding officer provided Livoti a fair hearing and that deference to his credibility determination was appropriate. The Commission rejected Livoti's contention that Chaudhry failed to mitigate his damages by liquidating his losing position and her claim that the transfer of Chaudhry's account to a third account executive broke the causal link.

- *Kaseff v. Americas Global Trading, Inc.*, CFTC Docket No. 01-R031 (October 30, 2003). The Commission affirmed the presiding officer's credibility assessment in favor of complainant. It found that respondents' misrepresentations were of the type that would appeal to a well-educated and experienced customer and that complainant relied on the misrepresentations. The Commission therefore affirmed the presiding officer's finding that Kaseff was fraudulently induced to trade and then lulled into keeping his account open. Complainant was awarded \$9,769 in damages.

Decisions Resolving Appeals in Cases Decided by Self-Regulatory Organizations

During FY 2004, the Commission resolved a significant appeal from a decision issued by a self-regulatory organization.

- *Hirschbeg v. NFA*, CFTC Docket No. CRAA 02-03 (June 8, 2004). Respondent Hirschberg appealed from a National Futures Association (NFA) order denying his application for registration as a floor broker. Hirschberg argued that NFA erred in finding that his criminal conviction left him statutorily disqualified, because he had been granted a presidential pardon. Hirschberg contended that the pardon removed any disabilities arising from his conviction, including his right to pursue his chosen profession. The Commission affirmed NFA's decision, relying on federal cases holding that once an individual has been pardoned, the conviction itself cannot be taken into account in a subsequent proceeding, but the facts and circumstances underlying the conviction may be considered. It determined that Hirschberg's unwillingness or inability to recognize the nature of his misconduct—irrespective of the pardon—suggested strongly that his character lacked the probity and uprightness required of a commodity professional, particularly one seeking registration in a fiduciary capacity. Respondent has appealed the decision. *Hirschberg v. CFTC & NFA*, No. 04-2573 (7th Cir.) (pet. for review filed June 23, 2004).

Legal Advice

Significant Regulatory and Rulemaking 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 for designation or registration of trading facilities and clearing organizations
- applications to trade futures and option contracts
- proposals to amend exchange by-laws or rules.

In FY 2004, OGC reviewed more than 150 matters related to enforcement actions, investigations of illegal activity, and complaints in administrative or judicial actions; and approximately 50 exchange rule amendments, including a rule amendment regarding the CME amendment to its live cattle futures contract restricting delivery to cattle less than 30 months of age.

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

- order updating Regulation 30.10 relief to the U.K. Financial Services Agency
- proposed and final rules regarding exempt commercial markets
- final rule on investment of customer funds
- order vacating designation of the Intermarket Clearing Corporation derivatives clearing organization
- joint order (with the Securities and Exchange Commission) excluding indices comprised of certain index options from the definition of a narrow-based security index
- proposed and final rule regarding foreign futures and options, clarifying when foreign futures and options brokers who are members of a foreign board of trade have to register with the Commission or obtain an exemption therefrom
- request for comments regarding futures markets self-regulation, i.e., the 1984 Joint Audit Agreement
- proposed rules regarding reporting levels and record-keeping
- request for comment on the governance of self-regulatory organizations
- a petition to repeal or amend Commission speculative limits

- proposed rules regarding execution of transactions—Regulation 1.38 and contract market Core Principle 9
- proposed rules regarding confidential information and Commission records
- final rules regarding minimum financial and related reporting requirements for futures commission merchants, i.e., implementing a risk-based capital requirement
- proposed and final rules regarding the collection of claims owed the United States, arising from activities under the Commission's jurisdiction, through administrative wage garnishments
- proposed rules regarding the application procedures for registration as a contract market or derivatives transaction execution facility.

During FY 2004, OGC was part of the review teams that considered, among others, the contract market designation applications of Eurex U.S., Nexttrade Futures Exchange and the Chicago Climate Exchange. OGC also reviewed the derivatives clearing organization application of the London Clearing House, the Chicago Board of Trade's switch of clearing services from The Clearing Corporation to the Chicago Mercantile Exchange, and The Eurex U.S. delegation of clearing services to The Clearing Corporation. 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 Federal Reserve Board.

Pursuant to exemptive authority granted to the Commission by the Commodity Futures Modernization Act of 2000 (CFMA), 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.

International Issues

The growing international nature of futures and option markets was reflected in OGC's work during FY 2004. 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.

Moreover, OGC worked with the operating programs of the Commission 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. OGC also worked closely with the Division of Enforcement and the Office of

International Affairs (OIA) to establish information-sharing arrangements with foreign financial market regulators. OGC directly negotiated a Memorandum of Understanding (MOU) on behalf of the Commission with the government of Ireland in FY 2004.

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. This included participation in an IOSCO Task Force on Client Identification and Beneficial Ownership, which led to the issuance of a report entitled "Principles on Client Identification and Beneficial Ownership for the Securities Industry" in May 2004. In FY 2004, 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 investment management marketing and selling practices, investment management operational processes, index funds and the use of indices by the asset management industry, performance standards, management fees and commissions, and corporate governance practices.

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 Model Bilateral Investment Treaty, the Free Trade Agreements with Australia, Bahrain, Thailand, and Morocco, the proposed Free Trade Area of the Americas Agreement, and the proposed Free Trade Agreements with the Andeans, and the Central Americans. In this regard, OGC provided expert legal advice to the U.S. Treasury Department, the chief U.S. negotiator for financial services, with respect to commodity futures and option regulation.

Anti-Money-Laundering Issues

In FY 2004, OGC was actively involved in a number of anti-money-laundering rulemakings and initiatives. Working in conjunction with the operating programs 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, including a final rule requiring Futures Commission Merchants (FCMs) and Introducing Brokers (IBs) to report suspicious transactions. During FY 2004, OGC also participated in an interagency working group led by the Treasury Department to develop and issue guidance concerning the application of the recent customer identification and verification program rules to the futures industry and other financial services sectors.

OGC also coordinated the Commission's continuing work with the Treasury Department regarding a number of other pending anti-money-laundering regulations required by the USA Patriot Act that will impact the futures industry. These include: (1) final rules requiring unregistered investment companies, commodity pools, Commodity Pool Operators (CPOs), Commodity Trading Advisors (CTAs) and securities investment advisors to establish anti-money-laundering compliance programs; and (2) a final rule relating to correspondent and private banking accounts for non-U.S. institutions and individuals.

Regulatory and Legislative Matters

OGC helps to prepare and comments on proposed legislation that would affect the futures industry and the Commission. During FY 2004, OGC continued to consult with and provide technical assistance to members of Congress and congressional staff concerning the proposed Energy Policy Act of 2003. The Conference Report on this legislation, H.Rept No. 108-375, included proposals to amend: (1) Section 4b of the CEA with respect to the Commission's principal-to-principal anti-fraud authority; and (2) Section 9 of the CEA to clarify the Commission's false reporting authority. The Conference Report for this energy legislation also proposed savings clauses for the Natural Gas Act and the Federal Power Act intended to delineate the dividing line between the jurisdiction of the Commission and that of the Federal Energy Regulatory Commission with respect to market futures and option trading data.

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.

Many hedge fund complexes include registered CPOs and CTAs. In recognition of this growing and important market segment, OGC worked to prepare the Commission's *Backgrounder on the CPO and Commodity Pool Industry*. Also during FY 2004, the General Counsel presented testimony, including extensive hedge fund statistical data and related materials, at a hearing of the Senate Committee on Banking, Housing, and Urban Affairs on proposed regulation of the hedge fund industry.

OGC staff advised the Commission regarding implementation of rules and regulations issued pursuant to the CFMA and modernizing the rules governing market intermediaries registered with the Commission. 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 foreign-owned exchanges; 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 and information-sharing with respect to hedge funds and commodity pools.

Administrative Matters

During FY 2004, OGC advised the Commission on issues raised under FOIA, the Privacy Act, and the Government in the Sunshine Act and responded to approximately 13 FOIA and Privacy Act appeals. In addition, OGC continued to develop and implement procedures to ensure timely review and response to requests for information under FOIA and to administrative appeals under FOIA and the Privacy Act.

OGC is responsible for all matters relating to the Commission's ethics standards and compliance with its Code of Conduct and the Office of Government Ethics (OGE) government-wide ethics regulations, including the provision of ethics advice and annual ethics training for CFTC employees. During FY 2004, OGC expanded the requirements for employees to file public financial disclosure reports. OGC continues to coordinate with an interagency effort for online filing of all financial disclosure reports.

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 2004, OGC handled five equal employment opportunity cases and one Merit Systems Protection Board case. 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 one contract claim matter in FY 2004.

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 2002, FY 2003, and FY 2004 are as follows:

LITIGATION DOCKET	FY 2002	FY 2003	FY 2004
Appellate cases involving the CFTC's enforcement cases	36	22	22
Appellate cases involving the CFTC's reparations program	2	2	2
Appellate cases involving the CFTC's review of registered futures association and exchange review cases	3	3	2
District Court cases	8	7	7
Administrative cases	5	11	8
Subpoenas	14	14	8
Bankruptcy cases monitored	10	13	24
Amicus cases monitored	4	6	3
OPINIONS DOCKET	FY 2002	FY 2003	FY 2004
Total cases beginning of fiscal year	34	22	26
Cases received	14	28	21
Cases completed	26	24	29
Cases pending end of fiscal year:			
SRO disciplinary actions	2	1	2
Reparations cases	8	11	8
Enforcement cases	12	14	8
TOTAL	22	26	18

OFFICE OF THE EXECUTIVE DIRECTOR

The Office of the Executive Director (OED) provides mission support services to the programs of the Commission. OED offices include Financial Management, Human Resources, Information Resources Management, and Management Operations. 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; information technology resources; and facilities, furniture, and equipment management.

OED staff members:

- formulate and execute strategies to recruit, train and develop human capital
- formulate, justify and execute budgetary resource strategies
- coordinate the development of strategic plans for the Commission
- manage the agency's leased space and property
- develop and implement IT strategies to support Commission programs and infrastructure
- ensure stewardship of the agency's financial resources through reporting, accounting, and internal audit
- plan and execute continuity of operations in the event of an emergency and ensure the safety and security of all staff members
- plan and implement procurement strategies
- maintain the agency's information systems and infrastructure and
- ensure agency-wide compliance with Federal requirements, including the President's Management Agenda, statutory requirements, and regulatory and other requirements imposed by the Office of Management and Budget (OMB), the U.S. Treasury Department, the General Accounting Office (GAO), the General Services Administration (GSA), and the Office of Personnel Management (OPM).

President's Management Agenda

The President's Management Agenda (PMA) outlines government-wide priorities. All five priorities are part of the core mission of the Office of the Executive Director:

- Strategic Management of Human Capital
- Competitive Sourcing
- Improved Financial Performance
- Expanded Electronic Government
- Budget and Performance Integration.

During FY 2004, OED undertook a wide variety of initiatives to address the PMA and the legislation and regulations that have been implemented as a result, including the Accountability of Tax Dollars Act, eGovernment Act, and eTravel Service requirements. These mandates significantly impact the business processes that support the agency's mission, goals, and objectives.

Strategic Management of Human Capital

In FY 2003, the Commission implemented the initial phase of a new pay and benefits plan for its employees under the authority granted to the agency by the Farm Security and Rural Investment Act of 2002 (FSRIA). The goal of both the legislation and the Commission's pay and benefits plan was to move the agency toward pay parity with the other Federal financial regulatory entities and to reduce turnover in mission-critical positions. During FY 2004, the CFTC continued to move toward pay parity by implementing a dental benefits plan, which is comparable to those offered by other financial regulatory agencies, and making the first pay adjustment to its pay plan, in line with the increases provided to the General Schedule in January 2004. We also initiated flexible spending accounts and educated employees on the optimal use of the flexible plans. These actions have met the short-term objective of reducing turnover in mission-critical positions.

To ensure that the Commission's compensation plan evolves in support of a broader program of human capital management, the CFTC Executive Management Council (EMC) created a Human Capital Team of senior managers during FY 2004. The Human Capital Team will establish a

workforce succession action plan for the agency that will, among other things, address the potential for 18 percent of the agency's staff to retire by April 2006, including 28 percent of managers and supervisors. Using information gathered during extensive interviews with employees and managers, this project will create a library of the job competencies needed to support the CFTC's strategic goals. We will also develop, with employee input, an assessment of current job skills, then assess any skills gaps stemming from projected turnover or other factors and develop strategies to address those gaps. The project will ensure that CFTC compensation and employee development programs are designed to support the recruitment, development, and retention of the specific skills needed to meet our agency's strategic goals. This project will continue in FY 2005, with development of the flexibilities intended by FSRIA, such as policies on pay-for-performance, within-grade increases, classification standards, an awards program, and a personnel management system that will ensure comparability with the Federal financial regulators covered by the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989.

Competitive Sourcing

During FY 2004, OED continued to enhance its acquisition planning and procurement efforts. For example, a blanket purchase agreement was awarded for support services, including mail, transportation, manual labor, and help desk operations. Several performance-based service task orders were awarded under this agreement, the first such awards by the Commission and a major milestone. The purpose of the performance-based feature is to provide incentives for optimum contractor performance by holding the contractor financially accountable for meeting measurable performance objectives. As an added benefit, the Commission will be able to consolidate multiple current contracts into one, which will reduce administrative costs.

We also awarded a contract in support of the migration of servers to Windows 2003. This requirement was competed as a performance-based, fixed-price contract based on a statement of objectives rather than a statement of work. This is a novel approach, in which the offeror proposes the statement of work. The use of performance measures was designed to maximize contractor accountability and provide incentives for contractor excellence.

Improved Financial Performance

During FY 2004, OED led the Commission's effort to complete its first submission of year-end audited financial state-

ments, in compliance with the Accountability for Tax Dollars Act of 2002 (Act). The Act requires small agencies, for the first time, to provide annual audited financial statements. We developed a statement of work and entered into a contract to provide financial management support for development of the financial statements. The Office of the Inspector General contracted with KPMG, LLP, to perform the audit of the financial statements and internal controls. Internally, OED staff members are working toward developing the necessary data and expertise to support development of financial statements and resolution of audit results.

In FY 2003, the Office of Financial Management (OFM) began working with the U.S. Treasury Department to prepare for meeting the new regulatory reporting requirements of the Accountability of Tax Dollars Act of 2002 (Act), including making changes to its current financial management system and developing automated reports. In FY 2004, we submitted accurate and timely financial information to fully comply with the requirements of the Act, including the completion of an independent audit of the agency's financial statements and publication of the Commission's first Performance and Accountability Report (PAR). The audit results will provide the agency with a roadmap for improving the accuracy of its financial information and reporting for FY 2005.

OED began the process of converting the current mail handling and payment process through the Official Mail Accounting System (OMAS) to a commercial payment process in accordance with the General Services Administration regulations. The conversion must be coordinated with the U.S. Postal Service, Commission financial and mail managers, and the commercial postal vendor. A review of all mail meters was performed and equipment upgrades have been made to support this initiative. The ultimate benefits of this conversion will be to: track postage costs in real time; measure performance; identify opportunities to save money; identify instances of potential fraud; increase the ability to react quickly to problems; and streamline operations and improve productivity.

Expanded Electronic Government

The E-Government Act has resulted in the passage of an eTravel Service (eTS) initiative by the GSA to improve financial performance of agency travel services. In FY 2004, OED completed an initial assessment of the agency's business processes and financial management systems, including travel, to meet the PMA goal of moving financial systems to web-centric, end-to-end enterprise architecture solutions. The assessment provided the basis for developing a strate-

gic plan for acquiring and implementing an eTravel Service solution that is fully compliant with the PMA legislative mandates through the Department of Interior's National Business Center. In addition, we developed plans to acquire a new financial management system.

We also implemented the third component of e-Clearance, the Electronic Questionnaire for the Investigation Processing system (e-QIP), with the Office of Personnel Management. This secure portal facilitates the electronic completion, maintenance, and processing of security and suitability investigation forms as part of the e-Clearance initiative, thus enhancing efficiency and effectiveness in processing National Security investigations. OED initiated procurement of electronic fingerprinting equipment, which, when installed in FY 2005, will provide a 100 percent electronic process for conducting Personnel Security and Suitability background checks. We also participated in the Enterprise Human Resource Integration Training Segment, to support analytical tools in strategic human capital planning and development, as well as in support of the government-wide e-Payroll initiative and implementation of updated timekeeping software.

Budget and Performance Integration

In FY 2003, OED completed an assessment of the methods for producing financial and performance data from its systems. As a result, we enhanced the core financial system to provide better integration of cost and performance data in FY 2004. During FY 2004, OED improved financial management through its efforts to align the Management Accounting Code System, the organization of the payroll system, and the budget structure in the financial management system, to enable full integration of performance measurement and financial reporting as required by the Accountability for Tax Dollars Act of 2002 and the President's Management Agenda (PMA). We have also integrated performance and accountability reports with annual financial statements and other reports, as required by OMB. In FY 2005, OED will continue its effort to improve the integration of financial and performance data to support better performance measurement and decision-making regarding the Commission's resources.

Other OED Initiatives

During FY 2004, with the cooperation of the agency's senior management, OED developed a new strategic plan for the Commission for FY 2004-2009. OED also focused significant resources on the creation and implementation of emergency planning to comply with FEMA policies and

other Federal requirements. In addition, OED completed the renovation of headquarters space and the expansion of regional office space in Kansas City in order to improve security, accommodate the realignment of staff, and provide for future expansion.

Strategic Planning

In February 2004, the Commission issued *Keeping Pace with Change*, a strategic plan for FY 2004-FY 2009. This plan reflects the new direction of the agency, driven by the Commodity Futures Modernization Act (CFMA), including three key objectives: 1) modernizing rules affecting trading platforms and market intermediaries; 2) permitting futures based on single stocks or narrow-based stock indices; and 3) providing legal certainty for over-the-counter derivatives. The plan also reflects the enormous and continuing changes in the markets as well. Total volume rose dramatically, by a third between 2000 and 2001, and again by a third between 2001 and 2002, as more companies and investors make use of the risk-management tools offered by the futures and option markets. In addition, the nature of the markets has changed: of the 10 most widely traded contracts, seven are financial contracts, and markets are moving from open outcry on exchange trading floors to all-electronic trading from widely dispersed geographic locations. These factors, combined with the increasing globalization of financial markets, have not changed the basic mission of the CFTC, but have required changes in the Commission's approach to accomplishing its strategic goals and objectives. The outcomes and strategies expressed in the Commission's strategic plan won praise from both OMB and Congress, and have provided a clear template for not only OED, but for all offices and divisions of the Commission.

Emergency Response

The CFTC is a member of the Financial and Banking Information Infrastructure Committee (FBIIC), a standing committee of the President's Critical Infrastructure Protection Board. The FBIIC consists of 17 banking and financial regulators, whose mission is to protect the critical financial industry infrastructures, including information systems. As a member of FBIIC, the CFTC shares responsibility for coordinating Federal and state efforts to improve the reliability and security of the U.S. financial systems. OED supports FBIIC by maintaining a secure facility at headquarters, equipped with classified voice, fax, and data transfers. In addition, we worked with FBIIC to ensure that CFTC and its key regulatees have access to emergency communications.

During FY 2004, OED worked with other FBIIC members to secure and equip an alternate work site that could

support continuity of operations in the event of an emergency. We have installed and tested information technology, including emergency telephone services, and ensured that the facility is fully equipped. In addition, we created and stored electronic copies of all personnel records in a location near the alternate site.

OED also led efforts to develop a comprehensive Continuity of Operations Plan (COOP), which was completed in June 2004. The COOP identifies a CFTC crisis management committee and defines the roles and responsibilities for disaster management and recovery. The plan sets out policies and procedures, establishes an emergency management organization, and describes how activation, recovery, and reconstitution will function.

In conjunction with the COOP, OED developed an Occupant Emergency Plan and conducted a series of Town Hall meetings to ensure that all headquarters staff know and understand the OEP. The OEP addresses building evacuation and shelter-in-place, the accountability of staff, and emergency supplies. During the summer, similar OEPs were developed for the Commission's two primary regional offices, New York and Chicago.

Also during FY 2004, we worked with all offices and divisions to develop Business Continuity Plans, which are contingency plans that support the recovery and continuity of the Commission's mission-critical functions and the eventual restoration of normal operations. BCPs include the personnel to be contacted during an emergency, the critical functions that must be recovered following a disaster or major disruption, procedures to be followed in relocating critical functions to an alternate site if necessary, IT and non-IT resources required to function, and personnel responsible for returning operations to normal during the reconstitution phase.

OED has also developed an IT Disaster Recovery Plan that provides a structured, systematic approach to ensuring the continuity of CFTC IT support and restoration of systems and infrastructure supporting network operations following a disaster or major disruption of CFTC headquarters. This plan will be reviewed and, if necessary, revised in FY 2005 after all BCPs have been completed.

In addition, in FY 2004 OED focused on maintaining a secure environment that adequately protects the Commission's information resources. We developed policies and procedures to reduce the Commission's vulnerability to cyber attacks and conducted security awareness training programs for all CFTC staff. We also continued to address high-priority deficiencies identified in earlier security program assessments and tests.

Regional and Headquarters Space

Early in FY 2004, we completed reconfiguration and renovation of the Commission's headquarters space, completing the project 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, which has improved communication with the regional offices and saved money by allowing weekly surveillance briefings, staff meetings, and training to occur without travel. Finally, the renovation provided an opportunity to upgrade the agency's cable infrastructure and to develop a long-range furniture replacement plan.

During FY 2004, the Commission leased and built out new space for the Kansas City staff. The expansion not only allows for future growth but also for the addition of an experienced team of enforcement attorneys working to detect and prevent fraudulent and other illegal conduct relating to the commodity markets. The OED relocation team rose to the challenges of: leasing and designing the space; developing an infrastructure plan for voice, data, cable and audiovisual support; hiring contractors to build the space; acquiring new furniture; managing clean-up and records storage; managing the office move; and resolving contractual issues and invoices. OED continues to manage the Commission's real estate portfolio of more than 250,000 square feet of office space in seven locations, effectively resolving issues with the Commission's landlords as they arise.

Technology Initiatives

A substantial part of OED's resources are devoted to providing technology support for the agency's mission and programs. During FY 2004, technology provided critical support in the following areas:

Project eLaw

Over the last ten years, the legal profession has embraced and employed enhancements in technology to increase productivity. With increasing frequency, the Commission's legal staff face opposing counsel outfitted with these automated tools. In addition, the use of technology by the courts has increased, with lawyers frequently using new tools to make presentations in court. Real-time depositions

are revolutionizing the taking of testimony, and technology can provide staff with remote access to valuable research and communication tools.

In FY 2004, OED supported the Commission's work on Project eLaw, which will result in a modern, automated law office system to support the Division of Enforcement, the Office of General Counsel, and the Office of Proceedings. Project eLaw is a Commission-wide initiative to seamlessly integrate technology and work processes to support managers and staff across the Commission in their investigative, trial, and appellate work. Project eLaw will provide the automated tools to assist staff in performing their work more efficiently and effectively, both in the office and in the courtroom facing opposing counsel. Specifically, Project eLaw will help staff:

- efficiently query and retrieve information about investigations and litigation provided to the Commission by outside parties
- develop documents in a collaborative electronic work environment across geographically dispersed locations
- improve management of investigation leads and trial schedules
- track time and resources expended on investigations and cases and
- access and present documentary and analytic evidence in court settings.

Detailed planning and careful execution of Project eLaw tasks required extensive collaboration across the Commission to ensure that all internal stakeholders had an opportunity to articulate their needs. Project eLaw is well underway and proceeding according to expectations. Contractor support was secured via a competitive procurement in September 2003. The initial task to document business requirements was finalized in March 2004. In addition, a technology assessment task to identify commercial off-the-shelf software products to satisfy CFTC requirements has been completed and recommendations have been made in the areas of litigation support and case management tools. Pilot implementation of the project began in the last quarter of FY 2004.

Trade Practice Oversight

During FY 2004, the Commission continued to improve the data collection technology and processes used by the Exchange Database System in order to provide a more efficient means of exchange data collection. The Exchange Database System: identifies possible trading abuses for referral to exchanges and the Division of Enforcement; supports Com-

mission investigations and litigation involving manipulation and trade practice abuses; and is an important adjunct to Commission rule enforcement reviews of contract markets. The goal of the improvements is to provide more effective support for the Commission's market oversight objectives.

The Commission now receives almost all trade data submissions electronically on a weekly basis. The Exchange Database System was also enhanced to capture data from new electronic trading markets, expanding the data available to the Commission to analyze market activities. The number of electronic markets is expanding rapidly and the volume of trade data is significantly greater than the volume in the open outcry markets. To address the changes presented in the electronic marketplace, we are working with the exchanges to establish data submission requirements.

Although the Exchange Database System was improved during FY 2004, the Commission concluded that the system would not be able to continue to meet the demands of today's futures marketplace. A new, robust system will allow identification of inter-exchange violations, which individual exchanges lack the capacity to detect; allow quicker access to and more sophisticated and customizable analysis of, the full range of data supplied by exchanges with respect to electronic, as well as open outcry trading; and enable meaningful Commission evaluation of the exchanges' own electronic surveillance systems. In designing and implementing the new Trade Practice System, to be called TRADE, Commission staff will combine custom-built components with available off-the-shelf software to give the Commission unqualified, immediate, and confidential access to all exchange-supplied data. During FY 2004, we hired a project manager, established a project team that includes staff members of the Division of Enforcement and Division of Market Oversight, and began the process to procure contractor support. TRADE will take approximately two and one-half years to implement fully.

Integrated Market Surveillance System

During FY 2004, the Commission's primary mission-critical application to support futures and option data for market surveillance, the Integrated Surveillance System, has been significantly enhanced to address changes and growth in the futures industry. Those changes included accepting markedly different contract markets that are traded on a new exchange, HedgeStreet, and daily futures now being traded on the Chicago Mercantile Exchange. In addition, we improved the capability and availability of the Integrated Surveillance System through the implementation of more than 12,000 system modifications and the development of a second data collection point for transmitted surveillance data.

Market Risk Analysis (SPARK/RSR Express)

In FY 2004, the OED managed the implementation of a new system, Stressing Positions at Risk (SPARK), to analyze the financial positions of trading firms in relation to changing market conditions. SPARK was developed to perform analysis of existing market conditions and conduct “what if” analyses on future changes in support of financial oversight and risk analysis of the futures market. The Regulatory Statement Review (RSR) Express system, which is the repository of financial reports from FCMs, was modified to support the Commission’s adoption of risk-based capital reporting by FCMs beginning in FY 2005.

CFTC Website

The Commission uses the Internet to make information and assistance available to the general public. The Commission’s website, at <<http://www.cftc.gov>>, provides information about the Commission and its work, including press releases, speeches of the Commissioners, the *Weekly Advisory* (which includes Commission events, meetings, news, seriatim actions, *Federal Register* notices and comment periods, initial decisions, and opinions and orders), the *Commitment of Trader Reports*, and other reports from the Market Oversight program, and the *Proceedings Bulletin*. The Commission’s website also provides the public with information concerning trader sanctions, registration suspensions, and reparations. The website also hosts a public questionnaire that encourages the public to report suspected commodity market abuses.

In FY 2004, the Commission continued its efforts to improve the distribution, quality, and accessibility of information and services to the general public through the Commission’s website at <<http://www.cftc.gov>>. Improvements in the design and usability of the website were made in the areas of *Equal Employment Opportunity*, *Careers at the Commission*, and *Press Office information*. In an effort to reach a wider audience, the Commission released its first Spanish-language consumer protection advisory on commodity scams.

CFTC Intranet Redesign

During FY 2004, OED implemented an enhanced design of its Intranet website, Open Interest. Open Interest is the Commission staff’s primary tool for sharing and exchanging information, including policies, procedures, internal news and events, links to research tools, and other tools. Open Interest incorporates a new information architecture and a user-centric design that makes information

and resources readily accessible. Open Interest provides a framework for the Commission as it moves forward toward the implementation of new technologies, such as portal and content management systems, in an effort to streamline management of information needs within the organization and enhance delivery systems for mission support.

OED staff also supported the Financial Literacy and Education Commission (FLEC), in which the CFTC Acting Chairman plays an active role. Among other things, the Commission was charged with the establishment of a Federal website to serve as a clearinghouse for information on financial literacy. The goal of the website is to provide the American public with easy access to information in areas such as budgeting and taxes, credit, financial planning, home ownership, retiring planning, etc.

Infrastructure Enhancements

In FY 2004, the Commission strengthened and improved its enterprise infrastructure by: 1) implementing load balancing and backup for Internet access; 2) employing enterprise network management and monitoring systems; and 3) upgrading the Commission’s wide area network (WAN). The Internet access improvements strengthen a vital tool the Commission utilizes during emergencies and daily operations and enhances Internet access performance, thereby increasing staff efficiency. With the network management and monitoring capabilities, the Commission is proactively handling security incidents, trending and analyzing infrastructure growth requirements, and addressing system failures. This proactive approach supports improved incident response time, better long-term planning, and greater system availability and reliability. The WAN improvements resulted in better system performance and quality of service to the staff as they accomplish the Commission’s mission.

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 2004, more than 41 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 9,500 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 45 cases in FY 2004.

The following statistics reflect the status of reparations complaints and administrative enforcement cases at the end of FY 2003 and FY 2004:

REPARATIONS COMPLAINTS	FY 2003	FY 2004
Complaints pending beginning of fiscal year	27	29
Complaints filed or reinstated	91	90
Complaints dismissed or settled	15	30
Complaints forwarded for all types of proceedings	74	58
Complaints pending end of fiscal year	29	31

ENFORCEMENT CASES	FY 2003	FY 2004
Cases pending beginning of fiscal year	20	18
Cases received for adjudication(a)	38	40
Cases settled	7	7
Decisions issued	33	45
Cases pending end of fiscal year	18	6

REPARATIONS CASES	FY 2003	FY 2004
Cases pending beginning of fiscal year	51	61
Cases received for all types of proceedings(b)	74	63
Cases dismissed for cause	3	5
Cases settled	34	32
Cases disposed of by default	3	7
Cases disposed of by initial decision	26	25
Total cases closed	66	69
Cases pending end of fiscal year	61	55

^(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) coordinating with foreign regulatory authorities; (2) participating in international regulatory organizations and forums; and (3) providing technical assistance to foreign governmental bodies. In FY 2004, OIA contributed to this effort by:

- Coordinating Commission activities within the International Organization of Securities Commissions (IOSCO) and its Technical Committee and standing committees, with special focus on issues raised by index products, short-selling, transparency, error-trade policies, cross-border activities of intermediaries, outsourcing, and compliance functions.
- 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*, which was adopted by IOSCO, as well as developing an electronic version of the assessment methodology and instructions to clarify its application and participating in IOSCO seminars in Spain and India explaining the methodology; participating in the IOSCO-CPSS (Committee on Payment and Settlement Systems) Task Force on Central Counterparties that developed a combined risk-management and default-procedure recommendations and assessment methodology for central counterparties, which was released as a consultative document by IOSCO and the CPSS; and participating in an IOSCO Chairs' Committee, which examined ways to strengthen capital markets against financial fraud and issues concerning the activities of credit rating agencies.
- Providing information to the IOSCO Emerging Markets Committee on its approach to detecting and deterring manipulation.
- Coordinating Commission representation in the Council of Securities Commissions of the Americas (COSRA), including contributing a paper on the benefits of futures trading to the securitization of small business loans and providing input on ways to advance COSRA's regional technical assistance and training initiatives.
- Providing expertise to the Committee of European Securities Regulators regarding their inquiry about acceptable market practices for commodity markets, part of their deliberations on possible expansion of the Investment Services Directive to commodity markets.
- Providing representations and regulatory information to regulatory authorities in Australia, Austria, Germany, Italy, the Netherlands, Spain, and Switzerland that supported the recognition of three futures exchanges' electronic trading systems; also provided regulatory information to assist Australian regulators in their determination to issue a blanket exemption to U.S. futures commission merchants (FCMs) offering wholesale business in Australia.
- Participating in the Joint Forum's initiative to develop principles for outsourcing relevant to securities, banking, and insurance firms.
- Providing assistance to the Financial Sector Assessment Program of the World Bank and International Monetary Fund.
- Coordinating the Commission's comments to the U.S. Treasury Department on various position papers, including U.S.-India and U.S.-China dialogue.
- Organizing the annual meeting for international regulators during the Futures Industry Association conference, focusing on international regulatory approaches to governance and self-governance of organized markets.
- Advising the Toronto Centre on leadership with respect to securities and derivatives sector programs.
- 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 National Futures Association's (NFA's) registration program and responding to requests from foreign regulators for fitness information on Commission registrants that resulted in recognition of U.S. intermediaries abroad.
- 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 FY 2004 through visits with staff at the Commission by 89 foreign persons representing 14 foreign jurisdictions, two 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 2004, 64 persons representing 25 regulatory and market authorities from 44 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 concerning 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 website; and other functions and accomplishments of the Commission. OEA also responds to congressional inquiries, and monitors and informs the Commission of legislative and regulatory activities at the Federal and State levels.

During FY 2004, OEA issued more than 250 news releases and advisories, both hardcopy and via the Commission's Internet website (www.cftc.gov), covering the CFTC's regulatory and enforcement activities. OEA also promoted new public and legislative outreach initiatives during FY 2004, further enhancing the Commission's ability to make a wide range of materials readily available to the media, Congress, the general public, and other interested parties.

OEA assisted in the preparation of congressional testimony by Chairman Newsome before the House Committee on Agriculture and the Senate Committee on Agriculture, Nutrition, and Forestry. OEA also assisted 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 for Chairman Newsome and Acting Chairman Brown-Hruska with Members of Congress, as well as briefing sessions for congressional staff on matters

and issues related to appropriations, natural gas, oil, cattle, enforcement, and fraud. In addition to its liaison efforts with 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 Board, the U.S. Treasury Department, the U.S. Department of Agriculture, and the Securities and Exchange Commission.

OEA continued 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) provide a detailed explanation of the *Commitments of Traders Report*, the Large-Trader Reporting System, and the Commission's Market Surveillance Program; (2) provide an overview of the Commodity Pool Operator (CPO) and Commodity Trading Advisor (CTA) industry and CPO-CTA rules and regulations; and (3) describe speculative limits, foreign exchange-traded instrument approvals and exemptions, and global cooperation through bilateral and multilateral information sharing and Memoranda of Understanding with other financial market regulators.

OEA published brochures, educational materials, and consumer advisories (including a Spanish-language consumer advisory) about the Commission, the futures industry, the futures and option markets, and futures industry terms and definitions. OEA's brochures include customer protection and informational brochures, such as *Futures and Options: What You Should Know Before You Trade* and *The CFTC's Reparations Program*, which describes a program that resolves disputes between commodity customers and commodity professionals. OEA also provides current and relevant information about the Commission to the media, Congress, and the general public through its *Weekly Advisory*, a print and web-based newsletter. In addition, OEA publishes *Daily News Clips*, a compilation of wire service, newspaper, and other media articles relevant to the Commission.

During FY 2004, OEA continued to post information on the Commission's website, including general and enforcement news releases; enforcement complaints and settlement orders; *Backgrounders*; *Weekly Advisories*; Commission brochures, consumer advisories, speeches, testimony, public statements, and remarks by the Chairman and Commissioners; biographies of the Commissioners; a summary of exemptive, no-action, and interpretive letters; comment letters; and a glossary of futures industry terms.

OEA continued to expand website coverage of the Commission's activities through the *Visitors Program and Other Events* web page, which spotlights visits to the Commission by Members of Congress, officials from other regulatory agencies, government-to-government delegations, and academic groups. In addition, OEA updated three Commission publications: *CFTC Glossary: A Guide to the Language of the Futures Industry*; *Futures and Options: What You Should Know Before You Trade*; and *The Economic Purpose of Futures Markets*.

During FY 2004, OEA assisted nearly 3,000 domestic and foreign news correspondents in understanding the Commission's regulatory and enforcement activities, customer protection initiatives, rule enforcement reviews, congressional mandates, the Commission's goals and accomplishments, and pending actions. In addition, OEA fielded an increased number of media and customer inquiries concerning the Commission's consumer advisories, enforcement actions, and customer protection information in general. The web-posted consumer advisories alert the public and potential commodity futures and options customers to "red flag" warning signs of possible fraudulent activity and suggest precautions that should be taken before committing funds. OEA also informed the news media, the general public, and potential market participants to beware of claims that trading commodity futures and options trading would be profitable because of the conflict in Iraq. OEA remains active in promoting the Commission's toll-free Customer Protection Hotline (866-FON-CFTC [866-366-2382]), which assists the public in reporting possible wrong-doing or suspicious activities involving commodities.

During the fiscal year, OEA continued to cooperate with consumer protection groups 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 and scams aimed at the general public. In this regard, OEA provided updated information on commodity investment fraud for the Investment Fraud section of the *2004 Consumer Action Handbook*, published by the GSA's Federal Citizen Information Center.

OEA continued to promote public access to current Commission enforcement, disciplinary, and registration information through the NFA's toll-free Disciplinary Information Access Line (800-676-4NFA) and the NFA's BASIC (Background Affiliation Status Information Center) database. These valuable resources help customers verify the disciplinary history and registration status of firms and individuals in the futures industry.

In its continued support of the Commission's Division of Enforcement, OEA coordinated media coverage of the Commission's continuing efforts to stamp out foreign currency futures and option fraud, among other violations of the Commodity Exchange Act. OEA's support included responding to media and public inquires and promoting educational and media outreach activities aimed at informing customers about commodity scams. In addition, in an attempt to reach potential new customers, OEA published a Spanish-language consumer alert.

In the area of breaking news events, OEA provided the media and other audiences with Commission statements regarding the investigation of the upward movement in prices in the natural gas market that occurred in late 2003, the announcement of a presumptive positive test result for BSE ("Mad Cow Disease") in a single Holstein cow on a farm in Washington State, and enforcement actions and settlements related to energy trading, including a settlement with the Enron Corporation.

During FY 2004, OEA conducted numerous briefing sessions for congressional staff members, domestic and foreign representatives of the media, market professionals, producer groups, academic representatives, and foreign visitors to acquaint them with the Commission's recent regulatory initiatives and responsibilities, including the Commission's participation in Memoranda of Understanding addressing cross-border cooperation and exchange of information; rule enforcement reviews; the annual guidance to commodity pool operators; the Commission's review of the effectiveness of industry self-regulation and the governance of self-regulatory organizations; the oversight of security futures product trading and the sharing of security futures product information; proposed changes to requirements for foreign futures firms; and exchange petitions to eliminate federal speculative position limits for certain agricultural futures and option markets.

OEA also coordinated the media's coverage of the Office of International Affairs' 14th Annual International Symposium and Training on Derivative Products, Markets, and Financial Intermediaries, which drew more than 70 participants and 40 presenters and panelists from 31 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 2004, OEA continued to provide information to the media regarding the activities and accomplishments of the Commission's three Advisory Committees: the Agricultural Advisory Committee, the Global Markets Advisory Committee, and the Technology Advisory Committee.

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 2004, the Commission held 38 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 115 items in the *Federal Register* during FY 2004. 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, produces reports compiled from the indices, and maintains Public Reading Room documents. During FY 2004, the Records Section supported the Commission's website by updating daily the *Federal Register* and public comment files, by publishing daily the rules self-certified by exchanges,

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 website.

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 describing Commission FOIA activities. During FY 2004, staff received and processed 246 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 2004, the Commission received more than 1,000 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 of problems, deficiencies, and the progress of corrective action in programs and operations.

During FY 2004, 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. The OIG also conducted audits of the Commission's Civil Monetary Penalty Collection Program, the Commission's financial statements for fiscal year 2004, the Emergency Contact Telephone Numbers, and Time and Attendance Records for Timekeepers. OIG also reviewed proposed and final Commission and exchange rules and regulations and conducted investigations of allegations of impropriety lodged against Commission employees.

Futures Statistics by Major Commodity Group

Fiscal Year	Total	Grain	Oilseed Products	Livestock Products	Other Agriculturals	Energy/Wood Products	Metals	Financial Instruments	Currencies
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AVERAGE MONTHEND OPEN INTEREST (IN CONTRACTS)

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	11,564,633	680,505	471,915	144,651	460,053	1,224,008	316,590	7,820,188	446,723
2003	13,648,950	625,296	528,195	173,538	507,420	1,800,515	397,895	9,117,119	498,972
2004	17,649,679	830,045	564,374	200,510	611,695	2,727,438	496,141	11,638,629	607,847

NUMBER OF CONTRACTS TRADED

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	28,921,651	30,917,637	7,190,906	15,559,911	94,635,656	18,602,108	760,292,234	30,032,897
2004	1,225,638,049	38,917,200	37,091,132	8,172,833	20,643,927	104,527,384	23,371,676	949,483,708	43,430,189

NUMBER OF CONTRACTS SETTLED BY DELIVERY/CASH SETTLEMENT

1998	4,186,906	131,35	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	97,372	51,145	36,107	94,205	839,221	209,186	7,115,757	682,095
2004	11,356,152	74,252	38,566	41,982	117,408	1,582,021	197,646	8,535,903	768,374

Futures Statistics by Exchange

Exchange/Commodity	Contract Unit	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)		Total Contracts Settled by Delivery or Cash Settlement (Contracts)	
		2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
BROKERTEC FUTURES EXCHANGE (BTEX)							
U.S. Treasury Bonds	\$100,000 F.V.	5,143	3,599	596,535	21,263	2,443	0
10-Year U.S. Treasury Notes	\$100,000 F.V.	10,354	8,957	1,023,624	26,056	6,105	0
5-Year U.S. Treasury Notes	\$100,000 F.V.	8,223	5,806	522,835	24,078	5,209	0
TOTAL BTEX		23,720	18,362	2,142,944	71,397	13,757	0
ONE CHICAGO (OCX)							
Single Stock Futures	100 shares	42,397	170,632	495,610	1,925,522	0	498,826
ETF Futures	100 shares	6,690	1,200	148,343	29,724	25,618	9,859
Narrow-Based Index Futures	\$500 x Index	0	503	0	3,129	0	1,297
TOTAL OCX		49,087	172,335	643,953	1,958,375	25,618	509,982
CHICAGO BOARD OF TRADE (CBT)							
Wheat	5,000 Bu.	100,709	137,573	6,565,925	8,162,950	21,544	20,882
Mini Wheat	1,000 Bu.	695	1,257	16,313	31,265	63	109
Corn	5,000 Bu.	421,730	574,759	18,086,086	24,319,276	5,629	16,879
Mini Corn	1,000 Bu.	2,989	4,154	35,745	86,659	0	177
Oats	5,000 Bu.	6,396	8,560	312,025	428,855	1,241	1,344
Rough Rice	200,000 Lbs.	8,572	5,803	255,885	197,222	7,361	4,305
Soybeans	5,000 Bu.	218,446	226,157	15,776,016	19,875,619	10,173	16,980
Mini Soybeans	1,000 Bu.	7,407	11,342	133,074	382,157	53	121
Soybean Oil	60,000 Lbs.	148,123	164,852	7,292,310	7,847,579	27,918	14,120
Soybean Meal	100 Tons	154,217	162,023	7,716,236	8,985,777	12,999	7,345
Dow Jones Industrial Average	\$10 x Index	33,377	40,763	5,308,055	2,663,895	70,088	87,138
Dow Jones Industrial Avg. (x\$2)	\$2 x Index	1,997	0	48,206	0	0	0
Dow Jones Industrial Avg. (x\$5)	\$5 x Index	26,192	46,194	8,958,655	18,341,073	83,680	156,151
U.S. Treasury Bonds	\$100,000 F.V.	485,921	530,733	62,259,538	68,782,613	38,600	71,475
U.S. Treasury Bonds (Mini)	\$50,000 F.V.	107	100	14,039	11,756	38	24
2-Year U.S. Treasury Notes	\$200,000 F.V.	119,222	187,492	3,948,153	7,591,184	34,461	25,575
10-Year U.S. Treasury Notes	\$100,000 F.V.	898,794	1,293,439	137,669,932	180,425,500	71,437	114,747
10-Year U.S. Treasury Notes (Mini)	\$50,000 F.V.	2	2	64	70	0	0
5-Year U.S. Treasury Notes	\$100,000 F.V.	758,517	1,054,464	67,704,369	96,864,708	155,929	135,069
30-Day Federal Funds	\$5,000,000 F.V.	310,309	437,312	8,583,904	10,531,910	800,758	797,752
Ten-Year Agency Note	\$100,000 F.V.	7,488	1,678	149,849	2,875	3,527	962
Municipal Bond Index	\$100,000 F.V.	2,808	2,306	111,608	71,071	3,285	3,688
3-Month Eurodollars (Mini)	\$500,000 F.V.	99	87	383	303	0	48
10-Year Interest Rate Swap - 3mo	\$100,000 N.P.	47,133	44,457	1,010,027	887,776	0	17,822
5-Year Interest Rate Swap - 3mo	\$100,000 N.P.	4,306	6,379	108,080	180,813	0	8,262
10-Yr German Fed Govt Debt	Euro 100,000 F.V.	0	83	0	2,193	0	71

Exchange/Commodity	Contract Unit	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)		Total Contracts Settled by Delivery or Cash Settlement (Contracts)	
		2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
5-Yr German Fed Govt Debt	Euro 100,000 F.V.	0	286	0	3,033	0	333
2-Yr German Fed Govt Debt	Euro 100,000 F.V.	0	679	0	3,639	0	1,975
Dow Jones AIG Commodity Index	\$100 x Index	1,711	3,164	34,555	45,475	0	3,343
Silver (Mini)	1,000 Tr. Oz.	670	2,616	21,160	154,763	481	594
Gold (Mini)	33.2 Tr. Oz.	1,129	3,279	84,951	350,315	129	758
TOTAL CBT		3,769,066	4,951,993	352,205,143	457,232,324	1,349,394	1,508,049

CHICAGO MERCANTILE EXCHANGE (CME)

Lean Hogs	40,000 Lbs.	41,801	68,736	2,140,276	2,849,155	25,522	29,365
Frozen Pork Bellies	40,000 Lbs.	2,571	2,547	157,868	160,611	351	174
Live Cattle	40,000 Lbs.	112,895	112,776	4,275,938	4,421,345	1,970	513
Feeder Cattle	50,000 Lbs.	16,271	16,451	616,824	741,722	8,264	11,930
Butter	40,000 Lbs.	1,329	632	8,274	6,977	1,861	1,300
Milk	200,000 Lbs.	24,623	27,552	176,074	317,135	34,953	66,885
Non Fat Dry Milk	44,000 Lbs.	194	81	230	114	40	231
Class IV Milk	200,000 Lbs.	203	195	150	678	1,380	333
Diammonium Phosphate (DAP)	100 Tons	0	12	0	36	0	0
Urea Ammonium Nitrate (UAN)	100 Tons	0	28	0	132	0	0
Urea	100 Tons	0	55	0	192	0	0
Canadian Dollar	CD 100,000	79,590	77,086	3,919,942	4,962,436	80,306	88,010
Canadian Dollar / Yen Cross-Rate	CD 200,000	7	7	62	98	0	0
Swiss Franc	SF 125,000	46,447	44,255	3,500,821	3,563,526	81,865	83,863
Swiss Franc / Yen Cross-Rate	SF 250,000	8	4	127	164	0	0
British Pound Sterling	BP 62,500	37,617	59,389	2,358,893	4,070,827	54,472	100,065
Pound / Swiss Franc Cross-Rate	BP 125,000	7	16	212	397	0	0
Pound / Yen Cross-Rate	BP 125,000	31	34	900	861	0	0
Japanese Yen	Yen 12,500,000	108,186	125,175	5,858,024	6,432,067	104,103	167,623
E-Mini Japanese Yen	Yen 6,250,000	27	89	1,667	5,600	7	82
Euro	125,000 Euros	98,707	127,685	9,529,954	17,201,426	117,071	0
E-Mini Euro	62,500 Euros	236	541	11,111	97,545	88	234
Euro / Australian Dollar Cross-Rate	125,000 Euros	26	24	349	855	0	0
ECU / British Pound Cross-Rate	125,000 Euros	1,202	1,090	63,478	34,795	0	0
Euro / Japanese Yen Cross-Rate	125,000 Euros	2,692	1,472	146,336	113,725	0	0
Euro / Swiss Franc Cross-Rate	125,000 Euros	76	104	1,651	6,971	0	0
Euro / Canadian Dollar Cross-Rate	125,000 Euros	8	6	54	857	0	0
Euro / Norwegian Krone Cross-Rate	125,000 Euros	0	2	0	36	0	0
Euro / Swedish Krona Cross-Rate	125,000 Euros	2	2	4	61	0	0
Australian Dollar	AD 100,000	38,544	43,846	1,371,419	2,375,354	33,753	71,537
Aussie Dollar / Canadian Dollar	AD 200,000	10	5	132	204	0	0
Aussie Dollar/ Kiwi Dollar	AD 200,000	4	12	4	436	0	0
Aussie Dollar / Yen Cross-Rate	AD 200,000	2	9	36	357	0	0

Exchange/Commodity	Contract Unit	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)		Total Contracts Settled by Delivery or Cash Settlement (Contracts)	
		2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
Swedish Krona	2,000,000 Krona	0	177	0	713	0	0
Russian Ruble	2,500,000 Rubles	202	2,483	1,593	20,303	503	2,706
Mexican Peso	MP 500,000	31,512	46,924	1,932,331	2,856,839	62,670	79,734
Brazilian Real	R\$ 100,000	73	192	78	2,155	0	438
New Zealand Dollar	NZ \$100,000	4,372	6,112	104,961	142,093	9,276	14,597
South African Rand	Rand 500,000	3,309	3,490	62,413	76,074	10,846	10,779
Norwegian Krone	NKr 2,000,000	44	60	323	1,379	0	0
Hungarian Forint	HUF 30,000,000	0	5	0	5	0	0
Polish Zloty	PLN 50,000	0	657	0	2,433	0	0
Euro/Polish Zloty	PLN 50,000	0	401	0	2,365	0	0
S&P 500 Stock Index	\$250 x Index	620,240	597,954	21,624,416	16,423,548	558,345	361,439
SPCTR Financial	\$125 x Index	547	277	7,119	3,551	1,084	325
SPCTR Technology	\$125 x Index	8	4	36	204	18	12
E-Mini S&P 500 Stock Index	\$50 x Index	445,297	553,968	162,629,433	162,490,382	1,533,147	1,321,453
S&P 500 Barra Growth Index	\$250 x Index	425	182	5,542	2,244	784	660
S&P 500 Barra Value Index	\$250 x Index	1,238	924	14,133	9,303	789	1,133
S&P 400 Midcap Stock Index	\$500 x Index	13,639	15,071	318,616	285,205	13,523	23,073
S&P Small Cap 600 INDEX	\$200 x Index	17	102	647	2,716	156	559
E-MINI S&P 400 STOCK INDEX	\$100 x Index	10,060	23,603	1,116,829	2,936,529	38,644	91,513
Fortune e_50 Stock Index	\$20 x Index	1	2	83	10	1	2
Long Short Technology TRAKRS	\$1 x Index (1000 contracts)	580	331	1,255	1,188	0	0
Select 50 TRAKRS	\$1 x Index (1000 contracts)	2,786	1,724	6,705	788	0	0
LMC TRAKRS	\$1 x Index (1000 contracts)	1,528	941	4,342	538	0	0
Commodity TRAKRS	\$1 x Index (1000 contracts)	4,889	3,695	5,659	4,966	0	0
Euro Currency TRAKRS	\$1 x Index (1000 contracts)	455	196	870	624	0	0
Gold TRAKRS	\$1 x Index (1000 contracts)	0	4,960	0	9,109	0	0
Long Short Technology TRAKRS 2	\$1 x Index (1000 contracts)	0	2,902	0	4,917	0	0
NASDAQ-100 Stock Index	\$100 x Index	74,988	75,783	4,503,159	4,172,888	186,306	173,489
NASDAQ-100 Stock Index (Mini)	\$20 x Index	207,550	241,419	65,932,683	75,837,722	798,067	847,383
NASDAQ Composite Index (Mini)	\$20 x Cmp Index	0	45	0	6,889	0	184
Russell 2000 Stock Index Future	\$500 x Index	23,410	26,285	699,700	635,651	29,956	52,050
Russell 2000 Stock Index (Mini)	\$100 x Index	21,692	66,370	2,679,802	14,372,085	104,367	225,797
Russell 1000 Stock Index Future	\$100 x Index	1,426	1,126	10,323	24,208	2,886	5,375
Nikkei Stock Average	\$5 x Index	21,226	32,660	662,770	1,132,497	70,520	104,792
Nikkei Stock Average Yen Denom	Yen 500 x Index	0	4,564	0	159,018	0	23,750
13-Week U.S. Treasury Bills	1,000,000 F.V.	562	0	4,785	0	2,427	0
1-Month Libor Rate	\$3,000,000 F.V.	44,832	322,085	1,165,230	2,859,028	233,153	434,618
3-Month Eurodollars	\$1,000,000 F.V.	4,743,238	5,640,776	198,439,380	274,395,558	2,140,253	2,718,527
3-Month Eurodollar FRA	\$1,000,000 F.V.	0	3	0	328	0	329
2-Year Swap Futures	\$500,000 F.V.	647	1,268	8,600	16,580	1,540	6,480
5-Year Swap Futures	\$200,000 F.V.	4,343	6,287	36,215	53,839	16,715	25,094
10-Year Swap Futures	\$500,000 F.V.	2,514	4,635	33,240	63,811	5,270	17,630

Exchange/Commodity	Contract Unit	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)		Total Contracts Settled by Delivery or Cash Settlement (Contracts)	
		2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
91-DAY CETES, MEXICAN T-BILLS	MP 400,000 F.V.	4	0	0	0	4	0
28-DAY TIE, MEXICAN INTERBANK	MP 1,200,000 F.V.	242	530	2,826	680	6	540
3-Mo. Euroyen	Yen 100,000,000 F.V.	34,365	49,593	160,516	222,815	45,798	33,057
3-MO. Euroyen LIBOR	Yen 100,000,000 F.V.	1,403	200	780	1,150	2,880	1,350
CME\$INDEX	\$1,000 x Index	49	60	437	428	0	0
CPI Futures	\$2,500 x Index	0	713	0	4,287	0	1,046
Goldman-Sachs Commodity Index	\$250 x Index	14,100	15,646	392,908	421,287	13,104	9,979
Random Length Lumber	80,000 Bd. Ft.	3,029	4,088	224,202	234,013	85	94
Cooling Season Weather	\$20 x Index	0	1,019	0	2,575	0	0
Heating Season Weather	\$20 x Index	65	224	190	415	0	570
Cooling Degree Days Weather	\$20 x Index	976	3,263	8,086	23,636	3,470	11,847
Heating Degree Days Weather	\$20 x Index	543	1,084	5,600	7,656	2,582	4,906
Euro Monthly CAT	BP 20 x Index	0	241	0	535	0	365
Euro Heating Degree Days	BP 20 x Index	0	168	0	940	0	720
Euro Cooling Season CAT	BP 20 x Index	0	50	0	100	0	0
Euro Heating Season	BP 20 x Index	0	117	0	250	0	0
TOTAL CME		6,955,724	8,477,557	496,949,626	607,297,745	6,435,181	7,230,540
CBOE FUTURES EXCHANGE (CBOE)							
Volatility Index Futures	\$100 x Index	0	5,567	0	61,521	0	10,716
S&P 500 3 Month Variance	\$50 per point	0	195	0	560	0	113
TOTAL CBOE		0	5,762	0	62,081	0	10,829
EUREX US (EUS)							
U.S. Treasury Bonds EUS	\$100,000 F.V.	0	11,418	0	562,641	0	1,340
2-Year U.S. Treasury Notes EUS	\$200,000 F.V.	0	117	0	17,174	0	14
10-Year U.S. Treasury Note EUS	\$100,000 F.V.	0	12,397	0	1,685,668	0	4,637
5-Year U.S. Treasury Notes EUS	\$100,000 F.V.	0	10,275	0	986,039	0	1,785
TOTAL EUS		0	34,207	0	3,251,522	0	7,776
KANSAS CITY BOARD OF TRADE (KCBT)							
Wheat	5,000 Bu.	57,962	63,572	2,572,844	2,908,347	55,288	23,079
Stock Index Future, MVL	\$100 x Index	165	50	6,468	1,504	110	0
TOTAL KCBT		58,127	63,622	2,579,312	2,909,851	55,398	23,079
MERCHANTS EXCHANGE OF ST. LOUIS (MESL)							
Illinois Waterway Barge Rate	3,000 Tons	0	0	3	0	0	0
MESL Crude Oil, Light Sweet	1,000 Barrels	10	4	3,004	205	0	0
TOTAL MESL		10	4	3,007	205	0	0

Exchange/Commodity	Contract Unit	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)		Total Contracts Settled by Delivery or Cash Settlement (Contracts)	
		2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
MINNEAPOLIS GRAIN EXCHANGE (MGE)							
Wheat	5,000 Bu.	25,017	32,673	1,067,107	2,767,852	4,598	3,273
National Corn Index	5,000 Bu.	523	187	4,561	892	1,137	457
Hard Red Winter Wheat Index	5,000 Bu.	703	1,507	5,160	13,882	511	3,747
National Soybean Index	5,000 Bu.	2	0	1	0	2	0
TOTAL MGE		26,245	34,367	1,076,829	2,782,626	6,248	7,477
NASDAQ LIFFE EXCHANGE (NQLX)							
Single Stock Futures	100 shares	22,706	33,882	221,309	299,456	0	67,781
ETF Futures	100 shares	1,341	667	253,253	39,543	0	7,118
TOTAL NQLX		24,047	34,579	474,562	338,999	0	74,899
NEWYORK BOARD OF TRADE (NYBT) - NEWYORK COTTON EXCHANGE (NYCE), NEWYORK FUTURES EXCHANGE (NYFE) COFFEE, SUGAR AND COCOA EXCHANGE (CS&CE)							
Cotton No. 2	50,000 Lbs.	77,064	82,941	2,763,877	3,331,002	4,035	7,534
Frozen Concentrated Orange Juice	15,000 Lbs.	24,385	36,293	602,760	946,577	3,536	7,223
FCOJ1-FCOJ2 Diff	15,000 Lbs.	0	10	0	10	0	0
Cocoa	10 Metric Tons	87,969	100,093	2,069,820	2,362,724	3,653	4,002
Sugar No. 11	112,000 Lbs.	205,413	259,809	6,763,425	9,520,605	24,515	14,856
Sugar No. 14	112,000 Lbs.	13,251	11,681	137,930	117,791	3,253	2,968
Coffee C	37,500 Lbs.	72,956	92,295	3,032,842	4,039,591	16,896	12,076
Coffee C (Mini)	12,500 Lbs.	33	18	526	363	83	0
Canadian Dollar/Japanese Yen	CD 200,000	1,246	1,028	16,260	14,544	3,051	2,865
U.S. Dollar / Canadian Dollar	\$200,000 F.V.	77	85	2,854	2,265	0	13
U.S. Dollar / Canadian Dollar Sm	\$100,000 F.V.	0	6	0	147	0	0
U.S. Dollar / Swiss Franc	\$200,000 F.V.	371	247	18,925	15,366	1,197	916
U.S. Dollar / Swiss Franc Sm	\$100,000 F.V.	0	0	0	21	0	0
Swiss Franc / Japanese Yen Cross-Rate	SF 200,000	619	1,968	15,792	37,470	2,276	6,116
U.S. Dollar / British Pound	BP 125,000	613	204	31,272	53,453	3,544	591
U.S. Dollar / British Pound Sm	BP 62,500	0	8	0	3,721	0	0
Swiss Franc / British Pound Cross-Rate	BP 125,000	622	1,159	19,420	23,392	2,011	3,613
Japanese Yen / British Pound Cross-Rate	BP 125,000	1,610	2,679	48,490	62,854	4,525	6,231
U.S. Dollar / Japanese Yen	\$200,000	939	483	39,543	50,245	5,180	1,211
U.S. Dollar / Japanese Yen Sm	\$100,000	0	6	0	4,060	0	1
Euro/Australian Dollar	100,000 Euros	1,428	3,658	26,237	40,628	3,690	9,847
Euro/U.S. Dollar	200,000 Euros	1,270	449	51,592	69,322	5,184	1,186
Euro/U.S. Dollar- Small	100,000 Euros	45	80	3,774	10,789	34	94
Euro-Hungarian Forint	100,000 Euros	0	1,224	2	13,418	0	0
Euro-Czech Koruna	100,000 Euros	1	1,640	3	22,100	0	2,257

Exchange/Commodity	Contract Unit	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)		Total Contracts Settled by Delivery or Cash Settlement (Contracts)	
		2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
Euro / Yen Cross-Rate	100,000 Euros	11,435	11,522	376,191	316,372	32,761	23,674
Euro / Swedish Krona Cross-Rate	100,000 Euros	2,510	2,365	55,785	43,039	5,106	5,691
Euro / Swiss Franc Cross-Rate	100,000 Euros	6,491	8,253	134,918	144,386	15,962	18,426
Pound / Euro Cross-Rate	100,000 Euros	5,251	7,857	126,781	191,916	14,709	16,464
Euro Canadian Dollar Cross-Rate	100,000 Euros	2,670	4,677	43,752	56,515	8,020	11,746
Euro Norwegian Krone Cross-Rate	100,000 Euros	1,551	1,991	29,481	28,526	3,027	6,576
U.S. Dollar / Swedish Krona	\$200,000 F.V.	551	743	9,415	12,282	1,366	2,617
U.S. Dollar - Norwegian Krone	\$200,000 F.V.	561	1,120	10,223	14,273	1,375	2,647
Australian Dollar / U.S. Dollar	AD 200,000	685	359	6,604	13,759	3,096	619
Aussie Dollar / Canadian Dollar	\$200,000 F.V.	876	744	11,671	13,644	906	1,444
Australian Dollar / Yen Cross-Rate	AD 200,000	1,744	2,888	35,928	52,463	4,554	7,925
Australlian Dollar / Kiwi Cross-Rate	AD 200,000	737	2,700	9,962	37,544	1,513	3,881
New Zealand Dollar	NZ \$200,000	1,132	2,026	21,779	33,619	2,310	5,081
U.S. Dollar / South African Rand	\$100,000	949	3,257	19,255	56,463	1,738	5,788
US Dollar-Hungarian Forint	\$200,000	34	505	71	7,432	0	0
US Dollar-Czech Koruna	\$200,000	13	251	42	5,905	0	684
Norwegian Krone/Swedish Krona	NKr 500,000	0	311	0	5,299	0	502
Stock Index, NYSE CMP New	\$500 x Index	136	0	5,738	0	321	0
NYSE CMP Index (Small)	\$50 x Index	20	0	923	0	72	0
NYSE CMP Index (Small) - Rev	\$5 x Index	18	17	287	326	39	0
NYSE CMP Index (Regular) - Rev	\$50 x Index	28	80	244	1,520	13	0
Russell 1000 Stock Index Future	\$500 x Index	5,566	8,032	58,788	84,714	5,801	8,751
Russell 1000 Mini Index Future	\$50 x Index	530	624	35,857	24,812	1,735	2,110
Russell 3000 Stock Index	\$500 x Index	1	47	2	114	983	1
Russell 1000 Growth	\$500 x Index	19	143	542	2,065	4	207
Russell 1000 Value	\$500 x Index	3	182	35	2,124	1	182
Russell 2000 Stock Index	\$500 x Index	0	11	2	428	0	45
Russell 2000 Growth Index	\$500 x Index	0	2	0	2	0	0
Russell 2000 Value Index	\$500 x Index	0	1	0	1	0	0
U.S. Dollar Index	\$1,000 x Index	16,643	17,051	522,941	694,595	5,328	14,555
CRB BRIDGE INDEX	\$500 X INDEX	852	672	20,442	22,671	429	492
NYBOT Ethanol	7,750 Gallons	0	179	0	1,370	0	583
TOTAL NYBT		550,918	676,674	17,183,003	22,610,637	197,832	224,291

NEW YORK MERCANTILE EXCHANGE (NYMEX) AND COMMODITY EXCHANGE, INC. (COMEX)

NY Harbor Residual Fuel 1.0% Sulfur Swap	1,000 Barrels	25	175	25	975	0	825
No. 2 Heating Oil, New York Harbor	42,000 Gallons	141,274	166,676	11,892,030	12,343,618	23,229	20,659
NY Harbor Heating Oil Cal Swap	42,000 Gallons	450	8,850	450	41,180	0	0
Heat Oil Up Down Spr Cal Swap	42,000 Gallons	150	314	0	2,050	0	150
Natural Gas	10,000 MMBtu	364,061	344,164	19,576,344	18,327,704	27,905	26,210
e-miNY Natural Gas	5,000 MMBtu	138	169	101,092	133,638	81	42

Exchange/Commodity	Contract Unit	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)		Total Contracts Settled by Delivery or Cash Settlement (Contracts)	
		2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
Michcon Basis Swap	2,500 MMBtu	8,650	15,068	70,951	91,723	21,669	26,401
Permian Basis Swap	2,500 MMBtu	13,943	20,283	195,597	121,265	26,913	28,968
M-3 Basis Swap	2,500 MMBtu	20,494	42,930	138,258	227,018	21,546	52,130
TCO Basis Swap	2,500 MMBtu	15,928	39,747	89,227	167,912	18,977	35,285
Malin Basis Swap	2,500 MMBtu	18,002	34,061	192,832	338,058	17,966	34,846
PG&E Citygate Basis Swap	2,500 MMBtu	12,485	24,788	84,600	175,382	17,608	41,038
NGPL Texok Basis Swap	2,500 MMBtu	2,421	8,671	11,981	44,490	4,659	12,209
NGPL LA Basis Swap	2,500 MMBtu	639	651	1,346	2,504	794	1,650
ANR OK Basis Swap	2,500 MMBtu	1,699	7,750	6,738	35,066	3,936	9,117
Sumas Basis Swap	2,500 MMBtu	12,556	33,344	145,411	274,035	16,143	31,869
NGPL Mid-Con Basis Swap	2,500 MMBtu	6,761	11,615	28,158	47,187	9,688	16,716
Demarc Basis Swap	2,500 MMBtu	4,942	5,256	37,140	21,105	10,783	10,578
Ventura Basis Swap	2,500 MMBtu	8,020	6,391	59,049	31,637	14,165	15,300
Dominion Basis Swap	2,500 MMBtu	11,128	35,642	66,388	181,757	11,145	47,585
Waha Basis Swap	2,500 MMBtu	14,707	20,496	124,342	143,546	21,606	35,556
CIG Basis Swap	2,500 MMBtu	1,788	14,294	5,616	54,680	1,160	6,802
TETCO East Louisiana Swap	2,500 MMBtu	1,220	4,812	2,440	24,871	120	12,956
TETCO South Texas Swap	2,500 MMBtu	3,380	5,332	11,788	15,638	2,440	11,510
Transco Zone 3 Basis Swap	2,500 MMBtu	287	11,190	736	54,557	736	10,370
Columbia Gulf Onshore Basis Swap	2,500 MMBtu	92	4,171	184	18,980	184	6,482
Henry Hub Swing	2,500 MMBtu	0	2,550	0	8,901	0	2,341
Panhandle Swing	2,500 MMBtu	0	70	0	168	0	280
Waha Swing	2,500 MMBtu	0	7	0	28	0	28
El Paso Permian Index Swap	2,500 MMBtu	0	4	0	4	0	4
Henry Hub Index Swap	2,500 MMBtu	0	2,882	0	5,855	0	3,475
Houston Ship Channel Index Swap	2,500 MMBtu	0	1,270	0	2,665	0	2,541
Waha Index Swap	2,500 MMBtu	0	248	0	992	0	248
Alberta Basis Swap	2,500 MMBtu	26,410	54,855	166,986	404,586	24,368	60,792
Chicago Basis Swap	2,500 MMBtu	18,369	40,147	159,217	164,909	36,425	72,238
Henry Hub Basis Swap	2,500 MMBtu	14,006	23,639	59,526	47,842	20,830	34,280
Houston Ship Channel Basis Swap	2,500 MMBtu	16,417	69,308	130,392	333,190	29,302	76,129
NW Pipe Rockies Basis Swap	2,500 MMBtu	26,863	65,894	284,187	625,255	48,883	72,632
Panhandle Basis Swap	2,500 MMBtu	10,295	23,909	86,845	142,197	22,449	35,691
San Juan Basis Swap	2,500 MMBtu	15,676	14,944	160,826	56,921	19,550	22,574
SoCal Basis Swap	2,500 MMBtu	24,353	48,519	270,006	491,271	43,994	84,725
Transco Zone 6 Basis Swap	2,500 MMBtu	24,637	40,485	175,527	347,992	42,913	50,274
Henry Hub Gas Swap	2,500 MMBtu	299,316	551,517	1,996,219	3,964,117	233,579	440,769
Central Appalachian Coal	37,200 MMBtu	658	706	5,001	7,026	300	766
Electricity (PJM)	400 MWh	579	2	2,678	130	0	0
PJM Electricity Monthly	40 MWh	5,845	24,647	67,263	265,076	2,135	16,619
PJM Electricity Weekly	40 MWh	84	530	1,378	18,305	709	10,201
PJM Electricity Daily	40 MWh	86	507	9,395	147,620	0	60

Exchange/Commodity	Contract Unit	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)		Total Contracts Settled by Delivery or Cash Settlement (Contracts)	
		2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
NYISO Zone A LBMP Swap	400 MWh	4,531	15,078	56,866	105,974	4,468	16,176
NYISO Zone G LBMP Swap	400 MWh	7,645	9,774	45,516	33,415	5,977	14,427
NYISO Zone J LBMP Swap	400 MWh	1,491	3,835	6,893	13,206	2,452	5,411
Dow Jones Palo Verde Swap	800 MWh	0	225	0	550	0	30
Dow Jones Mid-Columbia Swap	800 MWh	0	1,018	0	2,530	0	150
Dow Jones NP15 Swap	800 MWh	0	1,548	0	3,560	0	310
Dow Jones SP15 Swap	800 MWh	0	1,910	0	5,420	0	150
Propane Gas	42,000 Gallons	538	1,031	12,911	18,732	587	426
Crude Oil (Light Sweet)	1,000 Barrels	526,859	656,420	45,785,344	50,988,920	322	1,152
Crude Oil, Brent	1,000 Barrels	0	0	90	0	0	0
e-miNY Crude Oil, Light Sweet	500 Barrels	599	1,076	326,342	370,346	13	20
Crude, Light Sweet / WTI Midland	1,000 Barrels	0	0	0	200	0	0
WTI Crude Oil Calendar Swap	1,000 Barrels	1,971	24,736	12,293	153,142	207	199
Unleaded Gasoline, New York Harbor	42,000 Gallons	98,061	128,348	11,704,238	12,348,271	19,797	11,593
NY Harbor Gasoline Calendar Swap	42,000 Gallons	0	2,898	0	12,456	0	0
Unl Gasoline Up/Dwn Spr Cal Sw	42,000 Gallons	0	956	0	4,225	0	0
NY Harbor Conv Gasoline vs. NY Unleaded Gas Sprd	42,000 Gallons	0	0	0	900	0	0
Crude, Light Sweet / West Texas Sour	1,000 Barrels	0	0	0	360	0	0
NY Harbor Gasoline vs. Heating Oil Swap	42,000 Gallons	150	2,151	150	12,144	0	75
Gulf Gasoline vs. Heating Oil Swap	42,000 Gallons	0	650	0	3,000	0	0
Gulf Coast Jet vs. Heating Oil Sprd Swap	42,000 Gallons	0	517	0	1,400	0	50
NY Heating Oil Crack Sprd Cal Swap	1,000 Barrels	4,238	18,419	22,687	143,540	71	23,696
Gulf Heat Oil Crk Sprd Cal Swp	1,000 Barrels	0	220	0	1,150	0	0
Unleaded Gas Crack Sprd Cal Swap	1,000 Barrels	975	5,246	3,075	34,872	300	5,950
Gulf Unld Crack Sprd Cal Swap	1,000 Barrels	0	7,465	0	41,750	0	1,200
Palladium	100 Tr. Oz.	2,700	8,912	71,033	233,284	2,065	7,063
Platinum	50 Tr. Oz.	7,596	7,169	249,269	289,888	784	1,442
Aluminum	44,000 Lbs.	7,616	9,317	113,790	88,431	37,352	19,786
Silver	5,000 Tr. Oz.	90,307	99,490	3,755,726	4,828,398	25,708	28,844
Copper - Grade #1	25,000 Lbs.	84,360	80,585	3,011,851	3,187,232	91,508	63,165
Gold	100 Tr. Oz.	203,517	257,773	11,294,328	14,239,365	51,159	75,994
TOTAL NYMEX		2,191,988	3,180,247	112,890,571	127,122,287	1,041,660	1,759,230
TOTAL ALL MARKETS		13,648,950	17,649,679	986,149,000	1,225,638,049	9,125,008	11,356,152

Option Statistics by Major Commodity Group

Fiscal Year	Total	Grain	Oilseed Products	Livestock Products	Other Agriculturals	Energy/Wood Products	Metals	Financial Instruments	Currencies
AVERAGE MONTHEND OPEN INTEREST (IN CONTRACTS)									
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	570,232	291,539	92,278	464,908	2,012,885	433,397	12,857,377	217,433
2004	21,300,878	745,061	453,997	91,293	729,799	2,064,466	720,268	16,324,430	171,564
NUMBER OF CONTRACTS TRADED									
1998	124,107,563	6,251,033	5,663,415	1,000,816	4,937,468	12,132,919	3,178,313	86,884,632	4,058,967
1999	123,140,632	5,915,391	6,587,362	993,194	4,881,153	12,759,032	3,158,455	86,708,838	2,137,207
2000	102,579,828	6,993,655	5,189,730	882,772	5,046,387	14,904,652	3,455,302	64,695,826	1,411,504
2001	141,550,871	6,920,657	4,957,911	1,102,418	3,839,313	14,462,858	2,416,378	106,055,420	1,795,916
2002	213,994,986	7,472,194	5,253,772	826,566	4,177,874	23,108,551	2,510,590	168,512,568	2,132,871
2003	219,210,450	6,773,623	5,285,009	897,017	5,287,104	20,681,995	4,254,404	173,915,191	2,116,107
2004	271,033,083	9,824,557	8,356,386	865,917	7,814,504	22,031,804	5,820,895	214,207,456	2,111,564

Option Statistics by Exchange

Exchange/Commodity	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)	
	2002-03	2003-04	2002-03	2003-04
CHICAGO BOARD OF TRADE (CBT)				
Wheat	114,132	108,424	1,800,397	1,695,211
Corn	387,968	588,628	4,302,046	7,700,202
Oats	5,720	4,167	40,811	36,653
Rough Rice	4,397	3,097	30,842	28,989
Soybeans	190,614	285,644	4,227,836	6,301,054
Soybean Oil	66,061	97,798	630,468	1,057,806
Soybean Meal	34,864	70,555	426,705	997,526
Dow Jones Industrial Average	11,986	12,714	175,808	280,121
Dow Jones Industrial Avg. (x\$5)	0	14,494	0	248,248
U.S. Treasury Bonds	581,941	641,024	15,719,294	14,282,732
2-Year U.S. Treasury Notes	2,660	299	16,579	8,035
10-Year U.S. Treasury Notes	1,428,205	1,993,631	39,967,542	52,054,428
5-Year U.S. Treasury Notes	406,025	616,499	8,889,688	15,578,364
30-Day Federal Funds	234,261	484,898	1,345,371	3,492,965
10-Year Interest Rate Swap - 3mo	2,057	0	10,240	0
TOTAL CBT	3,470,891	4,921,872	77,583,627	103,762,334

CHICAGO MERCANTILE EXCHANGE (CME)

Lean Hogs	12,568	12,875	134,398	157,599
Frozen Pork Bellies	808	448	8,449	4,186
Live Cattle	64,136	64,762	605,946	545,697
Feeder Cattle	14,766	13,208	148,224	158,435
Butter	221	148	808	444
Milk	13,812	22,238	62,431	123,460
Class IV Milk	41	4	46	15
Canadian Dollar	31,098	18,656	203,530	160,443
Swiss Franc	6,223	4,237	60,821	43,890
British Pound Sterling	15,406	11,853	159,743	152,841
Japanese Yen	85,960	51,620	562,879	426,981
Euro	72,475	74,106	1,095,745	1,259,194
Australian Dollar	4,610	9,437	29,043	60,907
Mexican Peso	1,296	1,051	2,684	5,945
S&P 500 Stock Index	282,129	353,759	5,165,775	5,188,720
E-Mini S&P 500 Stock Index	2,292	10,351	81,852	253,716
S&P 400 Midcap Stock Index	61	43	1,295	285
NASDAQ-100 Stock Index	5,089	4,097	59,171	40,603

Exchange/Commodity	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)	
	2002-03	2003-04	2002-03	2003-04
Russell 2000 Stock Index Future	211	429	3,419	6,839
Nikkei Stock Average	491	1,359	6,447	10,512
1-Month Libor Rate	630	68	4,426	201
3-Month Eurodollars	9,886,080	12,166,147	102,356,314	122,542,380
Options On Bundled Euros	0	23	0	52
3-Mo. Euroyen	24	129	64	333
CME\$INDEX	1,000	0	1,000	0
Goldman-Sachs Commodity Index	29	40	1,487	1,331
Random Length Lumber	1,120	1,205	17,851	19,936
Euro Heating Degree Days	0	75	0	150
Euro Heating Season	0	350	0	2,200
Euro Monthly CAT	0	400	0	450
Cooling Season	90	6,150	150	5,650
Heating Season	1,558	3,528	2,240	4,950
Cooling Degree Days	63	2,767	230	3,350
Heating Degree Days	85	800	361	1,323
TOTAL CME	10,504,372	12,836,363	110,776,829	131,183,018

KANSAS CITY BOARD OF TRADE (KCBT)

Wheat	48,280	32,542	547,328	317,438
TOTAL KCBT	48,280	32,542	547,328	317,438

MINNEAPOLIS GRAIN EXCHANGE (MGE)

Wheat	8,520	5,508	49,303	41,594
National Corn Index	180	225	1,264	40
Hard Red Winter Wheat Index	1,035	2,470	1,632	4,430
TOTAL MGE	9,735	8,203	52,199	46,064

NEWYORK BOARD OF TRADE (NYBT): NEWYORK COTTON EXCHANGE (NYCE), NEWYORK FUTURES EXCHANGE (NYFE) AND COFFEE, SUGAR, AND COCOA EXCHANGE (CS&CE)

Cotton No. 2	123,781	227,627	1,446,525	2,440,530
Frozen Concentrated Orange Juice	24,513	45,704	173,123	428,823
Cocoa	62,607	34,852	678,064	388,946
Sugar No. 11	154,767	296,532	1,527,199	2,678,244
Coffee C	85,166	102,694	1,398,908	1,754,042
U.S. Dollar / Canadian Dollar	50	10	100	30
U.S. Dollar / British Pound	6	5	27	25
Japanese Yen / British Pound Cross-Rate	13	4	217	20

Exchange/Commodity	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)	
	2002-03	2003-04	2002-03	2003-04
U.S. Dollar / Japanese Yen	73	83	100	12
Euro/U.S. Dollar	29	75	255	596
Euro /Yen Cross-Rate	142	40	680	138
Euro / Swedish Krona Cross-Rate	1	0	4	0
Euro / Swiss Franc Cross-Rate	0	300	0	300
Pound / Euro Cross-Rate	28	17	241	72
U.S. Dollar /Swedish Krona	2	0	3	0
U.S. Dollar -Norwegian Krone	2	0	3	0
Australian Dollar / U.S. Dollar	10	0	10	0
Aussie Dollar / Canadian Dollar	1	0	3	0
Australian Dollar/Yen Cross-Rate	2	0	5	0
Australlian Dollar / Kiwi Cross-Rate	1	0	1	0
New Zealand Dollar	4	0	13	0
U.S. Dollar / South African Rand	1	70	0	170
Stock Index, NYSE CMP New	4,435	0	40,214	0
NYSE CMP Index (Regular) - Rev	2,043	5,994	5,599	44,193
Russell 1000 Stock Index Future	2,564	9,816	38,907	98,546
Russell 3000 Stock Index	0	268	0	1,247
Russell 1000 Growth	70	20	221	410
Russell 1000 Value	477	261	1,240	338
Russell 2000 Stock Index	0	1,768	0	18,871
U.S. Dollar Index	2,486	5,926	21,832	50,169
CRB Bridge Index	131	373	1,406	3,817
NYBOT Ethanol	0	0	0	10
TOTAL NYBT	463,405	732,439	5,334,900	7,909,549

NEWYORK MERCANTILE EXCHANGE (NYMEX) AND COMMODITY EXCHANGE, INC. (COMEX)

No. 2 Heating Oil, New York Harbor	61,431	58,160	659,297	653,291
Heating Oil Average Price Options	0	10	0	10
OTC Heating Oil Options	0	862	0	2,140
Heating Oil Cal Spread Options	305	375	3,185	1,025
Natural Gas	916,298	791,447	8,357,555	8,432,695
Natural Gas Cal Spread Options	1,146	777	16,377	10,505
OTC Natural Gas Options	0	171,433	0	804,252
PJM Electricity Monthly	0	217	0	1,665
Crude Oil (Light Sweet)	973,379	925,410	10,756,581	10,756,076
Crude Oil Calendar Spread Options	7,616	18,216	139,142	338,890
OTC Crude Oil Options	0	1,467	0	4,405
Crude Oil Avg Price Options	0	10,508	0	16,690
Unleaded Gasoline, New York Harbor	42,907	50,794	674,333	834,603
Unleaded Gas Average Price Options	0	260	0	0

Exchange/Commodity	Average Monthend Open Interest (Contracts)		Volume of Trading (Contracts)	
	2002-03	2003-04	2002-03	2003-04
OTC Unleaded Gas Options	0	1,265	0	10,480
Unleaded Gas Cal Spread Option	48	586	2,085	3,280
Heating Oil / Crude Oil Option Spread	2,982	9,217	18,570	62,640
Unleaded Gas /Crude Oil Option Spread	3,857	8,187	34,038	61,138
Platinum	57	76	464	813
Aluminum	595	0	2,409	0
Silver	61,973	87,468	477,240	933,059
Copper - Grade #1	3,640	21,532	32,423	199,809
Gold	367,132	611,192	3,741,868	4,687,214
TOTAL NYMEX	2,443,366	2,769,459	24,915,567	27,814,680
TOTAL OPTIONS	16,940,049	21,300,878	219,210,450	271,033,083
TOTAL FUTURES	13,648,950	17,649,679	986,149,000	1,225,638,049
GRAND TOTAL FUTURES AND OPTIONS	30,588,999	38,950,557	1,205,359,450	1,496,671,132

Futures and Option Contracts Authorized for Trading by the Commodity Futures Trading Commission as of September 30, 2004¹

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
CBT	Corn, Mini-Sized		11/22/02 (#)	
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 (#)	
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
CBT	Wheat, Mini-Sized		11/22/02 (#)	
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 (#)	

Exchange ²	Contract ³	Notes ³	Approval/Certification (#)	
			Date ⁴	Date Trading Began ⁵
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 Edible Oils Index, International*	(d)	06/15/94	09/23/94
PCE	Palm Oil	(r)	07/18/75	
CBT	Soybean Meal		08/22/51	08/19/51
MCE	Soybean Meal*		03/26/85	04/22/85
CBT	Soybean Oil		06/30/50	07/27/50
MCE	Soybean Oil*		12/22/94	01/13/95
CBT	Soybeans		05/07/98	05/08/98
CRCE	Soybeans	(y) 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

Exchange ²	Contract ³	Notes ³	Approval/Certification (#)	
			Date ⁴	Date Trading Began ⁵
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
MGE	Corn Syrup 55, High Fructose	(d)	03/10/87	04/06/87
CME	Eggs	(d)	09/13/36	12/01/19
PCE	Eggs	(r)	07/18/75	
CSCE	Milk		10/10/95	12/12/95
CME	Milk, BFP*		10/10/95	01/11/96
CSCE	Milk, BFP*		02/27/97	04/08/97
CSCE	Milk, BFP Large*		03/29/99	04/09/99
CME	Milk, Class IV		05/18/00 (#)	07/10/00
CME	Milk, Nonfat Dry*		10/02/98	11/16/98
CSCE	Milk, Nonfat Dry*	(d)	05/19/93	06/15/93
NYCE	Orange Juice, Frozen Concentrated – 1	²⁷	07/24/68	10/26/66
NYCE	Orange Juice, Frozen Concentrated – 2		03/27/90	10/01/99
NYCE	Orange Juice, Frozen Concentrated – A		12/29/03	02/20/04
NYCE	Orange Juice, Frozen Concentrated – B		12/29/03	02/20/04
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

Exchange ²	Contract ³	Notes ³	Approval/Certification (#)	
			Date ⁴	Date Trading Began ⁵
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
CME	Whey, Dry*		10/02/98	11/16/98

FOODSTUFFS / SOFTS OPTIONS

CME	Butter		06/10/96	09/05/96
CSCE	Butter		09/06/96	
CME	Butter, Cash Settled		03/17/99	
CSCE	Cheese, Cheddar	(d)	05/19/93	06/15/93
CME	Cheese, Cheddar Blocks		08/25/97	10/06/97
CSCE	Cocoa		12/17/85	03/13/86
CSCE	Coffee C		07/22/86	10/03/86
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	Milk, Nonfat Dry		10/02/98	11/16/98
CSCE	Milk, Nonfat Dry	(d)	05/19/93	06/15/93
NYCE	Orange Juice, Frozen Concentrated		12/17/85	12/19/85
NYCE	Orange Juice, Frozen Concentrated – A		12/29/03	02/23/04
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
CME	Whey, Dry		10/02/98	11/16/98

LIVESTOCK / MEATPRODUCT FUTURES

CME	Beef, Boneless, 90% Lean*		03/11/97	06/17/97
NYMEX	Beef, Boneless, Imported Lean	(d)	08/11/71	09/15/71
CME	Beef, Boneless, 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

Exchange ²	Contract ³	Approval/Certification (#)		
		Notes ³	Date ⁴	Date Trading Began ⁵
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	Hams, Skinned, Frozen	(d)	07/19/68	02/03/64
CME	Hogs, Lean, E-Mini		03/06/00 (#)	07/25/00
CME	Hogs, Lean*	¹³	06/18/68	02/28/66
MCE	Hogs, Lean*		09/14/73	06/03/74
MGE	Pork Bellies	(d)	03/19/71	04/15/71
CME	Pork Bellies, Fresh*	¹⁴	06/18/68	09/18/61
CME	Pork Bellies, Frozen	¹⁴	05/05/98	05/11/98
CME	Pork, Composite*		07/31/98	
CME	Turkeys, Frozen	(d)	07/18/75	10/01/45

LIVESTOCK / MEAT PRODUCT OPTIONS

CME	Beef, Boneless, 90% Lean		03/11/97	06/17/97
CME	Beef, Boneless Trimmings, 50% 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	Cattle, Feeder 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	

CROPYIELD FUTURES

CBT	Corn, Illinois Yield*		12/26/95	01/19/96
CBT	Corn, Indiana Yield*		12/26/95	01/19/96
CBT	Corn, Iowa Yield*		02/23/95	06/22/95
CBT	Corn, Nebraska Yield*		12/26/95	01/19/96
CBT	Corn, Ohio Yield*		12/26/95	01/19/96
CBT	Corn, U.S. Yield*		12/26/95	01/19/96
CBT	Soybean, Illinois Yield*		02/23/95	
CBT	Wheat, Kansas, Winter Yield*		02/23/95	
CBT	Wheat North Dakota, Spring Yield*		02/23/95	

Exchange ²	Contract ³	Notes ³	Approval/Certification (#)	
			Date ⁴	Date Trading Began ⁵
CROPYIELD OPTIONS				
CBT	Corn, Illinois Yield		12/26/95	01/19/96
CBT	Corn, Indiana Yield		12/26/95	01/19/96
CBT	Corn, Iowa Yield		02/23/95	06/22/95
CBT	Corn, Nebraska Yield		12/26/95	01/19/96
CBT	Corn, Ohio Yield		12/26/95	01/19/96
CBT	Corn, U. S. Yield		12/26/95	01/19/96
CBT	Soybean, Illinois Yield		02/23/95	
CBT	Wheat, Kansas, Winter Yield		02/23/95	
CBT	Wheat, North Dakota, Spring Yield		02/23/95	

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	
CSCE	Ethanol		04/21/04 (#)	05/04/04

OTHER AGRICULTURAL OPTIONS

CSCE	Ethanol		04/21/04 (#)	
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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*	²⁹	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

Exchange ²	Contract ³	Notes ³	Approval/Certification (#) Date ⁴	Date Trading Began ⁵
NYMEX	British Pound	(d)	07/18/75	09/12/74
PBT	British Pound*	²⁹	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*	²⁹	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	Czech Koruna		01/15/04 (#)	07/12/04
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
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
PBOT	Euro*		10/23/03 (#)	12/16/03
CME	Euro, E-Mini	²⁶	08/20/99	10/07/99

Exchange ²	Contract ³	Notes ³	Approval/Certification (#)	
			Date ⁴	Date Trading Began ⁵
NYCE	Euro, Forint		09/11/03 (#)	09/19/03
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/Czech Koruna		01/15/04 (#)	07/12/04
CME	Euro/Hungarian Forint		01/15/04 (#)	07/12/04
CME	Euro/Polish Zloty		01/15/04 (#)	07/12/04
NYCE	Euro/U.S. Dollar	26	12/17/85	01/07/86
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
CME	Hungarian Forint		01/15/04 (#)	07/12/04
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*	29	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
NYCE	Norwegian Krone/Swedish Krona		04/15/04 (#)	05/07/04
CME	Polish Zloty		01/15/04 (#)	07/12/04

Exchange ²	Contract ³	Notes ³	Approval/Certification (#) Date ⁴	Date Trading Began ⁵
NYCE	Pounds Sterling/U.S. Dollar, Small		01/21/04 (#)	02/13/04
CME	Rolling Spot Australian Dollar	(d)	08/10/93	
CME	Rolling Spot British Pound Sterling	(d)	04/06/93	06/15/93
CME	Rolling Spot Canadian Dollar	(d)	05/19/93	
CME	Rolling Spot Deutsche Mark	(d)	05/19/93	09/14/93
CME	Rolling Spot French Franc	(d)	09/15/93	
CME	Rolling Spot Japanese Yen	(d)	05/19/93	
CME	Rolling Spot Swiss Franc	(d)	05/19/93	
CME	Russian Ruble*		04/20/98	04/21/98
NYCE	Singapore Dollar*		04/16/97	
CME	South African Rand		04/16/97	05/07/97
NYCE	South African Rand		03/28/97	04/03/97
CME	Swedish Krona		05/16/02 (#)	03/12/02
NYCE	Swedish Krona/Deutsche Mark*		03/29/94	03/22/96
CME	Swiss Franc		07/18/75	05/16/72
MCE	Swiss Franc		08/16/83	09/16/83
NYFE	Swiss Franc		05/28/80	08/07/80
NYMEX	Swiss Franc	(d)	07/18/75	09/12/74
PBT	Swiss Franc*	²⁹	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/Canadian Dollar, Small		01/21/04 (#)	02/13/04
NYCE	U.S. Dollar/Japanese Yen, Small		01/21/04 (#)	02/13/04
NYCE	U.S. Dollar/Norwegian Krona		04/13/00 (#)	05/12/00
NYCE	U.S. Dollar/Swedish Krona		04/13/00 (#)	05/12/00
NYCE	U.S. Dollar/Swiss Franc, Small		01/21/04 (#)	02/13/04

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, European-Style		02/05/04 (#)	
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	

Exchange ²	Contract ³	Notes ³	Approval/Certification (#)	
			Date ⁴	Date Trading Began ⁵
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
CME	Canadian Dollar, European-Style		02/05/04 (#)	
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	Czech Koruna		01/15/04 (#)	07/12/04
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	
CME	Euro, European-Style		02/05/04 (#)	
NYCE	Euro/Australian Dollar Cross Rate		04/13/00 (#)	05/15/00
CME	Euro/British Pound Cross Rate	²⁶	02/23/98	
CME	Euro/Canadian Dollar Cross Rate	²⁶	02/23/98	
NYCE	Euro/Canadian Dollar Cross Rate		05/10/99	
CME	Euro/Czech Koruna		01/15/04 (#)	07/12/04
CME	Euro/Deutsche Mark Cross Rate	²⁶	02/23/98	
NYCE	Euro-Forint		09/11/03 (#)	09/22/03
CME	Euro/Hungarian Forint		01/15/04 (#)	07/12/04
CME	Euro/Polish Zloty		01/15/04 (#)	07/12/04
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	

Exchange ²	Contract ³	Approval/Certification (#)		
		Notes ³	Date ⁴	Date Trading Began ⁵
CME	French Franc		09/15/93	09/20/93
NYCE	French Franc/Deutsche Mark		03/29/94	04/21/95
CME	Hungarian Forint		01/15/04 (#)	07/12/04
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	
CME	Japanese Yen, European-Style		02/05/04 (#)	
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	
NYCE	Norwegian Krone/Swedish Krona		04/15/04 (#)	05/10/04
CME	Polish Zloty		01/15/04 (#)	07/12/04
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, European-Style		02/05/04 (#)	
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*	(d) ¹⁶	08/01/85	08/08/85
CBT	Amex Major Market Index Mini*	(d) ¹⁶	06/19/84	07/23/84
CBT	Amex Market Value Index *	(d)	06/19/84	
CBT	CBOE 50 Stock Index*	(d)	05/11/88	11/01/88

Exchange ²	Contract ³	Notes ³	Approval/Certification (#)	
			Date ⁴	Date Trading Began ⁵
CBT	CBOE 250 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
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

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

Exchange ²	Contract ³	Notes ³	Approval/Certification (#)	
			Date ⁴	Date Trading Began ⁵
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
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, 5-year		03/14/00 (#)	05/03/00
CME	Agency Notes, 5-year		03/13/00	03/14/00
CBT	Agency Notes, 10-year		03/14/00 (#)	03/15/00
CME	Agency Notes, 10-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	
CBT	BOBL*		01/30/04 (#)	04/23/04

Exchange ²	Contract ³	Notes ³	Approval/Certification (#) Date ⁴	Date Trading Began ⁵
CME	Brazilian "C" Brady Bond		03/21/96	03/26/96
CME	Brazilian "E1" 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	Bund*		01/30/04 (#)	04/23/04
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
CBT	ECU Interest Rate, 3-Month*	(d)	11/27/90	
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-Month*		07/23/99	
CME	Eurodollar Forward Rate Agreement, 3-Month*		05/07/04 (#)	06/30/04
CBT	Eurodollar Time Deposit Rates, 3-Month*		12/15/81	
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	
CBT	Eurodollar Time Deposit Rates, Mini-Sized		08/31/01 (#)	
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
CME	Interest Rate Swap, 2-year		04/08/02 (#)	01/22/02
CBT	Interest Rate Swap, 5-year*	(d)	01/29/91	06/21/91
CME	Interest Rate Swap, 5-year		04/08/02 (#)	01/22/02
CBT	Interest Rate Swap, 10-year*	(d) ¹⁹	01/29/91	06/21/91
CME	Interest Rate Swap, 10-year		04/08/02 (#)	01/22/02

Exchange ²	Contract ³	Notes ³	Approval/Certification (#)	
			Date ⁴	Date Trading Began ⁵
CBT	Italian Government Bonds		05/06/97	
CME	Japanese Government Bonds, 10-Year		06/08/98	
CBT	Japanese Government Bonds, Long-Term	(d)	11/22/88	09/27/90
CME	Japanese Yen Euro-Rate Differential*	(d)	06/29/89	07/06/89
CME	Mexican Interbank Interest Rates, 28-Day		03/10/97	04/17/97
CME	Mexican Par Brady Bond*		02/26/96	03/26/96
CME	Mexican Treasury Bills, 91-Day (CETES)		03/10/97	04/03/97
CBT	Mexico Brady Bond Index*		02/26/96	03/01/96
CBT	Mortgage-Backed Future*	(d) ¹⁸	09/11/78	09/12/78
CBT	Mortgage-Backed Securities		11/30/00 (#)	03/01/01
CBT	Municipal Bond Index, Long-Term*		05/29/85	06/11/85
CME	One-Month LIBOR*		10/31/89	04/05/90
CBT	Schatz*		01/30/04 (#)	04/23/04
CBT	U.K. Gilts, Long-Term		11/22/88	
CFFE	U.S. Agency Notes, 5-year		03/24/00	03/15/00
CFFE	U.S. Agency Notes, 10-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
USFE	U.S. Treasury Bonds, 30-Year, Long-Term		02/05/04 (#)	02/08/04
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

Exchange ²	Contract ³	Notes ³	Approval/Certification (#) Date ⁴	Date Trading Began ⁵
CFFE	U.S. Treasury Notes, 2-Year, When-Issued		01/25/01 (#)	
USFE	U.S. Treasury Note, 2-Year, Short-Term		02/05/04 (#)	02/08/04
CBT	U.S. Treasury Notes, 2-Year, When-Issued*		03/18/04 (#)	05/14/04
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
CFFE	U.S. Treasury Notes, 5-Year, When-Issued		01/25/01 (#)	02/26/01
USFE	U.S. Treasury Note, 5-Year, Medium-Term		02/05/04 (#)	02/08/04
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
USFE	U.S. Treasury Note, 10-Year, Long-Term		02/05/04 (#)	02/08/04
CFFE	U.S. Treasury Notes, 10-Year, When-Issued		01/25/01	02/26/01
CBT	U.S. Treasury Notes, Long-Term		09/23/81	05/03/82
MCE	U.S. Treasury Notes, Long-Term		04/19/88	06/22/88
CBT	U.S. Treasury Notes, Long-Term, Mini-Sized		08/31/01 (#)	10/01/01
CBT	U.S. Treasury Notes, Medium-Term		06/19/79	06/25/79
MCE	U.S. Treasury Notes, Medium-Term		11/05/92	04/30/93
CBT	U.S. Treasury Notes, Short-Term		09/30/81	01/21/83
CBT	U.S. Treasury Notes, Short-Term*		10/16/90	08/02/91
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, 2 – 3-Year*		03/13/96	03/26/96
CBT	Yield Curve Spread, 2 – 5-Year*		09/15/95	
CBT	Yield Curve Spread, 2 - 10-Year*		09/15/95	
CBT	Yield Curve Spread, 2 – 30-Year*		09/15/95	
CBT	Yield Curve Spread, 3 – 5-Year*		03/13/96	
CBT	Yield Curve Spread, 3 – 10-Year*		03/13/96	
CBT	Yield Curve Spread, 3 – 30-Year*		03/13/96	
CBT	Yield Curve Spread, 5 – 10-Year*		09/15/95	
CBT	Yield Curve Spread, 5 – 30-Year*		09/15/95	
CBT	Yield Curve Spread, 10 - 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

Exchange ²	Contract ³	Notes ³	Approval/Certification (#) Date ⁴	Date Trading Began ⁵
INTEREST RATE OPTIONS				
CBT	Agency Notes, 5-Year		03/14/00 (#)	
CME	Agency Notes, 5-Year		03/13/00	04/10/00
CBT	Agency Notes, 10-Year		03/14/00 (#)	03/15/00
CME	Agency Notes, 10-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 "E1" 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	
CBT	ECU Interest Rate, 3-Month (d)		03/25/91	
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-Month		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	
CME	Interest Rate Swap,, 2-Year			(#) 01/22/02
CBT	Interest Rate Swap, 5-Year (d)		02/26/91	06/21/91
CME	Interest Rate Swap, 5-Year			(#) 01/22/02
CBT	Interest Rate Swap, 10-Year (d) ¹⁹		02/26/91	06/21/91
CME	Interest Rate Swap, 10-Year			(#) 01/22/02
CBT	Italian Government Bonds		05/06/97	
CME	Japanese Government Bond, 10-Year		06/08/98	
CBT	Japanese Government Bond, Long-Term (d)		06/20/90	09/27/90
CME	Japanese Yen Euro-Rate Differential (d)		11/21/89	
CME	LIBOR, One-Month		04/30/91	06/12/91
CME	Mexican Interbank Interest Rate, 28-Day		03/10/97	04/17/97
CME	Mexican Par Brady Bond		02/26/96	03/26/96
CME	Mexican Treasury Bill, 91-Day (CETES)		03/10/97	04/03/97

Exchange ²	Contract ³	Notes ³	Approval/Certification (#) Date ⁴	Date Trading Began ⁵
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	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 Bond		06/18/01	
CBT	U.S. Treasury Bond, 15-Year		08/31/82	10/01/82
MCE	U.S. Treasury Bond, 15-Year		02/26/91	03/22/91
USFE	U.S. Treasury Bond, 30-Year, Long-Term		02/05/04 (#)	02/08/04
CFFE	U.S. Treasury Bond, Flexible Coupon		03/01/99	
CBT	U.S. Treasury Bond, Inflation-Indexed		06/02/97	
USFE	U.S. Treasury Note, 2-Year, Short-Term		02/05/04 (#)	02/08/04
NYCE	U.S. Treasury Note, 5-Year	(d)	11/17/87	02/23/88
USFE	U.S. Treasury Note, 5-Year, Medium-Term		02/05/04 (#)	02/08/04
CFFE	U.S. Treasury Note, 10-Year		04/24/01	
USFE	U.S. Treasury Note, 10-Year, Long-Term		02/05/04 (#)	02/08/04
CBT	U.S. Treasury Note, Long-Term		04/23/85	05/01/85
CBT	U.S. Treasury Note, Long-Term, Inflation-Indexed		03/21/97	07/03/97
CBT	U.S. Treasury Note, Medium-Term		05/11/88	05/24/90
MCE	U.S. Treasury Note, Medium-Term		11/05/92	04/30/93
CBT	U.S. Treasury Note, Medium-Term, Inflation-Indexed		06/02/97	07/03/97
CBT	U.S. Treasury Note, 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 (#)	
CME	CPI*		02/09/04 (#)	11/21/03

Exchange ²	Contract ³	Notes ³	Approval/Certification (#)	
			Date ⁴	Date Trading Began ⁵
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	Gold, TRAKRS*		10/22/03 (#)	12/03/03
CME	Goldman Sachs Commodity Index*		06/09/92	07/28/92
NYFE	KR-CRB Futures Price Index*		05/20/86	06/12/86
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	²⁸	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	
HS	Consumer Price Index*		06/29/04 (#)	07/02/04
HS	Eur/USD*		06/29/04 (#)	07/02/04
HS	Fed Funds Rate*		06/29/04 (#)	07/02/04
HS	Gasoline*		06/29/04 (#)	07/02/04
HS	GBP/USD*		06/29/04 (#)	07/02/04
HS	Gold*		06/29/04 (#)	07/02/04
CME	Goldman Sachs Commodity Index*		06/09/92	07/28/92
HS	Hospital Service*		06/29/04 (#)	07/02/04
HS	HPI Chicago*		06/29/04 (#)	07/02/04
HS	HPI Los Angeles*		06/29/04 (#)	07/02/04
HS	HPI Miami*		06/29/04 (#)	07/02/04
HS	HPI New York*		06/29/04 (#)	07/02/04
HS	HPI San Diego*		06/29/04 (#)	07/02/04
HS	HPI San Francisco*		06/29/04 (#)	07/02/04
CSCE	Inflation Rate (Physical)*	(d)	06/23/87	
HS	ISM Manufacturing PMI*		06/29/04 (#)	07/02/04
NYFE	KR-CRB Futures Price Index		09/13/88	10/10/88
HS	Mortgage Rate, 1-Year ARMs*		06/29/04 (#)	07/02/04
HS	Mortgage Rate, 30-Year Frms*		06/29/04 (#)	07/02/04
HS	Nonfarm Payrolls*		06/29/04 (#)	07/02/04
HS	Prescription Drugs*		06/29/04 (#)	07/02/04
HS	Retail Sales*		06/29/04 (#)	07/02/04
NYCE	Reuters CRB Index*		07/22/03 (#)	08/01/03

Exchange ²	Contract ³	Notes ³	Approval/Certification (#)	
			Date ⁴	Date Trading Began ⁵
CME	S&P Commodity Index*		10/19/01 (#)	10/12/01
HS	Unemployment Claims*		06/29/04 (#)	07/02/04
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
HS	USD/CHF*		06/29/04 (#)	07/02/04
HS	USD/Yen*		06/29/04 (#)	07/02/04

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	

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

Exchange ²	Contract ³	Notes ³	Approval/Certification (#) Date ⁴	Date Trading Began ⁵
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
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 Index, Chicago*		08/17/04 (#)	08/23/04
NYMEX	Natural Gas Index, Permian*		08/17/04 (#)	08/23/04
NYMEX	Natural Gas Index, Henry Hub*		08/17/04 (#)	08/23/04
NYMEX	Natural Gas Index, Houston Ship Channel*		08/17/04 (#)	08/23/04
NYMEX	Natural Gas Index, Panhandle*		08/17/04 (#)	08/23/04
NYMEX	Natural Gas Index, Waha*		08/17/04 (#)	08/23/04
NYMEX	Natural Gas, Permian Basin		05/31/96	05/31/96
NYMEX	Natural Gas Swing, Chicago*		08/17/04 (#)	08/23/04
NYMEX	Natural Gas Swing, Permian*		08/17/04 (#)	08/23/04
NYMEX	Natural Gas Swing, Henry Hub*		08/17/04 (#)	08/23/04
NYMEX	Natural Gas Swing, Houston Ship Channel*		08/17/04 (#)	08/23/04
NYMEX	Natural Gas Swing, Panhandle*		08/17/04 (#)	08/23/04
NYMEX	Natural Gas Swing, Waha*		08/17/04 (#)	08/23/04
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

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

Exchange ²	Contract ³	Notes ³	Approval/Certification (#)	
			Date ⁴	Date Trading Began ⁵
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
CBT	Gold, 100 tr. oz.		08/04/04 (#)	10/06/04
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
CBT	Silver, 5,000 tr. oz.		08/04/04 (#)	10/06/04
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

Exchange ²	Contract ³	Notes ³	Approval/Certification (#)	
			Date ⁴	Date Trading Began ⁵
CBT	Silver, New York, Mini-Sized		09/26/01 (#)	10/01/01
CME	U.S. Silver Coins	(d)	07/18/75	10/01/73
MCE	U.S. Silver Coins	(d)	07/18/75	03/27/72
NYMEX	U.S. Silver Coins	(r)	07/18/75	04/01/71
COMEX	Zinc	(d)	10/04/77	02/08/78

METAL OPTIONS

COMEX	Aluminum		03/24/99	07/23/99
COMEX	Copper		03/21/86	04/07/86
COMEX	Five-Day Gold	(d)	03/25/91	09/03/91
COMEX	Five-Day Silver	(d)	09/27/91	12/10/91
COMEX	Gold		08/31/82	10/04/82
MCE	Gold		08/31/82	08/17/84
CME	Gold	(d)	11/17/87	
CBT	Gold	(d)	04/19/88	
CME	Gold (Physical)	(d)	12/19/89	
ACC	Gold Bullion (Physical)*	(d)	02/15/85	04/26/85
ACC	Gold Warrants (Physical)	(d)	08/25/88	
NYMEX	Platinum		01/23/90	10/16/90
COMEX	Platinum	(d)	08/11/92	09/08/92
COMEX	Silver		08/21/84	10/04/84
CBT	Silver, 1,000 tr.oz.		02/12/85	03/29/85
CBT	Silver, 5,000 tr.oz.	(d)	04/19/88	

WOOD PRODUCT FUTURES

CME	Oriented Strand Board		09/24/96	11/08/96
CBT	Oriented Strand Board, South Eastern		02/07/00	03/01/00
CBT	Oriented Strand Board, South Western		02/07/00	03/01/00
CBT	Oriented Strand Board, Western		02/07/00	03/01/00
CME	Plywood	(d)	06/30/81	07/28/81
CBT	Plywood, Western	(d)	07/18/75	12/01/69
CME	Random Length Lumber		07/18/75	10/01/69
CBT	Structural Panel Index*		12/21/93	01/25/94
CBT	Stud Lumber	(d)	07/18/75	12/01/72
CME	Stud Lumber	(d)	10/04/77	12/01/77

WOOD PRODUCT OPTIONS

CBT	CBT Structural Panel Index		12/21/93	01/25/94
CME	Oriented Strand Board		09/10/96	11/11/96
CBT	Oriented Strand Board, South Eastern		02/07/00	03/02/00
CBT	Oriented Strand Board, South Western		02/07/00	03/02/00
CBT	Oriented Strand Board, Western		02/07/00	03/02/00
CME	Random Length Lumber		01/21/87	05/29/87

Exchange ²	Contract ³	Notes ³	Approval/Certification (#) Date ⁴	Date Trading Began ⁵
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	Dow Jones Electricity Price Index Swap, NP15*		(#)	06/04/04
NYMEX	Dow Jones Electricity Price Index Swap, SP15*		05/28/04 (#)	06/04/04
NYMEX	Dow Jones MidColumbia Electricity Price Index Swap*		05/28/04 (#)	06/04/04
NYMEX	Dow Jones Palo Verde Electricity Price Index Swap*		05/28/04 (#)	06/04/04
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
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
PJM	LMP Swap, Calendar Month*		2/27/04 (#)	03/05/04
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

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

CME	CME Pacific Rim Index, Osaka*		07/21/04 (#)	07/26/04
CME	CME Pacific Rim Index, Osaka, Seasonal*		07/21/04 (#)	07/26/04
CME	CME Pacific Rim Index Tokyo*		07/21/04 (#)	07/26/04
CME	CME Pacific Rim Index Tokyo, Seasonal*		07/21/04 (#)	07/26/04
CME	Degree Days, Boston, Seasonal*		06/18/04 (#)	06/21/03
CME	Degree Days, Houston, Seasonal*		06/18/04 (#)	06/21/03
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	

Exchange ²	Contract ³	Notes ³	Approval/Certification (#) Date ⁴	Date Trading Began ⁵
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	
CME	Degree Days Index, Sacramento*		09/24/03 (#)	09/26/03
CME	Degree Days Index, Seasonal, Atlanta*		09/24/03 (#)	09/26/03
CME	Degree Days Index, Seasonal, Dallas, Ft. Worth*		09/24/03 (#)	09/26/03
CME	Degree Days Index, Seasonal, De Moines*		09/24/03 (#)	09/26/03
CME	Degree Days Index, Seasonal, Las Vegas*		09/24/03 (#)	09/26/03
CME	Degree Days Index, Seasonal, Philadelphia*		09/24/03 (#)	09/26/03
CME	Degree Days Index, Seasonal, Portland*		09/24/03 (#)	09/26/03
CME	Degree Days Index, Seasonal, Tucson*		09/24/03 (#)	09/26/03
CME	Degree Days Index, Tucson*		08/12/99	
CME	Degree Days, Kansas City, Seasonal*		07/21/04 (#)	06/21/03
CME	Degree Days, Minneapolis-St. Paul, Seasonal*		07/21/04 (#)	06/21/03
CME	Degree Days, Sacramento, Seasonal*		07/21/04 (#)	06/21/03
CME	Heating Degree Days, Amsterdam, Monthly*		10/01/03 (#)	10/03/04
CME	Heating Degree Days, Amsterdam, Seasonal*		10/01/03 (#)	10/03/04
CME	Heating Degree Days, Berlin, Monthly*		10/01/03 (#)	10/03/04
CME	Heating Degree Days, Berlin, Seasonal*		10/01/03 (#)	10/03/04
CME	Heating Degree Days, London, Monthly*		10/01/03 (#)	10/03/04
CME	Heating Degree Days, London, Seasonal*		10/01/03 (#)	10/03/04
CME	Heating Degree Days, Paris, Monthly*		10/01/03 (#)	10/03/04
CME	Heating Degree Days, Paris, Seasonal*		10/01/03 (#)	10/03/04
CME	Heating Degree Days, Stockholm, Monthly*		10/01/03 (#)	10/03/04
CME	Heating Degree Days, Stockholm, Seasonal*		10/01/03 (#)	10/03/04
CME	Temperature Cumulative Average, Amsterdam, Monthly*		10/01/03 (#)	10/03/04
CME	Temperature Cumulative Average, Amsterdam, Seasonal*		10/01/03 (#)	10/03/04
CME	Temperature Cumulative Average, Berlin, Monthly*		10/01/03 (#)	10/03/04
CME	Temperature Cumulative Average, Berlin, Seasonal*		10/01/03 (#)	10/03/04
CME	Temperature Cumulative Average, London, Monthly*		10/01/03 (#)	10/03/04
CME	Temperature Cumulative Average, London, Seasonal*		10/01/03 (#)	10/03/04
CME	Temperature Cumulative Average, Paris, Monthly*		10/01/03 (#)	10/03/04
CME	Temperature Cumulative Average, Paris, Seasonal*		10/01/03 (#)	10/03/04
CME	Temperature Cumulative Average, Stockholm, Monthly*		10/01/03 (#)	10/03/04
CME	Temperature Cumulative Average, Stockholm, Seasonal*		10/01/03 (#)	10/03/04

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	CSCC
COMEX Division of New York Mercantile Exchange	COMEX
Kansas City Board of Trade	KCBT
MidAmerica Commodity Exchange	MCE
Minneapolis Grain Exchange	MGE
New York Cotton Exchange	NYCE
New York Futures Exchange	NYFE
New York Mercantile Exchange	NYMEX
OnExchange Board of Trade	ONXBT
Philadelphia Board of Trade	PBT
Pacific Commodity Exchange	PCE
Pacific Futures Exchange	PFE
Twin Cities Board of Trade	TCBT

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

3. Most futures contracts are settled by physical delivery of the underlying commodity. An asterisk (*) next to the contract name means that the contract is settled in cash based on a price calculated by an independent third party or through a formula specified in the contract terms. Almost all option contracts are options on futures, meaning that exercise results in the establishment of a position in the underlying futures contract; options that have the notation ("Physical") after the contract name are options on physicals, meaning that they are settled by delivery of the actual commodity or via cash settlement, not via exercise into an underlying future. The letter (d) in the "notes" column indicates that a designated contract is dormant; i.e., the contract has been approved for more than five years and has not traded in the past six months. A blank space in the "notes" column indicates that the contract was traded this fiscal year and is not dormant. The letters (v) and (r) indicate that the contract is no longer legally in force because the approval had been vacated or revoked. "Vacated" contracts are contracts for which an exchange has requested that its designation be removed. "Revoked" contracts are contracts for which the Commission has rescinded an exchange's authority to list the contract.

4. The "approval/certification date" is: (1) the date on which the exchange was authorized to trade the contract under the Commission's approval procedures; or (2) the date on which the Commission received the exchange's filing under listing procedures. A "(#)" following the date indicates that the contract was filed with the Commission pursuant to exchange certification. If a contract was previously approved by the Secretary of Agriculture as a contract market in a particular commodity and that approval was in effect on July 18, 1975, the Commission did not specifically approve these contracts as such on July 18, 1975. Those contract approvals continued in force and effect by virtue of section 411 of the Commodity Futures Trading Commission Act of 1974.

5. The "trading began" column indicates, according to data supplied by the exchanges, when trading began in a commodity; that is, the date of the first recorded futures or option trading in the commodity. For many contracts, the contract terms have changed materially since the date when trading began. A blank space in this column means that, although approved by the Commission, the exchange has not listed the contract for trading as of the end of the current fiscal year.

6. Trading in the CBT's "old" corn and soybean futures contracts was replaced in January 2000 by new contracts approved by the Commission in 1998 as part of a proceeding under former section 5a(a)(10) of the Commodity Exchange Act.

7. The CRCE originally was the New Orleans Commodity Exchange (NOCE). On June 15, 1983, the NOCE ceased trading and liquidated all open commitments in all traded commodities. In September 1983, NOCE became the Chicago Rice and Cotton Exchange (CRCE). On November 8, 1991, when the MCE was designated in rough rice futures, all open positions in CRCE rough rice futures were transferred to the MCE and, at the same time, all five CRCE futures contract designations were vacated. On October 3, 1994, open positions in MCE rough rice futures were transferred to the CBT.

8. Contract amended June 21, 1983, to specify mandatory cash settlement in lieu of physical delivery.

9. Name changed from sugar No. 10 to sugar No. 12 and then, on July 1, 1985, from sugar No. 12 to sugar No. 14.

10. Name changed to boneless beef trimmings from boneless beef on April 21, 1977, when contract terms were amended to change the underlying commodity. Name changed to boneless beef trimmings, 50 percent lean, on April 11, 1997, when the contract's physical delivery provisions were replaced by mandatory cash settlement provisions.

11. Contract amended December 20, 1990, to specify mandatory cash settlement in lieu of physical delivery.

12. Contract amended December 10, 1985, to specify mandatory cash settlement in lieu of physical delivery. On June 5, 1992, the basis of the cash settlement price was changed to a USDA price.

13. Contract amended October 25, 1995, to specify mandatory cash settlement, based on USDA price, in lieu of physical delivery. The contract name was also changed at that time to lean hogs from live hogs since the underlying commodity was changed to hog carcasses from live hogs.

14. The CME's "old" frozen pork bellies futures and option contracts were renamed as the fresh pork bellies futures and option contracts on March 2, 1997, when the contract's physical delivery provisions were replaced by mandatory cash settlement provisions. The Commission approved on May 5, 1998, a subsequent CME designation application to reintroduce trading in physical delivery frozen pork bellies futures and option contracts.

15. Contracts amended on March 5, 1998, to specify physical delivery and payment of currencies rather than cash settlement.

16. On September 13, 1991, the CBT's Amex major market index (MMI) contract was renamed the MMI mini contract. The MMI maxi contract was renamed the MMI contract at that time and subsequently, on September 17, 1993, de-listed from the CBT.

17. The option on the value line average stock index futures contract was amended to be the option on the mini-value line average stock Index futures contract on May 28, 1992.
18. Originally approved as the GNMA-CD contract, the name was later changed to GNMA II and then to GNMA. On April 19, 1988, this contract was renamed as mortgage-backed future.
19. The underlying instrument was changed from a three-year interest rate swap to a 10-year interest rate swap on September 4, 1992.
20. These contracts were vacated on April 6, 1993, concurrent with Commission approval of identical CBT contracts.
21. This contract was originally named the NYMEX Gulf Coast unleaded gasoline futures contract. It was renamed as Texas unleaded gasoline to distinguish it from another similar contract approved on February 11, 1992.
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.
28. Contract amended May 30, 2000, to specify physical delivery in lieu of cash settlement.
29. Contract amended October 23, 2003, to specify cash settlement in lieu of physical delivery.

Futures Industry Registrants by Location as of September 30, 2004

Location	Floor Brokers	Floor Traders	Associated Persons*	FCMs**	Guaranteed IBs**	Non-Guar. IBs**	CTAs**	CPOs**	Principals	*Branches
Alabama	3	0	317	0	4	0	4	3	27	53
Alaska	1	0	55	0	2	0	1	1	5	10
Arizona	8	6	575	0	15	6	23	6	56	78
Arkansas	4	3	289	1	13	1	7	0	44	46
California	30	10	6,352	13	124	51	235	124	827	623
Colorado	9	1	775	1	26	6	42	26	112	130
Connecticut	95	7	1,354	7	7	13	124	140	417	118
Delaware	1	0	109	0	1	0	2	5	5	13
DC	0	0	125	0	0	2	4	6	19	6
Florida	67	9	3,579	13	117	60	159	71	563	418
Georgia	5	6	960	0	20	8	32	9	91	123
Hawaii	1	0	158	0	1	1	8	4	9	18
Idaho	1	0	127	0	7	0	3	1	16	31
Illinois	5,541	1,022	4,742	59	149	100	401	201	1,263	405
Indiana	90	17	587	0	34	3	21	14	94	101
Iowa	10	2	582	2	81	11	39	11	221	146
Kansas	74	2	457	0	37	2	10	5	123	93
Kentucky	1	1	233	0	5	1	6	5	18	43
Louisiana	0	1	357	0	5	1	8	3	21	68
Maine	0	0	71	0	0	0	5	2	9	15
Maryland	2	0	720	1	2	4	22	14	96	99
Massachusetts	8	4	1,099	1	5	5	66	51	216	94
Michigan	15	6	864	2	11	4	25	8	82	142
Minnesota	118	4	859	4	41	3	36	30	167	149
Mississippi	0	0	136	0	1	1	4	2	17	29
Missouri	64	6	695	2	35	9	24	13	116	99
Montana	5	0	80	0	8	0	2	3	11	21
Nebraska	1	0	418	1	62	5	13	5	131	96
Nevada	15	1	296	0	9	4	27	10	43	43
New Hampshire	3	1	117	0	2	1	4	2	16	22
New Jersey	819	109	3,424	8	15	21	150	108	608	221
New Mexico	1	3	153	0	5	0	9	6	21	24
New York	1,475	224	7,461	81	47	130	491	597	1,528	327
North Carolina	2	1	740	2	13	9	29	16	95	136
North Dakota	1	0	100	0	17	0	2	1	24	31
Ohio	6	3	1,036	1	21	7	31	7	121	170
Oklahoma	1	1	388	0	17	2	10	6	47	62
Oregon	1	1	438	0	17	0	23	4	46	53
Pennsylvania	44	13	1,244	1	10	9	39	32	137	169
Rhode Island	2	1	85	0	1	0	2	2	9	13

Location	Floor Brokers	Floor Traders	Associated Persons*	FCMs**	Guaranteed IBs**	Non-Guar. IBs**	CTAs**	CPOs**	Principals	*Branches
South Carolina	4	1	345	0	2	0	9	3	19	65
South Dakota	0	0	143	0	24	1	4	1	50	44
Tennessee	5	2	688	2	22	7	31	19	117	80
Texas	14	9	2,877	3	71	24	131	76	414	355
Utah	1	1	244	0	3	2	8	6	27	31
Vermont	4	0	81	0	1	0	2	0	2	12
Virginia	2	2								
862	2	13	7	45	27	148	120			
Washington	1	3	752	0	11	4	23	18	83	108
West Virginia	0	0	80	0	0	0	1	0	2	21
Wisconsin	47	8	574	2	21	3	31	11	98	97
Wyoming	2	0	36	0	2	0	0	1	5	9
TOTAL U.S.	8,604	1,491	48,839	209	1,157	528	2,428	1,716	8,436	5,480
TOTAL FOREIGN	95	31	1,948	6	5	13	249	155	885	64
TOTAL REGISTERED	8,699	1,522	50,787	215	1,162	541	2,677	1,871	9,321	5,544

*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 16 and 40 securities broker-dealers, respectively, that have "notice registered" to engage in security futures transactions.

CFTC 2004 Available Funds and Staff-Years

CFTC 2004 AVAILABLE FUNDS AND STAFF-YEARS

Funds Appropriated	89,900,000 ¹
Staff-Year Ceiling	497
Staff-Years Used	515

CFTC STAFF-YEARS BY GEOGRAPHIC LOCATION (FY 2004 ACTUAL)

District of Columbia	332
Illinois	97
Minnesota	2
Missouri	12
New York	72
TOTAL	515

STATEMENT OF CFTC OBLIGATIONS BY GEOGRAPHIC LOCATION FOR ADMINISTRATION OF THE COMMODITY EXCHANGE ACT (DURING FY 2004)

District of Columbia	56,261,000
Illinois	17,390,000
Minnesota	339,000
Missouri	2,314,000
New York	13,596,000
TOTAL	89,900,000²

¹Includes Net of \$90,435,000 Appropriation, Less \$533,567 Rescission, Plus \$100,000 Reimbursable Budget Authority.

²Includes reimbursements of \$36,860.

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Acronym Glossary

AAC	Agricultural Advisory Committee
ALJ	Administrative Law Judge
AML	Anti-Money Laundering
ASXF	ASX Futures Exchange Proprietary Limited (Australia)
BASIC	Background Affiliation Status Information Center
BC/DR	Business Continuity and Disaster Recovery
BSE	Bovine Spongiform Encephalopathy
BOTCC	Board of Trade Clearing Corporation
BPA	Blanket Purchasing Agreement
CBOT	Chicago Board of Trade
CCORP	Clearing Corp
CEA	Commodity Exchange Act
CFTC	Commodity Futures Trading Commission
CFMA	Commodity Futures Modernization Act of 2000
CME	Chicago Mercantile Exchange
COSRA	Council of Securities Regulators of the Americas
CPO	Commodity Pool Operator
CSCE	Coffee Sugar and Cocoa Exchange
CTA	Commodity Trading Advisor
DCIO	Division of Clearing & Intermediary Oversight (CFTC)
DCO	Derivatives Clearing Organizations
DMO	Division of Market Oversight (CFTC)
DOJ	Department of Justice
DTEF	Derivatives Transaction Execution Facility
EAP	Employee Assistance Program
EBOT	Exempt Board of Trade
ECM	Exempt Commercial Markets
EEX	European Energy Exchange
EMC	Executive Management Council
ERC	Employee Resource Center
eTS	eTravel Service
FBI	Federal Bureau of Investigation
FCM	Futures Commission Merchant
FDICIA	Federal Deposit Insurance Corporation Improvement Act
FERC	Federal Energy Regulatory Commission
FFOB	Foreign Futures and Options Brokers
FIA	Futures Industry Association
FMFIA	Federal Managers' Financial Integrity Act
FOIA	Freedom of Information Act
FOREX	Foreign Currency
FRB	Board of Governors of the Federal Reserve System
FSA	U.K. Financial Service Authority
FTE	Full-time Equivalent
FY	Fiscal Year
GAO	General Accounting Office
GISRA	Government Information Security Reform Act

GLBA	Gramm-Leach-Bliley Act
GMAC	Global Markets Advisory Committee
GPRA	Government Performance and Results Act
GSA	General Services Administration
IA	Investment Advisor
IB	Introducing Broker
IOSCO	International Organization of Securities Commissions
IPE	International Petroleum Exchange
JAC	Joint Audit Committee
JFMIP	Joint Financial Management Improvement Program
JO	Judgment Officer
KCBT	Kansas City Board of Trade
LCH	London Clearing House
MCO	Multilateral Clearing Organization
MGE	Minneapolis Grain Exchange
MOU	Memorandum/Memoranda of Understanding
NFA	National Futures Association
NGX	Natural Gas Exchange
NYBOT	New York Board of Trade
NYCE	New York Cotton Exchange
NYMEX	New York Mercantile Exchange
OCX	OneChicago Futures Exchange
OCE	Office of Chief Economist (CFTC)
OED	Office of the Executive Director (CFTC)
OFM	Office of Financial Management (CFTC)
OGC	Office of the General Counsel (CFTC)
OHR	Office of Human Resources (CFTC)
OIA	Office of International Affairs (CFTC)
OIRM	Office of Information Resources Management (CFTC)
OMB	Office of Management and Budget
OMO	Office of Management Operations (CFTC)
OPM	Office of Personnel Management
OTC	Over-the-Counter
PMA	President's Management Agenda
PWG	President's Working Group on Financial Markets
RFA	Registered Futures Association
SEC	Securities and Exchange Commission
SFE	Sydney Futures Exchange
SFP	Security Futures Products
SPARK	Stress Positions at Risk
SRO	Self-Regulatory Organization
TAC	Technology Advisory Committee
TFS	Traditional Financial Services Pulp and Paper Division
TRADE	Exchange Database System replacement system
USFE	U.S. Futures Exchange, L.L.C. (Eurex US)
USA PATRIOT ACT	Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism
USDA	United States Department of Agriculture
UK	United Kingdom
WAN	Wide Area Network



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