



Commodity Futures
Trading Commission

FY 2001 Annual Report

Contents

| | |
|---|-----|
| Letter of Transmittal to the U.S. Congress | iii |
| The Commissioners | 1 |
| About the CFTC | 5 |
| The Year in Review | 9 |
| Division of Enforcement | 19 |
| Division of Economic Analysis | 57 |
| Division of Trading and Markets | 65 |
| Office of the General Counsel | 79 |
| Office of the Executive Director | 95 |
| Offices of the Chairman | 103 |
| Appendices | 111 |
| Futures Statistics by Major Commodity Group | 112 |
| Futures Statistics by Exchange | 113 |
| Option Statistics by Major Commodity Group | 120 |
| Option Statistics by Exchange | 121 |
| Futures and Option Contract Designations | 126 |
| Futures Industry Registrants by State | 149 |
| CFTC Available Funds and Staff-Years | 151 |
| CFTC Organizational Chart | 152 |
| CFTC Offices | 153 |

Letter of Transmittal to the U.S. Congress

FY 2001 marked a fundamental change in the mission of the Commodity Futures Trading Commission. The December 2000 enactment of the Commodity Futures Modernization Act of 2000 (CFMA) was the culmination of a series of events that resulted in substantial revisions to the Commodity Exchange Act (CEA) and the transformation of the Commission from a front-line regulator to an oversight agency. The CFMA created a flexible structure for regulation of futures trading, repealed the ban on trading single stock futures, and provided legal certainty for the over-the-counter derivatives markets. The law, which reauthorized the CFTC for five years, also clarified the Treasury Amendment exclusion and the Commission's authority over retail foreign currency trading.

Following enactment of the CFMA and throughout the remainder of FY 2001, the Commission devoted most of its resources to implementing the new regulatory framework mandated by the CFMA and to the introduction of security futures trading. The Commission undertook a number of rulemakings and other regulatory initiatives to implement the CFMA and to facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.

During FY 2001, the CFTC approved contracts representing innovative approaches to meeting the needs of today's marketplace, responded to a high volume of requests for guidance, acted on a number of issues related to developments in electronic trading, and moved aggressively to combat market fraud.

FY 2001 represented the emergence of the CFTC as an oversight agency. The work of the past year, however, does not signal the end of the reform process at the Commission. Much work lies ahead. On a personal note, I would like to thank my colleagues Barbara P. Holum, David D. Spears, and Thomas J. Erickson for their invaluable assistance and support. I extend thanks and admiration to the members of the staff of the CFTC for their unflinching creativity, professionalism, and hard work. With pleasure, I submit this Annual Report of the Commodity Futures Trading Commission to the U.S. Congress.

Sincerely,

James E. Newsome
Chairman

The Commissioners

James E. Newsome, Chairman

James E. Newsome was confirmed by the U.S. Senate on July 31, 1998, to serve as a Commissioner on the Commodity Futures Trading Commission (CFTC). He was sworn in August 10, 1998, to a term expiring in June 2001. On January 5, 2001, he was elected by Commission order to serve as Acting Chairman effective January 20, 2001. Mr. Newsome was nominated for a second term as a Commissioner by President Bush on October 31, 2001, and confirmed by the Senate on December 20, 2001, to a term expiring June 19, 2006. On December 27, 2001, he was sworn in as Chairman of the Commodity Futures Trading Commission.

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

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

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

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

Barbara P. Holum, Commissioner

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

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

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

David D. Spears, Commissioner

David D. Spears was sworn in as a Commissioner of the CFTC on September 1, 1996. Mr. Spears was nominated by President Clinton on May 3, 1996, and confirmed by the Senate on August 2, 1996, for a term expiring in April 2000. He served as Acting Chairman of the CFTC from June 2, 1999, to August 11, 1999. Commissioner Spears chaired the CFTC's Financial Products Advisory Committee and currently chairs the CFTC's Agricultural Advisory Committee.

A native of Wichita, Kansas, Mr. Spears received his B.S. degree in Agricultural Economics from Kansas State University in 1979. After graduating from college, he joined the lending division of the Wichita Bank for Cooperatives, which finances agricultural cooperatives and agribusiness in the four-state region of Kansas, Oklahoma, Colorado, and New Mexico. From 1979 to 1989, Commissioner Spears worked at the bank (later Cobank) as, among other positions, Assistant Vice President, responsible for supervising the delivery of financial services and products to Cobank's customers. During this period, Commissioner Spears also served on various bank management, advisory, and loan committees.

During the seven years prior to joining the CFTC, Commissioner Spears held several senior staff positions with the office of U.S. Senator Bob Dole. Starting in 1989, he was a legislative assistant to the Senator in Washington, D.C., specializing in agriculture, credit, and trade issues. In this regard, Commissioner Spears had primary responsibility for advising Senator Dole on agriculture and agricultural trade policy, including the 1990 Farm Bill and other credit and trade legislation.

From July 1992 through June 1996, Commissioner Spears served as State Director for Senator Dole in Wichita, Kansas. In this capacity, he represented the Senator at events and forums throughout the state and managed the Senator's staff in offices located in Kansas City, Topeka, and Wichita.

Mr. Spears and his wife, Pam, have two children.

Thomas J. Erickson, Commissioner

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

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

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

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

About the CFTC

CFTC Mission

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

Background

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

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

Futures contracts for agricultural commodities have been traded in the U.S. for more than 150 years and have been under Federal regulation since the 1920s. In recent years, futures trading has expanded rapidly into many new markets, beyond the domain of traditional physical and agricultural commodities. Futures and option contracts are now offered on a vast array of financial instruments, including foreign currencies, U.S. and foreign government securities, and U.S. and foreign stock indices. During FY 2001, 722,683,461 futures and option contracts were traded on U.S. futures exchanges.

Commission Goals and Objectives

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

The focus of goal one is the marketplace. If the U.S. commodity futures markets are protected from and are free of abusive practices and influences, they will better operate to fulfill their vital role in the domestic market economy and the global economy, accurately reflecting the forces of supply and demand and serving market users by fulfilling an economic need.

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

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

Organization

The CFTC headquarters are in Washington, D.C.; regional offices are maintained in Chicago and New York and smaller offices are located in Kansas City, Los Angeles, and Minneapolis. The Commission consists of five Commissioners who are appointed by the President to serve staggered five-year terms. One of the Commissioners is designated by the President, with the consent of the Senate, 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 Public Affairs or through its website, <http://www.cftc.gov>.

Commission Members

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

| | | | |
|---------------------------------|-----------|--------------------------------------|-----------|
| James E. Newsome (Chairman) | 1998- | William E. Seale | 1983-1988 |
| Thomas J. Erickson | 1999- | Fowler C. West | 1982-1993 |
| David D. Spears | 1996-2001 | Kalo A. Hineman | 1982-1991 |
| Barbara P. Holum | 1993- | Susan M. Phillips (Chairman) | 1981-1987 |
| William J. Rainer (Chairman) | 1999-2001 | Philip McBride Johnson (Chairman) | 1981-1983 |
| Brooksley Born (Chairperson) | 1996-1999 | James M. Stone (Chairman) | 1979-1983 |

| | | | |
|--------------------------------|-----------|-------------------------------------|-----------|
| Mary L. Schapiro (Chairman) | 1994-1996 | David G. Gartner | 1978-1982 |
| John E. Tull, Jr. | 1993-1999 | Robert L. Martin | 1975-1981 |
| Joseph B. Dial | 1991-1997 | John V. Rainbolt (Vice Chairman) | 1975-1978 |
| Sheila C. Bair | 1991-1995 | Read P. Dunn, Jr. | 1975-1980 |
| William P. Albrecht | 1988-1993 | Gary L. Seevers | 1975-1979 |
| Wendy L. Gramm (Chairman) | 1988-1993 | William T. Bagley (Chairman) | 1975-1978 |
| Robert R. Davis | 1984-1990 | | |

The Year in Review

Regulatory Reform

The enactment of the Commodity Futures Modernization Act of 2000 (CFMA) was the culmination of a series of events that resulted in substantial revisions to the Commodity Exchange Act (CEA) and the transformation of the Commission from a front-line regulator to an oversight agency. The CFMA created a flexible structure for regulation of futures trading, codified an agreement between the CFTC and the Securities and Exchange Commission (SEC) to repeal the ban on trading single stock futures, and provided legal certainty for the over-the-counter derivatives markets. The law, which reauthorized the CFTC for five years, also clarified the Commission's authority over retail foreign exchange trading.

In the CFMA, Congress effectively implemented the recommendations of the President's Working Group on Financial Markets Report on Over-the-Counter Derivatives Markets and the Commodity Exchange Act. The CFTC worked closely with Congress and the futures industry to help design a regulatory structure tailored to the specific products and participants of a given market, specifically taking into account the susceptibility of products to manipulation and the characteristics of market participants. U.S. financial markets will have the flexibility they need to maintain a leadership role in the global marketplace.

Following enactment of the CFMA on December 21, 2000, the Commission withdrew most of the new regulatory framework it had adopted in November 2000 and that was published in the *Federal Register* on December 13, 2000. Throughout the remainder of FY 2001, the Commission and the futures industry devoted considerable time and resources to implementing the new regulatory framework mandated by the CFMA and to the introduction of security futures trading. The Commission undertook a number of rulemakings and other regulatory initiatives to implement the CFMA and to facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.

Title II of the CFMA repealed the longstanding ban on single stock futures, and directed the Commission and the SEC to implement a joint regulatory framework for security futures products and narrow-based stock index futures. Trading of security futures products generally would not be permitted until one year after enactment of the CFMA, although limited trading on a principal-to-principal basis among eligible contract participants was allowed beginning on August 21, 2000. During FY 2001, the Commission and the SEC worked together to promulgate rules, including rules for notice procedures permitting (a) national securities exchanges, national securities associations, and alternative trading systems to be designated as contract markets in security futures products, (b) contract markets and registered derivatives transaction execution facilities to become national securities exchanges, and (c) intermediaries to be registered with each agency. The Commission and the SEC also developed rules governing listing standards for security futures products and restrictions on dual trading in security futures products for floor brokers.

In August 2001, the Commission adopted rules to implement the statutory framework mandated by the CFMA that consists of a two-tiered structure of trading facilities: designated contract markets and registered derivatives transaction execution facilities (DTFs). Various other market structures, either totally or mostly exempt from Commission regulation, were also recognized. The CFMA provides for regulation by the Commission of certain derivatives clearing organizations (DCOs). In August 2001, the Commission adopted rules to specify the form and to provide guidance for the content of applications for DCO registration, and the procedures for processing such applications. These rules help the Commission to oversee the operations and activities of DCOs and to enforce compliance by DCOs with core principles and other provisions of the CEA and Commission regulations.

In August 2001, the Commission again proposed rule changes to streamline regulations and to eliminate unnecessary regulations affecting intermediaries in the areas of registration procedures and requirements, fitness and supervision, financial and segregated funds requirements, risk disclosure and account statement requirements, trading standards, and recordkeeping matters. The substance of these proposals was part of the Commission's new regulatory framework proposed in FY 2000.

Study and Report to Congress

The CFMA requires the Commission to study the CEA, Commission rules, and orders governing the conduct of persons required to be registered under the CEA, and to submit a report to the Senate and House Agriculture Committees identifying: (1) core principles the Commission has adopted or intends to adopt to replace Commission rules; (2) rules that the Commission decides to retain and the reasons therefor; and (3) the regulatory functions that the Commission performs that can be delegated to a registered futures association (RFA) and the functions that the Commission has determined must be retained and the reasons therefor. In August 2001, staff sought public comment and views of the public, registrants, RFAs, and registered entities for this study as required under the CFMA. Due to the industry's need to prepare for other changes, such as security futures products, several industry groups requested a postponement of the due date set forth in the CFMA, December 21, 2001. In response to these comments, the Commission recommended to its Congressional oversight committees that the study due date be delayed for six months, until June 21, 2002.

Foreign Currency Trading

The Commission has witnessed increasing numbers, and a growing complexity, of financial investment opportunities in recent years, including a sharp rise in foreign currency (forex) trading scams. While much foreign currency trading is legitimate, various forms of foreign currency trading have been promoted in recent years to defraud members of the public. Currency trading scams often attract customers through advertisements in local newspapers, radio promotions, or attractive Internet websites. These advertisements may boast purportedly

high-return, low-risk investment opportunities in foreign currency trading, or even highly-paid currency-trading employment opportunities.

The CFMA made clear that the Commission has the jurisdiction and authority to investigate and take legal action to close down a wide assortment of unregulated firms offering or selling foreign currency futures or options contracts to the general public. Under the CFMA, it is unlawful to offer foreign currency futures or options contracts to retail customers on an off-exchange basis unless the offeror is a regulated financial entity, including a person registered as a futures commission merchant (FCM) (or certain affiliates of such an entity). The Commission also has jurisdiction to investigate and prosecute foreign currency fraud involving futures or options.

In the wake of Congress's clarification of Commission jurisdiction in this area, during FY 2001 the CFTC launched a comprehensive initiative to inform the industry about the CFMA, to combat the problem of forex fraud, and to educate the public about its dangers. The Commission engaged in a systematic effort to identify those unregistered entities that were engaging in retail forex transactions and to notify them of the CFMA's requirement that such business be conducted only by regulated financial entities. Several firms applied for registration as FCMs as a result of receiving this notice, while others indicated that they intend to disband their business in light of the CFMA.

The CFMA provided additional support to the Commission's continuing efforts to crack down on individuals and companies that fraudulently market foreign currency futures and options. Subsequent to the enactment of the CFMA, the Commission brought seven civil injunctive actions against firms fraudulently selling illegal foreign currency contracts to retail customers. *CFTC v. SunState FX, Inc., et al.*, No. 01-8329 CIV-MORENO (S.D. Fla. filed April 18, 2001); *CFTC v. International Currency Strategies, Inc., et al.*, No. 01-8350 (S.D. Fla. filed April 20, 2001); *CFTC v. Infinite Trading Group, L.L.C., et al.*, No. 1:01-CV-1107 (N.D. Ga. filed April 30, 2001); *CFTC v. International Monetary Group, Inc., et al.*, No. 5:01CV1496 (N.D. Ohio filed June 18, 2001); *CFTC v. Acro Information Service, Inc., et al.*, No. 01-06926 (C.D. Cal. filed August 9, 2001); *CFTC v. Fintrex, Inc., et al.*, No. 01-06907 (C.D. Cal. filed August 9, 2001); and *CFTC v. World Banks Foreign Currency Traders, Inc. et al.*, No. 01-7402 (S.D. Fla. filed August 23, 2001). Commission staff also presented training programs for State and Federal regulators on the new statutory requirements concerning foreign currency trading, with an emphasis on issues confronting law enforcement officials in investigating and prosecuting forex schemes.

Finally, the Commission's forex project included a parallel, and equally important, public education initiative. During FY 2001 the Commission undertook to educate the industry and the general public concerning the new legal requirements respecting foreign currency trading. It issued an Advisory directed to the forex industry concerning the CFMA and how forex firms may lawfully offer foreign currency futures and options trading opportunities to the retail public. The Advisory reaffirmed that off-exchange trading of foreign currency futures and options contracts with retail customers by a counterparty that is not a regulated financial entity as set forth in the CFMA is unlawful. The Commission also updated and reissued its earlier Consumer

Alert on foreign currency trading to help the retail public identify foreign currency trading scams. The Commission warned consumers of sales solicitations touting high-return, low-risk investment opportunities in foreign currency trading, and of highly paid currency-trading employment opportunities. The Commission urged the public to be skeptical of such claims and suggested “red flags” to look for, and cautionary steps to take, before trading foreign currency products. The Advisory and the Consumer Alert are available on the Commission’s website, along with other Advisories concerning possible fraudulent activity in the commodity futures and options industry (<http://www.cftc.gov/cftc/cftccustomer.htm#advisory>).

Internet Surfs

On April 23, 2001 the Commission participated in an Internet Surf Day organized by the International Organization of Securities Commissions (IOSCO) that included the participation of 38 regulators in 35 countries. The sites identified for follow-up review by the Commission and the National Futures Association (NFA) involve commodity futures and options in a variety of settings, including computerized trading systems promising highly successful buy and sell signals; trade recommendations based on seasonal trends in the prices of commodities like heating oil and gasoline; and purported profit opportunities on commodities such as foreign currencies (or forex), precious metals, and stock indices.

Internet Surveillance Training

On June 14 and 15, 2001, the Commission and the SEC jointly hosted a third Internet Surveillance Training Program for relevant enforcement staff from IOSCO members. The program was held at the Commission’s Washington, D.C., headquarters and brought together experts from regulators with Internet enforcement programs to provide instruction on Internet surveillance techniques. The Commission invited foreign as well as domestic authorities, such as the Federal Bureau of Investigation (FBI), to share their knowledge and experience at the training program. The program was attended by 22 participants from 17 different jurisdictions.

Manipulation

Price manipulation harms the integrity of, and public confidence in, the markets by distorting the hedging and price discovery functions of these markets, and creating an artificial appearance of market activity. The Commission continued its efforts to prosecute price manipulation during FY 2001. In *In re Eisler*, CFTC Docket No. 01-14 (CFTC filed July 11, 2001), the Commission filed an administrative complaint against Norman Eisler and his trading company, First West Trading, Inc. (First West). The action involved allegations that Eisler, as a member of the New York Futures Exchange (NYFE) settlement committee, manipulated settlement prices of the PSE Technology Index option contract (P-Tech Options) to inflate the value of the First West trading account by, on average, an excess of \$2 million each day, thereby avoiding or dramatically reducing its margin calls. In a related compliance case, *In re New York Futures Exchange, Inc.*, CFTC Docket No. 01-13 (CFTC filed July 11, 2001), the Commission simultaneously instituted

and settled an administrative enforcement action against NYFE. The Commission found that NYFE had no procedure in place to ensure that its settlement committee complied with the NYFE settlement prices rule for P-Tech Options.

In *In re Avista Energy, Inc., et al.*, CFTC Docket No. 01-21 (CFTC filed August 21, 2001), and *In re Johns*, CFTC Docket No. 01-22 (CFTC filed August 21, 2001), the Commission simultaneously instituted and settled administrative enforcement actions finding that Avista Energy, Inc., and certain of its former employees manipulated the settlement prices of the Palo Verde and California-Oregon-Border electricity futures contracts on the New York Mercantile Exchange (NYMEX) in order to increase the company's net gain on certain over-the-counter option positions whose value was based on the settlement prices at issue. On the same date, the Commission filed a separate administrative complaint, *In re DiPlacido, et al.*, CFTC Docket No. 01-23 (CFTC filed August 21, 2001), charging other former Avista employees and a NYMEX floor broker with participating in the manipulative scheme.

Cross-Border Violations.

The Commission also has devoted time and resources to matters involving allegations that persons or entities have committed fraud or other misconduct in their cross-border activities. Such misconduct can adversely affect U.S. firms as well as customers located in the United States and overseas. The Commission's efforts in this area during FY 2001 included the filing of the following three administrative and one civil injunctive action.

In *In re U.S. Securities and Futures Corp., et al.*, CFTC Docket No. 01-01 (CFTC filed October 26, 2000), the Commission filed an administrative complaint against U.S. Securities & Futures Corp. (USSFC), a New York FCM, and Justus Enterprises, Inc. (Justus), an unregistered commodity trading advisor (CTA), as well as certain of their respective officers and employees. The complaint alleged that between 1996 and 1998, USSFC and Justus facilitated the defrauding of customers by a German foreign broker that traded through USSFC, by fraudulently allocating thousands of customer trades after they were executed. The Commission received assistance from the Hamburg, Germany police in connection with this matter.

In *In re Szach*, CFTC Docket No. 01-05 (CFTC filed January 8, 2001), the Commission simultaneously instituted and settled an administrative enforcement action against Scott N. Szach, the former chief financial officer of Griffin Trading Company (Griffin), a registered FCM. The Commission's Order found that Szach failed to diligently supervise Griffin's London branch office, where a customer trading on Eurex repeatedly breached his trading limits by substantial amounts for substantial periods of time, ultimately leading to Griffin's bankruptcy. In bringing this action, the Commission worked cooperatively with the U.S. Attorney's Office for the Northern District of Illinois (which secured Szach's guilty plea to criminal charges based on the same misconduct), as well as the Chicago Board of Trade and the Securities and Futures Authority and Financial Services Authority of the United Kingdom (which have concluded disciplinary proceedings against Szach).

In *In re Excellent USA, Inc., et al.*, CFTC Docket No. 01-20 (CFTC filed August 20, 2001), the Commission filed an administrative complaint against Excellent USA, Inc., a registered non-clearing FCM, and its managing director, John F. Gallwas. The complaint charged that Excellent and Gallwas did not have an adequate system of supervision in place to monitor the trading in the omnibus accounts of two Japanese firms that accounted for nearly all of Excellent's business. According to the complaint, Excellent and Gallwas ignored various warning signs that the Japanese firms were engaged in customer fraud, and regularly accepted spread orders from the Japanese firms—including simultaneously entered orders to buy and sell the same spread—that resulted in the omnibus accounts holding an almost equal and offsetting position in each futures month and that had the appearance of improper wash sales.

On the same day, in *In re LFG, L.L.C.*, CFTC Docket No. 01-19 (CFTC filed August 20, 2001), the Commission simultaneously instituted and settled an administrative enforcement action against LFG, L.L.C., a registered FCM. The Commission's Order found that Excellent transmitted the orders described above to LFG's grain desk at the Chicago Board of Trade, and that LFG accepted the suspicious spread orders, without inquiring into the trading or the intent of customers and despite the unusual trading patterns evident in LFG's daily equity runs. The Order also found that LFG had no written procedures relating to the supervision of foreign omnibus accounts, and that no one at LFG had responsibility for monitoring those accounts. The order found that, as a result, LFG contributed to the failure to provide adequate customer protection to foreign retail customers who traded in U.S. futures markets.

The Commission received the cooperation of the Japanese Government and the Chicago Board of Trade in its investigation of the Excellent and LFG matters.

In *CFTC v. Duncan, et al.*, No. 01C-6802 (N.D. Ill. filed August 30, 2001), the Commission filed a civil injunctive action against Andrew Duncan of Toronto, Canada, and his company, Aurum Society, Inc., charging them with fraudulently operating a commodity pool and misappropriating customer funds. The complaint alleged that the defendants fraudulently solicited at least \$3 million from customers in the United States and Canada, claiming that the pool made great profits when, in fact, the pool realized net losses from the start of trading. Specifically, the complaint alleged that Duncan and Aurum Society operated a "Ponzi" scheme in which they collected funds from unwitting customers for commodities trading, misused that money, and used new customer funds to repay earlier investors. The Ontario Securities Commission provided assistance to the Commission in connection with this matter

Innovative Markets

In FY 2001, the exchanges submitted 28 filings to list new futures and options contracts to the Commission. Of the 28 contracts filed, 11 were submitted for Commission approval and 17 were submitted under exchange certification procedures. Several of the approved contracts represent innovative approaches designed to meet specialized hedging needs of producers and firms. For example, the Commission approved futures contracts based on when-issued Treasury notes. These innovative contracts are designed to provide an additional risk management tool to

help government securities dealers, banks, and institutional traders protect against interest rate risk. The first futures contracts based on chemicals developed by a U.S. exchange— benzene and mixed zylene futures contracts—were submitted during FY 2001. The Commission also reviewed contracts based on U.S. equity indices, interest rates, crude oil, and precious metals.

International Regulatory Cooperation

In the last several years, the Commission has cooperated with a large number of foreign regulatory authorities through formal memoranda of understanding and other arrangements to combat cross-border fraudulent and other prohibited practices that could harm customers or threaten market integrity. Cross-border information sharing among market regulators forms the linchpin of effective surveillance of global markets linked by products, participants, and information technology. During FY 2001, the Commission's Office of International Affairs finalized a supplemental memorandum of understanding between the Commission and the Italian Commissione Nazionale per le Società e la Borsa (CONSOB) that established reciprocal information sharing of fitness and financial solvency information regarding remote exchange members.

The Commission also continued to participate in IOSCO. During FY 2001, OIA coordinated Commission activities within the IOSCO Technical Committee by participating in standing committees and task forces that have been examining regulatory issues affecting markets and intermediaries. Issues that have been examined include single stock listing standards, trading halts, the effect of transparency on market fragmentation, current practices of intermediaries in liquidity management, exchange demutualization, and the regulation of financial intermediaries conducting cross-border business. OIA took an active role in the revising of IOSCO's *Principles for the Oversight of Screen-Based Trading Systems for Derivative Products*, which encouraged regulators of cross-border systems to develop cooperative arrangements and to coordinate supervisory responsibilities to promote regulatory effectiveness and eliminate duplication.

Foreign Futures

In June 2001, the Commission issued an order under Sections 4(b) and 4d of the CEA and Commission Rule 30.10 to permit Chicago Mercantile Exchange (CME) clearing members to commingle in a single account funds received from customers trading on U.S. exchanges with funds received in connection with CME's clearing of certain products traded on or through the Spanish exchange known as MEFF. Absent such an order, the first of its kind issued by the Commission, CME clearing members would be required to hold customer funds attributable to trading MEFF products in an account separate from the account containing funds of customers for trades on U.S. exchanges. Additionally, in May 2001, the Commission issued an order under Rule 30.10 granting an application for relief filed by the Winnipeg Commodity Exchange on behalf of its members. This relief permits those members to solicit and accept orders and funds related thereto from persons located in the U.S. for trades on the exchange without registering

under the CEA or complying with rules thereunder, based on substituted compliance with the regulatory framework of the province of Manitoba, Canada.

Exemptive Relief and Guidance

In FY 2001 the CFTC responded to a high volume of requests for guidance concerning the applicability of Commission regulations to specific transactions, products, persons, and market circumstances. Commission staff issued 274 exemptive letters, no-action positions, and interpretive guidance in response to written requests from members of the public and the regulated industry. Staff also issued 162 responses to requests for guidance received through the Commission's website and responded to more than 2,200 telephone inquiries concerning the application of Commission requirements.

The Commission continued its policy of issuing no-action letters in response to requests by foreign boards of trade to place electronic terminals in the U.S. without requiring those boards of trade to be designated as contract markets (the first such letter was issued in FY 1996). In November 2000, a no-action letter was issued to Eurex Zurich Ltd. (Eurex CH) in connection with the placement of terminals in the U.S. to provide access to the Eurex CH automated trading system. In March 2001, staff granted no-action relief to the London Metals Exchange with respect to access to its automated trading systems from within the U.S. The staff also issued supplemental relief in May 2001 to LIFFE for an additional broad-based stock index futures product and in July 2001 to the Hong Kong Futures Exchange Ltd., and the Sydney Futures Exchange Corporation Ltd. to permit direct access by non-exchange member participants.

On September 19, 2001, the Commission issued a statement of policy advising registrants that as a result of the financial market disruptions caused by the terrorist attacks on September 11, 2001, the Commission had determined to provide temporary relief from compliance by registrants with certain regulatory requirements, including certain required computations, filing deadlines, and recordkeeping requirements.

Review and Approval of Exchange Rules

Commission review of new exchange, clearing organization, and NFA rules is a key aspect of the statutory framework for self-regulation under Commission oversight. Staff reviews SRO 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 Commission statutory mandates. To these ends, staff reviewed 220 SRO rule submission packages and, within those packages, staff reviewed 1,300 new rules and rule amendments. The Commission established internal procedures to facilitate the review and disposition of new market applications and filings made pursuant to the new regulatory framework for trading facilities, which include the review of draft applications by staff. These procedures will facilitate the Commission's implementation of regulations that require that the application of a designated contract market be reviewed within 60 days, and the application for becoming a derivatives transaction execution facility be reviewed within 30 days. These

submissions often present complex new trading procedures and market structures, as well as financial arrangements that raise novel issues.

The Commission acted on a number of issues related to developments in electronic trading, including designation applications for new electronic futures exchanges, and developments in exchange operations:

- In August 2001, the Commission conditionally designated the Nasdaq LIFFE, LLC Futures Exchange as a contract market; Nasdaq LIFFE is the first contract market designated by the Commission that has stated its intention to trade stock futures products.
- In June 2001, the Commission designated BrokerTec Futures Exchange, L.L.C. for designation as a contract market for the automated trading of various interest rate futures contracts.
- In December 2000, the Commission designated onExchange Board of Trade as a contract market and approved the onExchange Clearing Corporation as a registered DCO. OnExchange was the first contract market to be designated under the Act, as amended by the CFMA.
- In July 2001, the Commission approved the application of EnergyClear Corporation for registration as a derivatives clearing organization under the Commodity Exchange Act—the first new DCO not affiliated with a trading facility to be granted registration by the Commission since the passage of the CFMA.

Privacy Disclosures and Restrictions on Use of Nonpublic Customer Information

In April 2001, the Commission adopted rules implementing notification requirements and restrictions on the ability of financial institutions subject to its jurisdiction to disclose nonpublic personal information about consumers to nonaffiliated third parties. Under the CFMA (and Title V of the Gramm-Leach-Bliley Act), the Commission is required to adopt regulations to limit the instances in which FCMs, introducing brokers (IBs), commodity pool operators (CPOs), and CTAs subject to Commission jurisdiction may disclose nonpublic personal information about a consumer to nonaffiliated third parties, and to require those entities to disclose to their customers their privacy policies and practices with respect to information sharing with both affiliates and nonaffiliated third parties.

Terrorist Attacks of September 11, 2001

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

Financial Markets

During FY 2001, Commission staff closely monitored the financial futures and option markets as significant slowing in U.S. economic growth and falling corporate profits caused sharp declines in domestic equity indices. The Nasdaq 100 index lost more than two-thirds of its value during the year, while the S&P 500 index and the Dow Jones industrials index declined about 30 percent and 19 percent, respectively. These declines were accompanied by periods of high price volatility in the indices and in futures and options on those indices. The September 11 attacks created both physical and psychological damage to the financial markets and threatened to tip the already slowing economy into a recession.

The slowdown in U.S. economic growth principally was caused by an inventory correction and by a sharp decline in investment spending. Slowdown in demand for technology products was especially severe—over-investment and high debt levels in the telecommunication and Internet infrastructure industries resulted in sharply curtailed capital expenditures that quickly spread down the supply chain. Semiconductor and other computer-related industries were hurt by a sharp slowdown in demand for personal computers, for both the business and home markets. Consumer spending, which had remained reasonably strong for much of the year, showed signs of weakening before September 11 and suffered a severe jolt thereafter.

Throughout this turbulent year, and especially in the aftermath of September 11, staff conducted heightened surveillance of equity index and interest rate futures and option markets, and shared information with other financial regulators.

Division of Enforcement

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

The Work of the Division of Enforcement

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

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

Enforcement Statistical Summary: Fiscal Year 2001

During FY 2001, the Commission instituted 17 civil injunctive actions and 27 administrative proceedings, which included 2 statutory disqualification actions. Sanctions that became final during FY 2001 included sanctions assessed in settled matters and unappealed decisions of the Commission, U.S. district courts, or U.S. courts of appeals. The results obtained by the Division in civil injunctive proceedings in FY 2001 included: *ex parte* restraining orders against 39

defendants; preliminary injunctions against 32 defendants; permanent injunctions against 18 defendants; the appointment of 3 receivers; the assessment of over \$12 million in civil monetary penalties against a total of 15 defendants; and approximately \$7.6 million in restitution and disgorgement ordered against a total of 19 defendants. The results obtained by the Division in administrative proceedings included: cease and desist orders against 23 respondents; trading prohibitions against 12 respondents; the imposition of registration suspensions, denials, or revocations against 11 respondents; the assessment of approximately \$3.3 million in civil monetary penalties against 23 respondents; and \$74,930 in restitution ordered against 6 respondents.

Enforcement Highlights: Fiscal Year 2001

Beyond the numbers, much of the Commission's work in fighting fraud this year combined the remedial and deterrent effects of its enforcement actions with a simultaneous public education initiative that included the issuance of new Consumer Advisories concerning certain commodity-related activities. The Commission also prosecuted efforts to manipulate prices on U.S. exchanges, and worked cooperatively with regulatory authorities overseas to combat cross-border violations of the law. Significant developments in FY 2001 include:

Foreign Currency Trading. The Commission has witnessed increasing numbers, and a growing complexity, of financial investment opportunities in recent years, including a sharp rise in foreign currency (forex) trading scams. While much foreign currency trading is legitimate, various forms of foreign currency trading have been promoted in recent years to defraud members of the public. Currency trading scams often attract customers through advertisements in local newspapers, radio promotions or attractive Internet websites. These advertisements may boast purportedly high-return, low-risk investment opportunities in foreign currency trading, or even highly-paid currency-trading employment opportunities.

The Commodity Futures Modernization Act (CFMA), enacted in December 2000, made clear that the Commission has the jurisdiction and authority to investigate and take legal action to close down a wide assortment of unregulated firms offering or selling foreign currency futures or options contracts to the general public. Under the CFMA, it is unlawful to offer foreign currency futures or options contracts to retail customers unless the offeror is a regulated financial entity including a futures commission merchant (FCM) (or an affiliate of such an entity). The Commission also has jurisdiction to investigate and prosecute foreign currency fraud involving futures or options.

In the wake of Congress's clarification of Commission jurisdiction in this area, during FY 2001 the CFTC launched a comprehensive initiative to inform the industry about the CFMA, to combat the problem of forex fraud, and to educate the public about its dangers. The Enforcement program engaged in a systematic effort to identify those unregistered entities that were engaging in retail forex transactions and to notify them of the CFMA's requirement that such business be conducted only by regulated financial entities. Several firms applied for

registration as FCMs as a result of receiving this notice, while others indicated that they intend to disband their business in light of the CFMA.

The CFMA provided additional support to the Commission's continuing efforts to crack down on individuals and companies that fraudulently market foreign currency futures and options. Subsequent to the enactment of the CFMA, the Commission brought seven civil injunctive actions against firms fraudulently selling illegal foreign currency contracts to retail customers. *CFTC v. SunState FX, Inc., et al.*, No. 01-8329 CIV-MORENO (S.D. Fla. filed April 18, 2001); *CFTC v. International Currency Strategies, Inc., et al.*, No. 01-8350 (S.D. Fla. filed April 20, 2001); *CFTC v. Infinite Trading Group, L.L.C., et al.*, No. 1:01-CV-1107 (N.D. Ga. filed April 30, 2001); *CFTC v. International Monetary Group, Inc., et al.*, No. 5:01CV1496 (N.D. Ohio filed June 18, 2001); *CFTC v. Acro Information Service, Inc., et al.*, No. 01-06926 (C.D. Cal. filed August 9, 2001); *CFTC v. Fintrex, Inc., et al.*, No. 01-06907 (C.D. Cal. filed August 9, 2001); and *CFTC v. World Banks Foreign Currency Traders, Inc. et al.*, No. 01-7402 (S.D. Fla. filed August 23, 2001). Enforcement staff also presented training programs for State and Federal regulators on the new statutory requirements concerning foreign currency trading, with an emphasis on issues confronting law enforcement officials in investigating and prosecuting forex schemes.

Finally, the Commission's forex project included a parallel, and equally important, public education initiative. During FY 2001 the Commission undertook to educate the industry and the general public concerning the new legal requirements respecting foreign currency trading. It issued an Advisory directed to the forex industry concerning the CFMA and how forex firms may lawfully offer foreign currency futures and options trading opportunities to the retail public. The Advisory reaffirmed that off-exchange trading of foreign currency futures and options contracts with retail customers by a counterparty that is not a regulated financial entity as set forth in the CFMA is unlawful. The Commission also updated and reissued its earlier Consumer Alert on foreign currency trading to help the retail public identify foreign currency trading scams. The Commission warned consumers of sales solicitations touting high-return, low-risk investment opportunities in foreign currency trading, and of highly paid currency-trading employment opportunities. The Commission urged the public to be skeptical of such claims and suggested "red flags" to look for, and cautionary steps to take, before trading foreign currency products. The Advisory and the Consumer Alert are available on the Commission's website, along with other Advisories concerning possible fraudulent activity in the commodity futures and options industry (<http://www.cftc.gov/cftc/cftccustomer.htm#advisory>).

Manipulation. Price manipulation harms the integrity of, and public confidence in, the markets by distorting the hedging and price discovery functions of these markets, and creating an artificial appearance of market activity. The Commission's continuing efforts to prosecute price manipulation during FY 2001 included *In re Eisler*, CFTC Docket No. 01-14 (CFTC filed July 11, 2001); a related compliance case, *In re New York Futures Exchange, Inc.*, CFTC Docket No. 01-13 (CFTC filed July 11, 2001); *In re Avista Energy, Inc., et al.*, CFTC Docket No. 01-21 (CFTC filed August 21, 2001), *In re Johns*, CFTC Docket No. 01-22 (CFTC filed August

21, 2001), and *In re DiPlacido, et al.*, CFTC Docket No. 01-23 (CFTC filed August 21, 2001). These cases are discussed in detail below.

Cross-Border Violations. The Commission's Enforcement program also has devoted time and resources to matters involving allegations that persons or entities have committed fraud or other misconduct in their cross-border activities. Such misconduct can adversely affect U.S. firms as well as customers located in the United States and overseas. The Commission's efforts in this area during FY 2001 included the filing of the following three administrative and one civil injunctive actions: *In re U.S. Securities and Futures Corp., et al.*, CFTC Docket No. 01-01 (CFTC filed October 26, 2000); *In re Szach*, CFTC Docket No. 01-05 (CFTC filed January 8, 2001); *In re Excellent USA, Inc., et al.*, CFTC Docket No. 01-20 (CFTC filed August 20, 2001); *In re LFG, L.L.C.*, CFTC Docket No. 01-19 (CFTC filed August 20, 2001); and *CFTC v. Duncan, et al.*, No. 01C-6802 (N.D. Ill. filed August 30, 2001). These cases, and the sanctions imposed, are discussed in detail below.

Enforcement Cases Filed and Results Achieved During FY 2001

The cases filed, and the results achieved, by the Commission's Enforcement program during FY 2001 are described below.

Illegal Instruments

Foreign Currency Cases

Much of the Commission's work in fighting fraud during FY 2001 focused on foreign currency trading in light of the enactment of the CFMA in December 2000. Subsequently, seven cases were filed during FY 2001 involving the sale of illegal foreign currency futures or options contracts to the general public.

- **CFTC v. SunState FX, Inc., et al.** On April 18, 2001, the Commission filed a civil injunctive action against SunState FX, Inc. (SunState) and Ulrich Garbe, SunState's owner and chief investment officer. The complaint alleged that, since at least March 2001, the defendants fraudulently operated a commodity pool. Specifically, the complaint alleged that the defendants solicited, accepted, and pooled funds from investors, purportedly to trade forward and spot foreign currency. The complaint further alleged that the defendants misappropriated customer funds by transferring \$1 million of their commingled funds—which had been solicited to trade foreign currencies—into a commodity trading account and thereafter by trading commodity futures without their customers' knowledge and consent. In addition, the complaint alleged that, since December 21, 2000, the defendants had solicited retail customers to purchase illegal foreign currency options. On April 30, 2001, the court entered a preliminary injunction enjoining the defendants from further violations, as charged, and prohibiting them from destroying documents. As part of a cooperative enforcement effort, the Securities and

Exchange Commission (SEC) also filed a civil injunctive action against SunState, Garbe, and others, for violations of the federal securities laws arising out of the same underlying facts. *CFTC v. SunState FX, Inc., et al.*, No. 01-8329-CIV-MORENO (S.D. Fla. filed April 18, 2001).

- **CFTC v. International Currency Strategies, Inc., et al.** On April 20, 2001, the Commission filed a civil injunctive action against International Currency Strategies, Inc., Fairfield Currency Group, Inc., and Strategic Trading Group, Inc. (ICS Common Enterprise), and Valentin Fernandez, Daniel Phillips, and Manny Kavekos. The complaint alleged that telemarketers, using high-pressure sales tactics, solicited customers to purchase illegal foreign currency options by making false claims about the profitability and risk of loss in foreign currency options trading. The complaint alleged that defendants received over \$3 million from customers over a four-month period, but rather than purchase foreign currency options, they used customer funds to pay for marketing leads, jewelry, and other personal expenses. The complaint also named Financial Clearing Corp, a British Virgin Islands corporation, as a relief defendant that allegedly held funds that were fraudulently obtained from ICS Common Enterprise customers. On April 23, 2001, the court entered a statutory restraining order freezing the defendants' assets and prohibiting them from destroying documents. Subsequently, the court entered consent orders of preliminary injunction against defendants Phillips, International Currency Strategies, Inc., and Fairfield Currency Group, Inc., enjoining them from further violations, as charged, and continuing the asset freeze and prohibition against destroying documents entered against them. Preliminary injunction motions against the other defendants are pending. The Commission coordinated its action with the U.S. Attorney's Office for the Southern District of Florida and the Federal Bureau of Investigation (FBI). In a related criminal action, the U.S. Attorney's Office indicted and arrested defendants Fernandez, Phillips, and Kavekos for criminal violations arising out of the same activities. *CFTC v. International Currency Strategies, Inc., et al.*, No. 01-8350 (S.D. Fla. filed April 20, 2001).
- **CFTC v. Infinite Trading Group, L.L.C., et al.** On April 30, 2001, the Commission filed a civil injunctive action against Infinite Trading Group, L.L.C. (ITG), and ITG employees Shawn Christie (account representative), Edward Cameron Lindsey (Vice President of Operations), and Anthony Garcia (President and Senior Commercial Account Director). The complaint alleged that, since at least December 1999, the defendants fraudulently solicited customers to trade illegal foreign currency options contracts by making exaggerated claims of profitability and minimizing the risk of loss. The complaint further alleged that the defendants misappropriated customer funds and used them for personal expenses, such as payments to adult entertainment locations, restaurants, maid services, and video rentals. The same day the complaint was filed, the court entered a statutory restraining order freezing the defendants' assets and prohibiting them from destroying documents. On May 14, 2001, the court entered an order of preliminary injunction against all defendants. The Georgia Governor's Office of Consumer Affairs

and the U.S. Attorney's Office for the Northern District of Georgia assisted the Commission in its investigation of this matter. The Commission coordinated the filing of its action with the Georgia authorities who, on May 1, 2001, arrested Christie and Lindsey for criminal violations in connection with their activities at ITG. *CFTC v. Infinite Trading Group, L.L.C., et al.*, No. 1:01-CV-1107 (N.D. Ga. filed April 30, 2001).

- **CFTC v. International Monetary Group, Inc., et al.** On June 18, 2001, the Commission filed a civil injunctive action against International Monetary Group, Inc. (IMG) and Currency Management Group, Inc. (CMG), as well as Anthony and Emido Dellarciprete, the owners and operators of IMG and CMG, and Jason Lemmon, sales manager for both companies. The complaint charged that, since at least December 2000, the defendants fraudulently solicited and received almost \$700,000 from customers, purportedly to purchase foreign currency options. Instead, according to the complaint, the defendants used those funds to pay for personal expenses, such as food, entertainment, automobiles, and home improvement projects. The complaint further alleged that the defendants solicited investors by exaggerating claims of profitability and minimizing the risk of loss associated with investing in foreign currency options. The day the complaint was filed, the court entered a statutory restraining order freezing the defendants' assets and prohibiting them from destroying documents. On June 27, 2001, the court entered consent orders of preliminary injunction against the defendants, enjoining them from further violations, as charged, and continuing the asset freeze and prohibition against destroying documents entered against them. *CFTC v. International Monetary Group, Inc., et al.*, No. 5:01CV1496 (N.D. Ohio filed June 18, 2001).
- **CFTC v. Acro Information Service, Inc., et al.** On August 9, 2001, the Commission filed a civil injunctive action against Acro Information Service, Inc. (Acro), Pakco Holdings Limited (Pakco), Dr. Florentius Chan (former owner of Acro), Sandy Chan (former president of Acro), and Andrew Tai Wai (current president of Acro and Pakco) for selling illegal forex futures contracts. The complaint also charged Acro, Pakco, and Dr. Chan with fraudulently operating the forex business, which targeted Asian and other ethnic group customers. Since at least December 2000, the complaint alleged, Acro solicited customers by advertising high-income employment opportunities in Asian and other language newspapers. Customers who responded to the advertisements were offered purported employment trading forex contracts. According to the complaint, in order to convince customers to trade, Acro told them that forex trading is profitable and involves little risk of loss. Acro then persuaded customers to open accounts to trade for themselves by representing that Acro customers were making money trading. The Commission alleged that almost all Acro customers lost most, or all, of their money. On August 31, 2001, the court entered a consent order of preliminary injunction and statutory restraining order enjoining defendants from further violations as charged, freezing the defendants' assets, and prohibiting them from destroying documents. *CFTC v. Acro Information Service, Inc., et al.*, No. 01-06926 (C.D. Cal. filed August 9, 2001).

- **CFTC v. Fintrex, Inc., et al.** On August 9, 2001, the Commission filed a civil injunctive action against Fintrex Inc. (Fintrex), Arman Ovespyan (Fintrex's owner, president, and general manager), and Lytresse Fox (a general manager and senior broker for Fintrex) for offering illegal forex futures contracts to the retail public. The amended complaint alleged that Fintrex obtained customers by placing newspaper advertisements offering free training to persons interested in managing foreign currency accounts or acting as currency traders. According to the complaint, Ovespyan provided two weeks of training and then solicited the trainees to open personal accounts at Fintrex, and Fox conducted trading activities for Fintrex. The defendants were not regulated financial entities as required by the CFMA to lawfully offer forex contracts to these retail customers. The court subsequently entered a preliminary injunction and statutory restraining order enjoining defendants from further violations as charged, freezing the assets of Fintrex, and prohibiting the defendants from destroying documents. *CFTC v. Fintrex, Inc., et al.*, No. 01-06907 (C.D. Cal. filed August 9, 2001).
- **CFTC v. World Banks Foreign Currency Traders, et al.** On August 23, 2001, the Commission filed a civil injunctive action against World Banks Foreign Currency Traders, Inc., International Investors Trading Group, Inc., Daniel Ledoux, Gavin Livoti, and Bryant Crowder. The complaint charged defendants with fraudulent telemarketing of illegal foreign currency options, and alleged that they lured customers with false claims that foreign currency options offered extraordinary profits with little risk. According to the complaint, the defendants used high-pressure sales tactics in soliciting customers to invest in purported foreign currency investments by claiming that because of current market news, quick-acting customers could make huge profits in a matter of weeks or months. At the same time, the complaint alleged, defendants downplayed the risk of loss by promising to watch the market closely and alert customers to get out of the market at the right time. The following day, the court entered a statutory restraining order freezing the defendants' assets and prohibiting them from destroying documents. *CFTC v. World Banks Foreign Currency Traders, Inc. et al.*, No. 01-7402 (S.D. Fla. filed August 23, 2001).

Case Results in the Area of Illegal Instruments

During FY 2001, the Enforcement program obtained results in a precious metals case previously filed in the area of illegal instruments:

- **CFTC v. National Bullion and Coin, Inc., et al.**, No. 00-6885-CIV-ZLOCH, Final Order of Judgment Concerning Restitution, Disgorgement, and Civil Monetary Penalties Against All Defendants (S.D. Fla. entered March 28, 2001) (following September 2000 order finding all defendants—National Bullion and Coin, Inc., Capital Credit Management & Finance, Inc., Joseph B. Flanigan, and Lawrence Colman—liable as charged and imposing a permanent injunction; ordering payment of \$2,456,511 in restitution by defendants,

jointly and severally; civil monetary penalties of \$2,456,511 each; and disgorgement of \$20,952 by Flanigan and \$224,437 by Colman).

Quick-Strike Cases

The Commission is committed to responding quickly to enforcement investigations that uncover ongoing fraud. Quick-strike cases are civil injunctive actions that generally are filed in Federal district courts within days or weeks of the discovery of the illegal activity, enabling the program to stop fraud at an early stage and to attempt to preserve customer funds. During FY 2001, the Commission filed the following 12 quick-strike cases.

- *CFTC v. Stephens et al.*, No. 1:00-CV-0184-4 (M.D. Ga. filed October 24, 2000) (*See* Managed Accounts and Trading Systems, below);
- *CFTC v. Brown and Thompson*, No. 00-C-7344 (N.D. Ill. filed November 21, 2000) (*See* Trade Practice Violations, Fraudulent Trade Allocation Cases and Results, below);
- *CFTC v. Bailey, et al.*, No. G-1-01-4212 (S.D. Ohio filed April 12, 2001) (*See* Violations Involving Managed Funds or Marketing of Trading Systems, Pool Fraud Cases, below);
- *CFTC v. SunState FX, Inc., et al.*, No. 01-8329 CIV-MORENO (S.D. Fla. filed April 18, 2001) (*See* Illegal Instruments, Foreign Currency Cases, above);
- *CFTC v. International Currency Strategies, Inc., et al.*, No. 01-8350 (S.D. Fla. filed April 20, 2001) (*See* Illegal Instruments, Foreign Currency Cases, above);
- *CFTC v. Infinite Trading Group, L.L.C., et al.*, No. 1:01-CV-1107 (N.D. Ga. filed April 30, 2001) (*See* Illegal Instruments, Foreign Currency Cases, above);
- *CFTC v. International Monetary Group, Inc, et al.*, No. 5:01CV1496 (N.D. Ohio filed June 18, 2001) (*See* Illegal Instruments, Foreign Currency Cases, above);
- *CFTC v. Knipping, et al.*, No. 01-163-P-H (D. Me. filed June 20, 2001) (*See* Violations Involving Managed Funds or Marketing of Trading Systems, Pool Fraud Cases, below);
- *CFTC v. Scott, et al.*, No. AMD 01 CV2320 (D. Md. filed August 6, 2001) (*See* Violations Involving Managed Funds or Marketing of Trading Systems, Pool Fraud Cases, below);
- *CFTC v. Acro Information Service, Inc., et al.*, No. 01-06926 (C.D. Cal. filed August 9, 2001) (*See* Illegal Instruments, Foreign Currency Cases, above);
- *CFTC v. Fintrex, Inc., et al.*, No. 01-06907 (C.D. Cal. filed August 9, 2001) (*See* Illegal Instruments, Foreign Currency Cases, above); and

- *CFTC v. Duncan et al.*, No. 01C-6802 (N.D. Ill. filed August 30, 2001) (*See* Violations Involving Managed Funds or Marketing of Trading Systems, Pool Fraud Cases, below).

Manipulation and Speculative Limits

During FY 2001, the Commission filed the following cases involving allegations of price manipulation and violations of exchange speculative position limits.

Manipulation Cases

- **In re Eisler.** On July 11, 2001, the Commission filed an administrative complaint against Norman Eisler and his trading company, First West Trading, Inc. (First West). The complaint alleged that from at least August 1999 to May 12, 2000, Eisler manipulated settlement prices of the PSE Technology Index option contract (P-Tech Options), and, in doing so, presented false market information to the New York Futures Exchange (NYFE). According to the complaint, Eisler was a member of the NYFE settlement committee and took sole charge of setting the settlement prices of P-Tech Options. As alleged, Eisler traded P-Tech Options through the First West trading account, and his manipulation inflated the value of that account by, on average, an excess of \$2 million each day—an illegal activity that allowed Eisler to avoid or dramatically reduce margin calls against the First West account. On May 15, 2000, when Eisler no longer was involved in setting P-Tech Options settlement prices, the settlement prices fell significantly, and the value of the First West account plunged to a negative \$4.9 million, according to the complaint. *In re Eisler, et al.*, CFTC Docket No. 01-14 (CFTC filed July 11, 2001). This proceeding was related to *In re New York Futures Exchange, Inc.*, CFTC Docket No. 01-13 (CFTC filed July 11, 2001) (*see* Supervision and Compliance Cases, below).
- **In re Avista Energy, Inc., et al.** and **In re Johns.** On August 21, 2001, the Commission simultaneously instituted and settled related administrative enforcement actions against Avista Energy, Inc. (Avista), an energy marketing and trading subsidiary of the publicly-traded diversified energy concern Avista Corporation, Michael T. Griswold (Avista's former energy trader), and Thomas A. Johns (Avista's former Vice President of Trading). The Commission's Orders found that on four days between April 1998 and August 1998, Avista manipulated the settlement prices of the Palo Verde and California-Oregon-Border electricity futures contracts traded on the New York Mercantile Exchange (NYMEX), in order to increase the company's net gain on certain over-the-counter option positions whose value was based on the settlement prices at issue. Without admitting or denying the findings, the respondents consented to the entry of the Orders that: directed them to cease and desist from further violations; ordered them to pay civil monetary penalties of \$2,100,000 (Avista), \$110,000 (Griswold), and \$50,000 (Johns); imposed trading bans of 18 months (Griswold) and 12 months (Johns); and ordered the respondents to comply with their undertaking to cooperate fully with the Commission and its staff in related

proceedings. *In re Avista Energy, Inc., et al.*, CFTC Docket No. 01-21 (CFTC filed August 21, 2001); and *In re Johns*, CFTC Docket No. 01-22 (CFTC filed August 21, 2001). On the same day, the Commission filed an administrative complaint, which remains pending, against William H. Taylor (former Avista Vice President of Trading Strategies), Robert S. Kristufek (former Avista trader), and Anthony J. DiPlacido (NYMEX floor broker), charging them with participating in the manipulative scheme. *In re DiPlacido, et al.*, CFTC Docket No. 01-23 (CFTC filed August 21, 2001). The NYMEX Compliance Department assisted the Commission's investigation of this matter.

Speculative Limit Cases

- **In re Mersch.** On November 7, 2000, the Commission filed an administrative complaint against Frederick J. Mersch, a commodity trader from Iowa, alleging that he exceeded trading limits for Chicago Mercantile Exchange (CME) frozen pork belly contracts on five separate dates while trading for his own account and on behalf of others. *In re Mersch*, CFTC Docket No. 01-02 (CFTC filed November 7, 2000). On September 4, 2001, the Commission issued an Order accepting an offer of settlement from Mersch, finding that between August 2, 1996 and March 31, 1999, Mersch traded his own account, and also controlled the trading in accounts carried in the names of his wife, adult children, and other acquaintances. According to the Order, futures positions in these accounts controlled by Mersch, when aggregated, exceeded position limits for CME frozen pork belly futures on five separate days. The Order further found that Mersch failed to disclose his control of certain family and acquaintance accounts, failed to update one of his inaccurate reports, and held or controlled reportable positions while the report remained inaccurate. Without admitting or denying the findings, Mersch consented to the entry of the Order that: directed him to cease and desist from further violations; ordered him to pay a civil monetary penalty of \$25,000; imposed a two-year trading ban; and ordered him to comply with his undertaking that, after the trading ban is lifted, Mersch will obtain written authorization before entering commodity orders for others, and give written authorization to anyone entering orders for his personal trading accounts. *In re Mersch*, CFTC Docket No. 01-02, Order Making Findings and Imposing Sanctions (CFTC entered September 4, 2001).
- **In re Saberi.** On June 26, 2001, the Commission filed an administrative complaint against Andy Saberi. The complaint alleged that Saberi, a commodity trader, exceeded exchange trading limits for frozen pork bellies at the CME. Specifically, the complaint alleged that at the close of trading on August 14, 2000, Saberi held a net short position of 93 August 2000 pork belly futures contracts when the CME limit stood at 50 contracts. The complaint further alleged that an account executive warned Saberi of the limit early in the trading session on August 14, 2000, and that Saberi had time to comply with the limit prior to the close of trading. According to the complaint, Saberi chose not to comply until a second warning was issued on August 15, 2000. As charged in the complaint, Saberi

profited substantially from his violation, which occurred during a period of significant market congestion. *In re Saberi*, CFTC Docket No. 01-11 (CFTC filed June 26, 2001).

Trade Practice Violations

During FY 2001, the Commission's Enforcement program continued to pursue actions that address specific types of trade practice violations affecting the interests of customers and the integrity of futures markets.

Fraudulent Trade Allocation Cases and Results

- **In re U.S. Securities & Futures Corp., et al.** On October 26, 2000, the Commission filed an administrative complaint against U.S. Securities & Futures Corp. (USSFC), a New York FCM, and Justus Enterprises, Inc. (Justus), an unregistered commodity trading advisor (CTA), as well as certain of their respective officers and employees. The complaint alleged that between 1996 and 1998, USSFC and Justus facilitated the defrauding of customers by Currency and Commodity Broker GmbH (CCB), a German foreign broker that traded through USSFC, by fraudulently allocating thousands of customer trades after they were executed. According to the complaint, at day's end CCB allocated winning trades to newer accounts and losing trades to older ones, and then persuaded new "winning" customers to invest substantial additional sums. As further alleged, Justus (at CCB's direction) placed hundreds of unallocated trades each day through USSFC, and USSFC accepted orders from Justus without account identification even when it was apparent that post-execution allocation of the trades was not fair or equitable. As alleged in the complaint, USSFC assisted CCB and Justus in obtaining approximately \$11 million in commissions on some 90,000 unallocated futures orders while earning more than \$2 million for itself. At the same time, customers lost more than \$19 million. The Commission received assistance from the Hamburg, Germany police in connection with this matter. *In re U.S. Securities and Futures Corp. et al.*, CFTC Docket No. 01-01 (CFTC filed October 26, 2000).

- **CFTC v. Brown and Thompson, et al.** On November 21, 2000, the Commission filed a civil injunctive action charging Martin Brown and Geoffrey S. Thompson with fraud. Specifically, the complaint alleged that from at least February until October 2000, Brown and Thompson engaged in a scheme to fraudulently allocate profitable trades to accounts belonging to relief defendants Brenda L. Brown, Prairie Garden Condos, Inc., and Javette L. King, while allocating unprofitable trades to other customers. According to the complaint, during the period of the alleged scheme, the relief defendants' accounts amassed approximately \$1.5 million in profits. The day the complaint was filed, the court entered a statutory restraining order freezing the defendants' assets and prohibiting them from destroying documents. The court subsequently entered consent orders of preliminary injunction against defendants Martin Brown and Geoffrey S. Thompson enjoining them from further violations, as charged, and continuing the asset freeze and

prohibition against destroying documents entered against them. On January 9, 2001, the court entered a consent order of preliminary injunction ordering relief defendants Brenda Brown and Prairie Garden Condos, Inc., to deposit \$10,000 into a non-segregated funds account, freezing their assets that were received or obtained as a result of the defendants' fraudulent conduct, and continuing the prohibition against destroying documents entered against them. On March 1, 2001, the court entered a consent order of preliminary injunction continuing the asset freeze and prohibition against destroying documents entered against relief defendant Javette L. King. *CFTC v. Brown and Thompson, et al.*, No. 00-C-7344 (N.D. Ill. filed November 21, 2000).

- **In re Bengson**, CFTC Docket No. 00-21, Order Making Findings and Imposing Remedial Sanctions (CFTC filed October 2, 2000) (settlement of previously-filed fraudulent trade allocation case against former registered associated person (AP) of FCM; without admitting or denying the Commission's findings, Bengson consented to the entry of the Order that: directed him to cease and desist from further violations; imposed a contingent civil monetary penalty of \$110,000 pursuant to an income-based payment plan; prohibited Bengson from trading on or subject to the rules of any contract market; and required that Bengson comply with his undertaking never to seek registration in any capacity).

Trade Practice Fraud Cases

- **In re Coppola, et al.** and **In re Merolla, et al.** On January 10, 2001, the Commission filed two related administrative enforcement proceedings against four floor brokers (Paul Merolla, Philip Selby, Timothy Murphy, and Vincent Coppola, who traded in the gold options ring at COMEX. *In re Coppola, et al.*, CFTC Docket No. 01-06 (CFTC filed January 10, 2001); *In re Merolla, et al.*, CFTC Docket No. 01-07 (CFTC filed January 10, 2001). It was alleged that respondents fraudulently executed trades by trading ahead of executable customer orders on the same side of the market and by changing prices on executed orders to the detriment of customers. In three separate Orders, the Commission accepted offers of settlement from all respondents. The Commission's Orders found that on several days, including September 28, 1999—a record day of trading volume on the COMEX gold market in which gold options brokers received an unprecedented number of mostly small-lot retail customer orders—respondents illegally traded ahead of executable customer orders and illegally changed prices on executed customer gold options orders. Without admitting or denying the findings, respondents consented to the entry of the Orders that: directed them to cease and desist from further violations; imposed a six-month registration suspension and trading ban (but allowed them to trade off the floor for their own accounts after the first three months), and a year-long ban on dual trading following the registration suspension period; restricted their registrations for two years after the registration suspension period, and required them to have a sponsor if they act as a floor broker or floor trader; and ordered payment of restitution by Murphy, Merolla, Coppola, and Selby in the amounts of \$18,750, \$14,700, \$7,700, and \$5,200, respectively, as well as contingent civil monetary penalties of \$25,000 each for Merolla and Selby and

\$30,000 each for Coppola and Murphy, pursuant to income-based payment plans. The Commission received the cooperation of the NYMEX in connection with this matter. *In re Merolla, et al.*, CFTC Docket No. 01-07 (CFTC filed January 10, 2001); *In re Murphy*, CFTC Docket No. 01-06, Order Making Findings and Imposing Sanctions as to Respondent Timothy Murphy (CFTC entered April 22, 2001); *In re Coppola*, CFTC Docket No. 01-06, Order Making Findings and Imposing Sanctions as to Respondent Vincent Coppola (CFTC entered August 15, 2001).

Violations Involving Managed Funds or Marketing of Trading Systems

Recent years have seen increases in both the number of customers participating in the futures and options markets and the amount of customer funds under management. During FY 2001, the Commission prosecuted the following enforcement actions against those acting as commodity pool operators (CPOs) and CTAs who sought to exploit this growth through fraudulent schemes and other violations involving managed funds and/or the marketing of trading systems.

Pool Fraud Cases

- **In re Fleyshmakher**. On November 29, 2000, the Commission filed an administrative complaint against Isaac Fleyshmakher, charging him with unauthorized trading, misappropriating funds of the New Frontier and New Millennium commodity pools, and failing to register as a CPO. Specifically, the complaint alleged that Fleyshmakher defrauded investors in the New Frontier pool by transferring some of their funds, which had been solicited to trade securities, into a commodity trading account without their knowledge or consent. With respect to the New Millennium pool, the complaint alleged that Fleyshmakher defrauded investors by making false statements about the pool's purported performance record when, in fact, the pool had never traded commodities or securities. The complaint also alleged that Fleyshmakher misappropriated pool funds by retaining service fees despite having performed no legitimate trading services for investors. *In re Fleyshmakher*, CFTC Docket No. 01-04 (CFTC filed November 29, 2000). On April 4, 2001, the Commission issued an Order accepting an offer of settlement from Fleyshmakher, finding that Fleyshmakher made unauthorized trades and misappropriated funds in connection with the New Frontier and New Millennium pools. Without admitting or denying the findings, Fleyshmakher consented to the entry of the Order that: directed him to cease and desist from further violations; required him to pay restitution to defrauded investors; imposed a contingent civil monetary penalty of \$55,000 pursuant to an income-based payment plan; permanently banned him from trading; and ordered him to comply with his undertaking never to seek registration in any capacity. *In re Fleyshmakher*, CFTC Docket No. 01-04, Order Making Findings and Imposing Remedial Sanctions (CFTC entered April 4, 2001).

- **CFTC v. O'Herron, et al.** On December 14, 2000, the Commission filed a civil injunctive action charging John F. O'Herron and O'Herron Asset Management, Inc. (OAM) with fraudulently operating a commodity pool, and with registration violations. Specifically, the complaint alleged that O'Herron solicited, accepted, and pooled at least \$2.7 million from approximately 27 investors for the purported purpose of trading commodity futures. The complaint alleged that, among other things, O'Herron misappropriated funds received from investors and used them for personal expenses, misrepresented his past trading success to potential investors, fraudulently made promises of highly profitable trading while claiming to be able to limit risks, and issued false monthly statements to investors. The complaint also alleged that O'Herron and OAM failed to register as CPOs. On December 21, 2000, the court entered a statutory restraining order freezing the defendants' assets and prohibiting them from destroying documents. On April 6, 2001, the court entered an order of preliminary injunction enjoining defendants from further violations, as charged, and continuing the asset freeze and prohibition against destroying documents entered against them. *CFTC v. O'Herron, et al.*, Civil Action No.: 1:00 CV 913 (W.D. Mich. filed December 14, 2000).
- **CFTC v. Bailey, et al.** On April 12, 2001, the Commission filed a civil injunctive action against Jeffrey T. Bailey and JMK Capital Management, Inc. The complaint alleged that Bailey fraudulently solicited, accepted, and pooled at least \$624,000 from approximately 50 members of the general public for the purported purpose of trading commodity futures. Specifically, the complaint alleged that the defendants misrepresented their trading record to potential investors; issued false monthly statements; and concealed from investors that only a small amount of investor funds was actually being traded, that such trading had resulted primarily in losses, and that Bailey was diverting funds for his personal use and benefit. The complaint further alleged that Bailey concealed his trading losses by using funds from current investors to pay earlier investors, in a manner akin to a "Ponzi" scheme. The day after the complaint was filed, the court entered a consent order of preliminary injunction and statutory restraining order enjoining defendants from further violations as charged, freezing the defendants' assets, and prohibiting them from destroying documents. The Commission coordinated its filing with the U.S. Attorney's Office for the Southern District of Ohio which, on the same date, filed a criminal information against Bailey arising out of the same facts and charging criminal violations of the Act. *CFTC v. Bailey, et al.*, No. G-1-01:212 (S.D. Ohio filed April 12, 2001).
- **CFTC v. Knipping, et al.** On June 20, 2001, the Commission filed a civil injunctive action against Edward W. Knipping and Time Traders, Inc., charging them with fraudulently operating a commodity pool. Specifically, the complaint alleged that Knipping solicited and pooled at least \$5.9 million from approximately 250 investors for the purported purpose of trading commodity futures. According to the complaint, Knipping misappropriated funds and issued false account statements indicating that the pool was highly profitable. On June 28, 2001, the court entered a statutory restraining order freezing the defendants' assets and prohibiting them from destroying documents.

The Commission received the assistance of the SEC in connection with this matter. Simultaneously with the filing of the complaint, the U.S. Attorney's Office for the District of Maine unsealed a criminal complaint against Knipping, Time Traders, and another business charging them with fraud. *CFTC v. Knipping, et al.*, No. 01-163-P-H (D. Me. filed June 20, 2001).

- **In re Gilkerson.** On June 29, 2001, the Commission simultaneously instituted and settled an administrative enforcement action against Harvey T. Gilkerson, an unregistered CPO. The Commission's Order found that Gilkerson fraudulently solicited investors for two pools that he managed, and that he misappropriated customer funds and distributed false account statements to investors. Specifically, the Order found that Gilkerson solicited investors using false statements of guaranteed profits, and never disclosed that his profit claims were based on hypothetical trading. The Order further found that Gilkerson used investor funds to pay personal and business expenses, and that he sent false statements to investors showing profits and increasing balances when, in fact, Gilkerson's trading resulted in losses. Without admitting or denying the findings, Gilkerson consented to the entry of the Order that: directed him to cease and desist from further violations; ordered Gilkerson to make restitution of \$16,350 to investors, and subsequently to pay a contingent civil monetary penalty of \$16,350, pursuant to an income-based payment plan; and ordered him to comply with his undertaking never to seek registration in any capacity. *In re Gilkerson*, CFTC Docket No. 01-12 (CFTC filed June 29, 2001).
- **CFTC v. Scott, et al.** On August 6, 2001, the Commission filed a civil injunctive action against Peter Scott and Rothlin and Windsor Capital Management, Inc., charging them with the fraudulent operation of a commodity pool known as the Rothlin and Windsor Future Fund (Fund). The Commission's complaint alleged that Scott and R&W misappropriated investors' funds for their personal benefit, including the payment of income taxes and the purchase of an automobile. The complaint further charged that defendants issued false account statements and misrepresented to participants the trading and performance record of the Fund. Scott has admitted that he received over \$2 million from investors, and that he paid himself over \$900,000. The day the complaint was filed, the court entered a statutory restraining order freezing the defendants' assets and prohibiting them from destroying documents. On August 8, 2001, the court entered a consent order of preliminary injunction enjoining defendants from further violations as charged, and continuing the asset freeze and prohibition against destroying documents entered against them. The Commission received assistance from the National Futures Association (NFA) in connection with this matter. *CFTC v. Scott, et al.*, No. AMD 01 CV2320 (D. Md. filed August 6, 2001).
- **CFTC v. Duncan, et al.** On August 30, 2001, the Commission filed a civil injunctive action against Andrew Duncan of Toronto, Canada, and his company, Aurum Society, Inc., charging them with fraudulently operating a commodity pool and misappropriating customer funds. The complaint alleged that the defendants fraudulently solicited at least

\$3 million from customers in the United States and Canada, claiming that the pool made great profits when, in fact, the pool realized net losses from the start of trading. Specifically, the complaint alleged that Duncan and Aurum Society operated a “Ponzi” scheme in which they collected funds from unwitting customers for commodity trading, misused that money, and used new customer funds to repay earlier investors. The complaint further alleged that to conceal their trading losses and misappropriation of funds, the defendants issued false reports and made oral misrepresentations to customers concerning the performance record of the pool. The day the complaint was filed, the court entered a statutory restraining order freezing the defendants’ assets, and prohibiting them from destroying documents. The Ontario Securities Commission provided assistance to the Commission in connection with this matter. *CFTC v. Duncan, et al.*, No. 01C-6802 (N.D. Ill. filed August 30, 2001).

Pool Fraud Case Results

During FY 2001, the Enforcement program obtained results in the following cases previously filed in the area of pool fraud.

- **CFTC v. FTI Financial Group, et al.**, No. 97 C 7061, Consent Order of Permanent Injunction Against Anthony L. Holt (N.D. Ill. entered January 30, 2001) (finding that defendant Holt defrauded pool investors and acted as an unregistered CPO; enjoined Holt from trading for his own account or controlling or directing the trading of commodity accounts on behalf of others; imposed a contingent civil monetary penalty of \$50,000 pursuant to an income-based payment plan; and barred Holt from ever seeking registration in any capacity).
- **CFTC v. Marantette, et al.**, No. CV99-00653 SOM LEK, Consent Order of Permanent Injunction and Restitution (D. Hi. entered February 20, 2001) (finding that the defendants acted as unregistered CPOs and fraudulently solicited customers whose losses were in excess of \$1.8 million; enjoined defendants from further violations; ordered them to jointly pay a contingent civil monetary penalty of \$700,000 commencing on their payment of \$2,246,043 in restitution pursuant to an income-based payment plan; imposed a permanent trading ban; and barred them from ever seeking registration in any capacity).
- **CFTC v. Schenk, et al.**, No. 2:98 CV 00216J, Consent Order of Permanent Injunction and Other Equitable Relief Against Mark and John Steven Schenk (D. Utah entered March 29, 2001) (finding that defendants Mark Schenk and John Steven Schenk, among others, committed fraud in connection with the operation of the Sunrise Fund, a commodity pool; enjoined defendants from further violations; prohibited defendants from soliciting or accepting new clients or participants for commodity futures or options trading; and prohibited defendants from controlling or directing the trading of any commodity interest account for or on behalf of any other person).

- **CFTC v. Konkel**, No. 00-T-547-S, Consent Order of Permanent Injunction and Other Equitable Relief Against Defendant Michael J. Konkel (M.D. Ala. entered May 18, 2001) (finding that Konkel, among other violations, fraudulently solicited investors for a commodity pool he operated; enjoined Konkel from further violations; ordered Konkel to pay \$790,000 in restitution to investors and a subsequent civil monetary penalty of \$440,000 (with \$197,000 in restitution for immediate distribution and the remaining monetary sanctions imposed pursuant to an income-based payment plan); imposed a permanent trading ban; and barred Konkel from ever seeking registration in any capacity).
- **CFTC v. Pension America, Inc., et al.**, No. 00-2071 RHK/SRN, Consent Order of Permanent Injunction and Other Equitable Relief Against Defendants William Relf, Specialized Commodity Timing, LLC, and Commodity Timing Specialists, LLC (D. Minn. entered July 2, 2001) and Consent Order of Permanent Injunction and Other Equitable Relief Against Defendants Edward Stevenson Kirris, III and Selective Futures Management, LLC (D. Minn. entered July 5, 2001) (finding that defendants Kirris and Relf committed fraud and registration violations in connection with the operation of the defendant commodity pools; enjoined defendants from further violations; ordered Kirris and Relf to pay contingent civil monetary penalties of \$561,452 and \$110,000, respectively, pursuant to income-based payment plans, commencing upon the payment of \$561,472 and \$281,652, respectively, in restitution which also is pursuant to payment plans; imposed permanent trading bans on defendants; and barred defendants from ever seeking registration in any capacity).

Managed Accounts and Trading Systems Cases

- **CFTC v. Stephens, et al.** On October 24, 2000, the Commission filed a civil injunctive action charging defendants James Stephens, III and Trendsystems, Inc. with fraud and unlawful solicitation of customer funds. Specifically, the Commission's complaint alleged that Trendsystems, a registered CTA, and Stephens, a registered AP of Trendsystems, solicited customers to open managed accounts to be traded by Trendsystems. According to the complaint, defendants then misappropriated client funds, falsely misrepresented to clients that Trendsystems was profitably trading on their behalf when there were no profitable trades, and issued false statements to clients reflecting purported profits earned for them. On August 21, 2001, the court entered a consent order of permanent injunction finding that the defendants violated the antifraud provisions of the Act and the Commission's regulations. Without admitting or denying the findings, defendants consented to the entry of the Order that: permanently enjoined defendants from further violations; ordered Stephens to pay a contingent civil monetary penalty of \$111,834.54, and \$62,448.14 in restitution to defrauded investors pursuant to an income-based payment plan; imposed ten-year personal trading bans on defendants, and permanently banned them from trading commodity futures or options for the public; and permanently barred defendants from seeking registration in any capacity. *CFTC v. Stephens, et al.*, No. 1:00-CV-0184-4 (N.D. Ga. filed October 24, 2000).

- **In re Fishback, et al.** On November 16, 2000, the Commission filed an administrative complaint against the Donald M. Fishback Company, Inc., a registered CTA, and its president, Donald M. Fishback. The complaint alleged that respondents fraudulently solicited customers to purchase trading products and services for trading commodity options using a system called Options and Derivatives Decision Support (ODDS). *In re Fishback, et al.*, CFTC Docket No. 01-03 (CFTC filed November 16, 2000). On July 2, 2001, the Commission issued an Order accepting an offer of settlement from respondents, finding that Fishback and his company fraudulently solicited members of the public by falsely claiming in their solicitation materials that options trading with the ODDS system resulted in substantial profits and little or no risk. The order further found that while respondents misleadingly implied that the purported profits were based on actual trading, in reality, they were derived solely from simulated trading, and that respondents also falsely represented that Fishback had extensive trading experience. Without admitting or denying the findings, respondents consented to the entry of the Order that: directed them to cease and desist from further violations; ordered them to pay a \$75,000 civil monetary penalty; and required them to comply with certain undertakings, including undertakings to withdraw all registrations with the Commission and not to seek registration for a period of five years. *In re Fishback, et al.*, CFTC Docket No. 01-02, Order Making Findings and Imposing Remedial Sanctions (CFTC entered July 2, 2001).
- **In re Gramalegui.** On July 12, 2001, the Commission simultaneously instituted and settled an administrative enforcement action against Gregory L. Gramalegui, who was doing business as S&P Safe Co. The Commission's Order found that Gramalegui used false advertisements in marketing his commodity trading system called Trend Reflection Trading System. Specifically, the Order found that Gramalegui made false claims that his mother traded his system and implied that she profited from it. The Order found that Gramalegui's mother did not personally trade with the system, but that Gramalegui made commodity trades in an account in her name, and the account lost money. The Order further found that Gramalegui failed to disclose that Trend Reflection's track record was not the result of actual trading but was hypothetical trading. Without admitting or denying the findings, Gramalegui consented to the entry of the Order that: directed him to cease and desist from further violations; ordered him to pay a civil monetary penalty of \$10,000; and ordered him to comply with his undertaking not to misrepresent the profits, performance, or results achieved (or that can be achieved) by a trading system, or the risks associated with trading pursuant to a futures or options trading system. *In re Gramalegui*, CFTC Docket No. 01-16 (CFTC filed July 12, 2001).
- **In re Global Telecom, Inc., et al.** and **In re Pennings and Caulkins.** On July 18, 2001, the Commission filed two related administrative enforcement actions, one against Global Telecom, Inc., Cameron Ownbey, and RB&H, Financial Services, LP (RB&H), and the second against Mark Pennings and Clayton Caulkins. The complaint in the first action alleged that Global Telecom, a registered CTA, and Cameron Ownbey, a principal and registered AP of Global Telecom and former AP of RB&H, fraudulently solicited

customers in connection with the sale of a commodity trading system. As alleged, Global Telecom promoted and offered to the public a pork belly futures trading system through advertisements in trade magazines, on the Internet, and in free seminars. The complaint alleged that respondents made false promises of huge profits (700 percent) and mischaracterized the system's past performance (300 percent). According to the complaint, a proprietary account that Global Telecom maintained at RB&H consistently lost money trading the system, but respondents did not disclose those losses to clients or prospective clients. The complaint further alleged that: Ownbey and others conducted Global Telecom's business from RB&H's offices; persons who purchased the system also were solicited to open accounts at RB&H, and a majority did so; and RB&H was aware of Global Telecom's advertisements and was required by its procedures to review them, but did not do so. Based on these allegations, the complaint charged RB&H with liability for the allegedly fraudulent acts of Ownbey and its other employees with respect to customers common to Global Telecom and RB&H, and for failing to diligently supervise its employees in their solicitations of customers to open accounts at RB&H. *In re Global Telecom, Inc., et al.*, CFTC Docket No. 01-18 (CFTC July 18, 2001).

On the same day, the Commission simultaneously instituted and settled a related administrative enforcement action against Mark Pennings and Clayton Caulkins, former principals and registered APs of Global Telecom and APs of RB&H. The Commission's Order found that Pennings and Caulkins fraudulently solicited customers to purchase trading signals for Global Telecom's pork belly trading system and to open accounts at RB&H. Specifically, the Order found that Pennings and Caulkins used false advertisements that overstated the performance of the pork belly trading system, misrepresented RB&H's trading results as those of Global Telecom, and omitted the complete results of RB&H's trading program that were significantly worse than the disclosed results. Without admitting or denying the findings, Pennings and Caulkins consented to the entry of the Order that: directed them to cease and desist from further violations; suspended their AP registrations for six months; and ordered them to pay civil monetary penalties of \$27,194 and \$34,500, respectively. *In re Pennings and Caulkins*, CFTC Docket No. 01-17 (CFTC filed July 18, 2001).

- **In re Sheaves.** On September 28, 2001, the Commission filed an administrative complaint against D. Michael Sheaves, a registered CTA, alleging that Sheaves (doing business as Strategic Trading and Investing) committed solicitation fraud by failing to update reports of earlier trading profits to include subsequent and substantial trading losses. Specifically, the complaint alleged that from May 2000 until at least January 2001, Sheaves solicited customers using a disclosure document that showed profitable trading results for the first quarter of 2000, but that did not include significant losses that Sheaves suffered while managing customer trading accounts later in the year. The complaint further charged that Sheaves published trading results without disclosing that they were based on hypothetical, rather than actual, trading. *In re Sheaves*, CFTC Docket No. 01-25 (CFTC filed September 28, 2001).

Trading Systems Case Results

During FY 2001, the Enforcement program obtained results in the following cases previously filed in the area of trading systems.

- **CFTC v. Sabin and Smith**, No. SA CV 00-0940 DOC (EEx), Default Judgment and Order of Permanent Injunction (C.D. Cal. entered February 26, amended February 28, 2001) (finding that, while doing business as Westar Financial Services and The Cash Nursery, defendants acted as unregistered CTAs and fraudulently solicited customers for a commodity options methodology through (among other things) misleading advertising on their Internet website; enjoined defendants from further violations, as charged; ordered joint payment of \$384,771 in restitution; and ordered each defendant to pay a \$50,000 civil monetary penalty).
- **CFTC v. CTS Financial Publishing, Inc., formerly Commodity Trend Service, Inc., et al.**, CFTC Docket No. 00-34, Order Making Findings and Imposing Remedial Sanctions (CFTC entered July 5, 2001) (finding that CTS Financial Publishing Inc., formerly Commodity Trend Service, Inc. (CTS), and related corporate and individual respondents, fraudulently solicited customers by, among other things, mailing approximately 1.4 million direct-mail advertisements that repeatedly conveyed the false message that by using CTS products, significant profits would be easily and immediately realized and the risk of loss virtually eliminated or significantly reduced; without admitting or denying the findings, respondents consented to the entry of the Commission Order that: directed them to cease and desist from further violations; ordered them to pay, jointly and severally, a civil monetary penalty of \$220,000; and ordered CTS to comply with its undertaking to, among other things, have all advertisements, promotions or solicitations reviewed by legal counsel for compliance with the Act and the Commission's regulations prior to dissemination).

Violations by Introducing Brokers and Their Associated Persons

During FY 2001, as in past years, the Commission devoted significant time and attention to matters involving violations by introducing brokers (IBs) and their APs. Such cases often involve fraudulent misrepresentations, usually to small retail customers, to induce them to invest.

IB Solicitation Fraud Cases and Results

- **In re Madison Financial Group LLC, et al.** On June 6, 2001, the Commission filed an administrative complaint against Madison Financial Group LLC (Madison), a registered IB, and Richard A. Cohen and Ronald G. Scott, who are principals and registered APs of Madison. The complaint alleged that Madison, at the direction of Cohen and Scott, fraudulently solicited customers to open accounts to trade commodity options by using

high-pressure telephone solicitations in which they misrepresented the risks and profit potential of trading commodity options and the performance record of their customers. In contrast to Madison's claims of a successful track record, the complaint alleged, during the relevant time period 97 percent of Madison's customers suffered net losses totaling over \$17 million of the \$20 million in funds invested, while Madison made over \$9 million in commissions and fees. The complaint also charged the respondents with failing to supervise diligently Madison's APs. *In re Madison Financial Group LLC, et al.*, CFTC Docket No. 01-09 (CFTC filed June 6, 2001).

- **In re First Investors Group of the Palm Beaches, Inc., et al.** On June 19, 2001, the Commission filed an administrative complaint against First Investors Group of the Palm Beaches, Inc. (First Investors Group) and its principals, William S. Cordo and Mitchell S. Davis. The complaint alleged that First Investors Group, at the direction of Cordo and Davis, fraudulently solicited customers to open accounts to trade commodity options through telephone solicitations and the broadcast of a 30-minute television infomercial. According to the complaint, First Investors Group defrauded customers by making false claims about, and failing to disclose material facts concerning, the likelihood of profiting from and the risk of loss involved in trading commodity options, including profit claims based on seasonality. In contrast to these fraudulent claims of great profitability and minimal risk, the complaint alleged, nearly 97 percent of First Investors Group customers who closed their accounts over a two-year period lost virtually all the funds they invested (a total of nearly \$7.5 million) while paying approximately \$3.7 million in commissions. *In re First Investors Group of the Palm Beaches, Inc., et al.*, CFTC Docket No. 01-10 (CFTC filed June 19, 2001).
- **In re Gladstone.** On September 4, 2001, the Commission filed an administrative complaint against Alfred A. L. Gladstone, formerly a registered AP with the Los Angeles branch of commodity firm FSG International, Inc. The complaint alleged that Gladstone fraudulently solicited customers with false claims of large profits and misrepresentations of the performance record of his customers. The complaint also alleged that in sharp contrast to Gladstone's promises of "sure bets" and tripled investments, and his representation that all his customers were making money, in fact nearly 99 percent of Gladstone's customers who closed accounts over a two-year period lost all or virtually all of their invested funds, with trading losses totaling over \$1 million. *In re Gladstone*, CFTC Docket No. 01-24 (CFTC filed September 4, 2001).
- **In re Osler.** CFTC Docket No. 00-05, Order Making Findings and Imposing Remedial Sanctions (CFTC entered February 15, 2001) (settlement of previously-filed solicitation fraud case; finding that Osler, while a sales manager and registered AP of Ceres Trading Group, Inc., a registered IB, instructed the APs he supervised to fraudulently solicit customers by, among other things, telling them that heating oil options presented special opportunities for profit because of the seasonal nature of heating oil prices; without admitting or denying the Commission's findings, Osler consented to the entry of the Order

that: directed him to cease and desist from further violations; ordered him to pay a contingent civil monetary penalty of \$50,000 pursuant to an income-based payment plan; and barred him from ever seeking registration in any capacity).

Supervision and Compliance Cases

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

- **In re Szach.** On January 8, 2001, the Commission simultaneously instituted and settled an administrative enforcement action against Scott N. Szach, the former chief financial officer of Griffin Trading Company (Griffin), a registered FCM. The Commission's Order found that Szach failed to diligently supervise Griffin's London branch office, where a customer trading on Eurex repeatedly breached his trading limits by substantial amounts for substantial periods of time, ultimately leading to Griffin's bankruptcy. According to the Order, Szach failed to ensure that the firm's risk management policies were followed (including Griffin's policy requiring that written give-up agreements be executed), failed to monitor trading limits, and allowed trading to occur which could not be monitored. After Griffin's customer sustained huge losses on two consecutive days in late 1998, neither he nor Griffin could meet margin calls exceeding \$10 million, and Griffin filed for bankruptcy protection. Without admitting or denying the findings, Szach consented to the entry of the Order that: directed Szach to cease and desist from further violations; required Szach to pay a contingent civil monetary penalty of \$220,000, pursuant to an income-based payment plan; barred him from practicing before the Commission; and imposed a ten-year trading ban and various registration restrictions. In bringing this action, the Commission worked cooperatively with the U.S. Attorney's Office for the Northern District of Illinois (which secured Szach's guilty plea to criminal charges based on the same misconduct), the Chicago Board of Trade (CBOT), and the Securities and Futures Authority and Financial Services Authority of the United Kingdom (which have concluded disciplinary proceedings against Szach). *In re Szach*, CFTC Docket No. 01-05 (CFTC filed January 8, 2001).
- **In re New York Futures Exchange, Inc.** On July 11, 2001, the Commission simultaneously instituted and settled an administrative enforcement action against the New York Futures Exchange, Inc. (NYFE). The Commission's Order found that NYFE failed to enforce its rule for determining settlement prices for its PSE Technology Index option contract (P-Tech Options). The Order further found that NYFE had no procedure in place to ensure that its settlement committee complied with the NYFE settlement prices rule for P-Tech Options, beyond NYFE's reliance on self-policing by its settlement committee and other market participants. Without admitting or denying the findings, NYFE consented to the entry of the Order that imposed a civil monetary penalty of

\$75,000. NYFE also cooperated with the Commission's investigation of this matter. *In re New York Futures Exchange, Inc.*, CFTC Docket No. 01-13 (CFTC filed July 11, 2001). This proceeding was related to *In re Eisler, et al.*, CFTC Docket No. 01-14 (CFTC filed July 11, 2001) (see Manipulation and Speculative Limits, Manipulation Cases, above).

- **In re Excellent USA, Inc. et al.** and **In re LFG, L.L.C.** On August 20, 2001, the Commission filed an administrative complaint against Excellent USA, Inc., a registered non-clearing FCM, and its managing director, John F. Gallwas. The complaint charged that Excellent and Gallwas did not have an adequate system of supervision in place to monitor the trading in the omnibus accounts of two Japanese firms that accounted for nearly all of Excellent's business. According to the complaint, Excellent and Gallwas ignored various warning signs that the Japanese firms were engaged in customer fraud. Specifically, the complaint alleged, Excellent and Gallwas regularly accepted spread orders from the Japanese firms—including simultaneously entered orders to buy and sell the same spread—that resulted in the omnibus accounts holding an almost equal and offsetting position in each futures month. Although this alleged trading had the appearance of improper wash sales, Excellent and Gallwas never sought clarification of the customers' intent or questioned the Japanese firms. *In re Excellent USA, Inc., et al.*, CFTC Docket No. 01-20 (CFTC filed August 20, 2001).

On the same day, the Commission simultaneously instituted and settled an administrative enforcement action against LFG, L.L.C., a registered FCM. The Commission's Order found that Excellent transmitted the orders described above to LFG's grain desk at the CBOT, and that LFG accepted the suspicious spread orders without inquiring into the trading or the intent of customers and despite the unusual trading patterns evident in LFG's daily equity runs. The Order also found that LFG had no written procedures relating to the supervision of foreign omnibus accounts, and that no one at LFG had responsibility for monitoring those accounts. Without admitting or denying the findings, LFG consented to the entry of the Order that declined to impose sanctions in light of LFG's filing for bankruptcy protection, but that ordered LFG to comply with its undertakings to complete its withdrawal from registration as an FCM and never to seek registration in any capacity. *In re LFG, L.L.C.*, CFTC Docket No. 01-19 (CFTC filed August 20, 2001).

The Commission received the cooperation of the Japanese Government and the CBOT in its investigation of this matter.

Violations of Commission Orders

During FY 2001, the Commission filed enforcement actions and obtained results in previously-filed actions alleging violations of prior Commission orders.

- **CFTC v. Brown.** On March 27, 2001, the Commission filed a civil injunctive action against James Spencer Brown. The complaint alleged that Brown, from December 1996 to April 1999, acted as an unregistered CTA, fraudulently solicited customers to allow him to manage their commodity futures trading investments, and failed to deliver required risk disclosure documents. In doing so, the complaint further alleged, Brown violated the terms of an Order entered by the Commission in 1996 that had simultaneously instituted and settled an administrative enforcement action against Brown for similar violations (*see In re Brown*, CFTC Docket No. 96-8 (CFTC filed September 3, 1996)). On September 10, 2001, the court entered a final judgment on default against Brown that: permanently enjoined him from further violations, as charged, and ordered him to pay a civil monetary penalty of \$330,000 and \$246,830.39 in restitution to defrauded investors. *CFTC v. Brown*, No. 401-CV-0250-A (N.D. Tex. filed March 27, 2001).
- **In re Varner.** On May 31, 2001, the Commission filed an administrative complaint against Michael H. Varner, whose floor broker registration on the New York Cotton Exchange had been restricted for a period of two years by a Commission order issued on June 4, 1999. *See In re Varner*, [1998-1999 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 27,673 (CFTC June 4, 1999) (accepting Varner's offer to settle a pending statutory disqualification action). The complaint alleged that Varner violated the terms of his registration restriction by: trading on behalf of at least one customer; clearing trades through an FCM other than the FCM specified in the Commission's prior Order; acting as a principal and branch manager of a registered IB (Varner Brokerage Co.); and acting as president of a registered CTA (Hunter Trading, Inc.). *In re Varner*, CFTC Docket No. 01-08 (CFTC filed May 31, 2001).
- **In re Lee.** On July 12, 2001, the Commission simultaneously instituted and settled an administrative enforcement action against Michael Thomas Lee, a registered floor broker at the CME. The Commission's Order found that Lee failed to abide by his obligations under a previous Order that had required him to supervise Brian Ray, another CME floor broker. In December 1997, the CME had found Ray guilty of trading violations in the S&P 500 futures pit. Following this disciplinary action, the NFA, an industry self-regulatory organization acting upon authority delegated to it by the Commission, issued an order placing restrictions on Ray's registration for two years and requiring him to find an industry sponsor before resuming trading. On January 29, 1999, Lee signed a Supplemental Sponsor Certification Statement that detailed his duties as Ray's sponsor. The Commission Order of July 2001 found that Lee failed to meet the requirements imposed by both the NFA order and the Sponsor Certification to, among other things, conduct weekly reviews of account statements and maintain records of those weekly reviews. Without admitting or denying the findings, Lee consented to the entry of the Commission's Order that: directed him to cease and desist from further violations; suspended his registration as a floor broker for 30 days; required him to pay a civil monetary penalty of \$12,500; and prohibited him from sponsoring any conditioned or

restricted registrant for a period of three years. *In re Lee*, CFTC Docket No. 01-15 (CFTC filed July 12, 2001).

- **CFTC v. Heffernan**. On September 11, 2001, the Commission filed a civil injunctive action against George Heffernan, charging him with fraudulently promoting a commodity futures trading system and other services over his Internet website, in violation of a prior Commission Order issued against him in September 2000 based on the same type of fraudulent conduct. The complaint alleged that in his solicitations, Heffernan claimed that his trading technique resulted in profitable trades a high percentage of the time. Specifically, the complaint charged, Heffernan stated that his recommendations were 90 percent accurate approximately one trade per day and 80-85 percent accurate approximately eight trades per day, and claimed that it was possible to make \$500 a day, or \$10,000 a month, for part-time work of a couple hours a day. Heffernan's records, according to the complaint, did not sustain his claims for accuracy or profitability, and his personal trading had a net loss over the relevant period. In settling the earlier case, Heffernan was ordered to cease and desist from violating the Act in the manners alleged in that action, and he undertook not to misrepresent the performance, profits, or results achieved (or that might be achieved) by any trading system. The complaint in the current civil injunctive action alleged that Heffernan's continuing fraudulent conduct violated the Act and Commission Rules, as well as the cease and desist order, and that Heffernan failed to comply with his undertakings pursuant to the Commission's prior Order. *CFTC v. Heffernan*, No. CIV 101-141 (S.D. Ga. filed September 11, 2001).

- **CFTC v. Coleman**. On September 13, 2001, the Commission filed a civil injunctive action against Ellery Coleman, d/b/a Granite Investments, charging him with fraudulently promoting a commodity futures trading system (for day trading S&P futures) and other services over his Internet website, in violation of a prior Commission Order issued against him in May 2000 based on the same type of fraudulent conduct. The complaint alleged that in his solicitations, Coleman claimed that his systems have generated significant profits, but did not reveal that the profits claimed were based on hypothetical trading, not actual trading. The complaint further alleged that in communications with clients, Coleman spoke of specific profitable trades he had made, none of which actually were executed, and falsely suggested that the Commission had approved or passed on his abilities. In settling the earlier case, Coleman was ordered to cease and desist from violating the Act in the manners alleged in that action, and he undertook not to misrepresent the performance, profits, or results achieved (or that might be achieved) by any trading system, or to use hypothetical trading results without clearly identifying them as hypothetical. The complaint in the current civil injunctive action alleged that Coleman's continuing fraudulent conduct violated the Act and Commission Rules, as well as the cease and desist order, and that Coleman failed to comply with his undertakings pursuant to the Commission's prior Order. *CFTC v. Coleman*, No. CIV 0362-3 (M.D. Ga. filed September 13, 2001).

- **CFTC v. Marchiano, et al.**, No. 98-6564-CIV-SEITZ, Consent Order of Permanent Injunction Against Defendant Gary V. Valletta (S.D. Fla. entered November 3, 2000) (settlement of previously-filed case alleging acting as a principal and AP of a registered IB without registering with the Commission and in violation of a prior Commission Order; enjoined the remaining defendant, Gary Valletta, from further violations, and from acting in a registered capacity for two years).

Statutory Disqualification

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

- **In re Excellent USA, Inc., et al.** On August 20, 2001, the Commission filed a Notice of Intent to Suspend, Revoke or Restrict Registration against Excellent USA, Inc., a registered non-clearing FCM. The Commission's notice alleged that the trading of two Japanese firms through omnibus accounts at Excellent accounted for nearly all of Excellent's business. According to the notice, these Japanese firms regularly placed spread orders—including simultaneously entered orders to buy and sell the same spread—that resulted in the omnibus accounts holding an almost equal and offsetting position in each futures month, which had the appearance of improper wash sales. The notice charged that Excellent was subject to statutory disqualification from registration based on the criminal conviction of Toshio Yokoyama, a principal of Excellent and the two Japanese firms. Yokoyama was convicted in Japan of cheating and defrauding Japanese customers in connection with the futures trading of the Japanese firms in the United States. *In re Excellent USA, Inc. et al.*, CFTC Docket No. SD 01-01 (CFTC filed August 20, 2001).
- **In re Trendsystems, Inc.** On August 24, 2001, the Commission filed a Notice of Intent to Suspend, Revoke or Restrict Registration against Trendsystems, Inc., a registered CTA, and simultaneously accepted an offer of settlement from Trendsystems. The Commission's Order found that Trendsystems was subject to statutory disqualification from registration based on a consent order of permanent injunction entered against him on August 17, 2001 finding that Trendsystems committed fraud as a CTA. *See CFTC v. Stephens, et al.*, No. 1:00-CV-0184-4, Consent Order of Permanent Injunction and Other Equitable Relief (M.D. Ga. entered August 17, 2001). Without admitting or denying the findings, Trendsystems consented to the entry of the Order that revoked its registration as a CTA. *In re Trendsystems, Inc.*, CFTC Docket No. SD 01-02 (CFTC filed August 24, 2001).

Cooperative Enforcement

Domestic Cooperative Actions

Cooperative enforcement efforts enhance the ability of the Commission's Division of Enforcement to promote compliance with, and to deter violations of, Federal commodity laws. During FY 2001, the Division coordinated enforcement efforts with numerous local, State, and Federal law enforcement and regulatory authorities and agencies, which resulted in the filing of several administrative and injunctive actions. The Division's cooperation with law enforcement agencies also resulted in the filing of criminal charges by those agencies.

- **United States v. Juntilla.** In October 2000, a grand jury returned an indictment against Dolores Galdo Juntilla, charging wire fraud in connection with a scheme to defraud investors through two companies, Omega FX-Texas, Inc. and Omega FX-USA, that purportedly offered investors the opportunity to trade foreign exchange over the Internet but, in fact, operated as a "Ponzi" scheme. Criminal No. CRH-00-707, Indictment (S.D. Tex. filed October 16, 2000).
- **United States v. Carles and DeJong.** In October 2000, Fred Eric DeJong, a principal of AC Trading Group, Inc., was sentenced pursuant to a plea agreement in the U.S. District Court in San Francisco to 63 months in prison for money laundering, with a concurrent sentence of 48 months for mail fraud, for his role in the commodity fraud first investigated by Division staff. Alexis Carles, a co-defendant, pled guilty to one count of mail fraud arising from the same charges. In November 2000, Carles was sentenced to 60 months of probation and ordered to make restitution of \$3,043,000. Criminal No. CR-99-0517, Sentencing (N.D. Cal. entered October-November 2000). This criminal prosecution was a direct result of the evidence developed in the Commission's civil injunctive action against the defendants filed in April 1997. *CFTC v. AC Trading Group, Inc., et al.*, Civ. No. 97-1360 (N.D. Cal. filed April 17, 1997).
- **Iowa v. Holland.** In November 2000, Robert Holland was convicted of violating Iowa law in connection with his fraudulent solicitation of customers while working for an alleged boiler room engaged in the business of selling illegal foreign currency options. At the request of the Iowa Attorney General, the Commission provided testimony at the trial of this criminal action. Criminal No. FE-CR 007130 (Iowa, November 2000).
- **United States v. Chulik.** In November 2000, Mark E. Chulik pled guilty to four counts of fraud. His plea covered two counts of commodity fraud arising from the pool fraud initially investigated by the Division. In January 2001, Chulik was sentenced to 15 months and ordered to pay restitution. Commission staff worked with the U.S. Attorney's Office for the Central District of California throughout this proceeding. Criminal No. CR 00-1044 DFP, Sentencing (C.D. Cal. entered January 30, 2001). In February 2000, the Commission had obtained a consent order of permanent injunction and restitution in a civil injunctive action against Chulik, which found that Chulik had committed fraud and

acted as an unregistered CPO. *CFTC v. Chulik, et al.*, No. 99-02412 GAF (C.D. Cal. entered February 15, 2000).

- **United States v. Schroeder and United States v. Hermans.** Carl John Hermans pled guilty to two counts of wire fraud in the U.S. District Court in Los Angeles, and in September 2000 was sentenced to 15 months incarceration in federal prison (followed by three years supervised release) and ordered to pay restitution of \$387,000. In November 2000, Edward W. Schroeder was sentenced to 15 months incarceration in federal prison (followed by three years supervised release) and ordered to pay restitution of \$2.7 million. Both had been indicted on charges of mail fraud and money laundering. The indictment alleged that during the Commission's investigation and civil injunctive action charging Schroeder with commodity pool fraud, Schroeder continued to engage in illegal trading by laundering money through hidden accounts set up with Hermans' assistance. Specifically, it alleged that Schroeder defied a court order in the Commission's action freezing his assets in order to continue making commodity trades and to withdraw money that was supposed to be preserved for victims.
- **United States v. Goldinger.** In December 2000, S. Jay Goldinger was sentenced to 12 months and one day in a federal prison camp (followed by three years of supervised release) after his guilty plea for defrauding commodity investors. He was ordered to pay restitution of \$72,250,000, with the acknowledgment that his maximum payments are expected to be \$1,500 a month for three years for a total of \$54,000. Criminal No. CR 99-1116-CBM, Sentencing (C.D. Cal. entered December 4, 2000). As a result of a Commission walk-in inspection at Goldinger's firm, Capital Insight Brokerage, Inc. (Capital Insight), and subsequent investigation by the Division staff, Goldinger turned himself in and entered into a plea agreement with the U.S. Attorney's Office. In November 1999, the Commission had obtained a consent order of permanent injunction and a \$6 million disgorgement order in a civil injunctive action against Goldinger and Capital Insight. *CFTC v. Goldinger, et al.*, No. 99-11543 WMB (C.D. Cal. entered November 12, 1999).
- **United States v. Szach.** In January 2001, a grand jury returned an indictment charging Scott N. Szach, the former chief financial officer of registered FCM Griffin Trading Company, in connection with his unauthorized securities trading. Criminal No. 01CR 0008, Indictment (N.D. Ill. filed January 8, 2001). In May 2001, Szach pled guilty and was sentenced to two years in prison (followed by two years of supervised release) for wire fraud. The court also ordered Szach to pay full restitution of \$2,096,580. The Commission worked cooperatively with the U.S. Attorney's Office for the Northern District of Illinois in this matter, and coordinated the filing and simultaneous settlement of a related administrative enforcement action on the same date as the criminal action. *In re Szach*, CFTC Docket No. 01-05 (CFTC filed January 8, 2001).

- **United States v. Schenk.** In January 2001, John Larry Schenk pled guilty and was sentenced to 1-15 years for securities fraud and racketeering arising from his fraudulent operation of several commodity pools. The court also ordered Schenk to pay \$637,516 in restitution. Criminal Sentencing (D. Utah entered January 24, 2001). The criminal complaint, filed January 6, 2000, arose from the same conduct for which Schenk was charged in a Commission civil injunctive action filed in March 1998. An order of permanent injunction was entered against Schenk in the civil action in May 2000. *CFTC v. Schenk, et al.*, No. 2:98 CV 00216J (D. Utah filed March 27, 1998).
- **United States v. Juechter, et al.** In February 2001, a grand jury returned an indictment against Adam Juechter, Thomas Paley, Karol Kawalec, Wendy Bishop, Brian Lodestro, Christopher Arcoleo, and Jeffrey Freidman, charging them with wire fraud and conspiracy to commit money laundering in connection with their fraudulent solicitation of more than \$3 million from retail customers to trade illegal foreign currency futures contracts through AYM Financial, Inc. (AYM). Criminal Indictment (filed February 13, 2001). The criminal case arose from the same conduct for which AYM, Paley, Juechter, and AYM employee Mark Kronish were charged in a joint civil injunctive action filed by the Commission and the Arizona Corporation Commission on April 1, 1996. Consent orders of permanent injunction were entered against the defendants in the civil action in October 1999. *CFTC and Az. Corp. Comm'n v. AYM Financial Corp., et al.*, No. 96-CV-2640 (E.D. Pa. filed April 1, 1996).
- **United States v. Fleming.** In February 2001, a grand jury returned an indictment charging Edward Fleming with 15 counts of contempt. Criminal No. 01-10068-ALL, Indictment (D. Mass. filed February 15, 2001). The indictment charged that Fleming violated a series of court orders while acting as a court-appointed receiver in a Commission civil injunctive action. *CFTC v. U.S. Investment Co., Ltd., et al.*, No. 81-1070-MLW, Final Judgment (D. Mass. entered June 5, 1981).
- **United States v. Greer and Vaughan, et al.** In March 2001, Philip B. Greer, Philip Mark Vaughan, and others were indicted by a federal grand jury on 37 counts alleging conspiracy, fraud, and money laundering. The indictment alleged a scheme to defraud more than 500 investors out of \$56 million, in part by using the name of a charitable organization that supports missionary work abroad. Specifically, Greer, Vaughan, and other conspirators were charged with creating a “Ponzi” scheme, and promising investors that they would make an annual return of up to 84 percent because their company, Banyan International Ltd., earned profits from a securities and commodity futures trading strategy that was virtually risk free when, in fact, Banyan’s investments resulted in substantial losses of investor funds. On June 5, 2001, Greer pled guilty to commodity pool fraud in violation of the CEA, as well as six counts of money laundering and fraud. On June 14, 2001, Vaughan pled guilty to five counts of money laundering and fraud. The indictments were the result of a two-year investigation by the FBI, Internal Revenue Service (IRS),

Postal Inspection Service, Secret Service, and the Commission. Criminal No. 3:01-CR11-T, Indictment (W.D. N.C. filed March 15, 2001).

- **United States v. Dormagen.** In March 2001, a grand jury returned an indictment against Robert L. Dormagen, alleging that he committed fraud while acting as a CPO and charging him with money laundering, unlawful monetary transactions, and wire, mail, and bankruptcy fraud. Criminal No. 2:01-00093, Indictment (S.D. W.Va. filed March 22, 2001). The criminal complaint arose from the same conduct for which Dormagen was charged in a Commission civil injunctive action filed in July 2000. *CFTC v. Dormagen, et al.*, No. 6:00-0567 (S.D. W.Va. filed July 3, 2000).
- **United States v. Bailey.** In April 2001, the U.S. Attorney's Office for the Southern District of Ohio filed a criminal information against Jeffrey T. Bailey, charging him with fraud, false reporting, and deception in connection with commodity futures contracts in violation of the CEA, arising from his fraudulent solicitation of customers while acting as a CPO in his own name and in the name of JMK Capital Management, Inc. (JMK). Criminal No. CR 1 01 023, Information (S.D. Ohio filed April 12, 2001). On the same day, the Commission filed a civil injunctive action against Bailey and JMK, alleging that they fraudulently solicited customers to invest in the pool and misappropriated funds. *CFTC v. Bailey, et al.*, No. G-1-01:212 (S.D. Ohio filed April 12, 2001).
- **CFTC v. SunState FX, Inc., et al.** On April 18, 2001, the CFTC filed a civil injunctive action charging SunState FX, Inc. and Ulrich Garbe with fraudulent solicitation of investors to trade foreign currency contracts, fraudulent operation of a commodity pool, illegal sale of commodity options, and registration violations. *CFTC v. SunState FX, Inc., et al.*, No. 01-8329-CIV-MORENO (S.D. Fla. filed April 18, 2001). As part of a coordinated cooperative enforcement effort, the SEC also filed a civil injunctive action against SunState, Garbe, and others for violations of the federal securities laws arising out of the same underlying facts.
- **CFTC v. International Currency Strategies, Inc., et al.** On April 20, 2001, the Commission filed a civil injunctive action charging International Currency Strategies, Inc., Fairfield Currency Group, Inc., Strategic Trading Group, Inc., Valentin Fernandez, Daniel Phillips, and Manny Kavekos with fraudulently soliciting customers to purchase illegal foreign currency options and misappropriating customer funds. *CFTC v. International Currency Strategies, Inc., et al.*, No. 01-8350 (S.D. Fla. filed April 20, 2001). The CFTC coordinated its action with the U.S. Attorney's Office for the Southern District of Florida and the FBI. In a related criminal action, the U.S. Attorney's Office indicted and arrested Fernandez, Phillips, and Kavekos for criminal violations arising out of the same activities.
- **CFTC v. Infinite Trading Group, L.L.C., et al.** On April 30, 2001, the Commission filed a civil injunctive action charging Infinite Trading Group, L.L.C., Shawn Christie,

Edward Cameron Lindsey, and Anthony Garcia with fraudulently soliciting customers to trade illegal foreign currency options and misappropriating customer funds. *CFTC v. Infinite Trading Group, L.L.C., et al.*, No. 1:01-CV-1107 (N.D. Ga. filed April 30, 2001). The Georgia Governor's Office of Consumer Affairs and the U.S. Attorney's Office for the Northern District of Georgia assisted the Commission in its investigation of this matter. The Commission coordinated the filing of its injunctive action with the Georgia authorities who, on May 1, 2001, arrested Christie and Lindsey for criminal violations in connection with their activities at Infinite Trading Group.

- **United States v. Collins.** In May 2001, Edward M. Collins was sentenced to 97 months imprisonment and ordered to pay \$33 million in restitution after a jury found Collins guilty of 11 counts of mail fraud. Criminal No. 99 CR 311, Sentencing (N.D. Ill. entered May 24, 2001). In July 1994, the Commission had filed a related civil injunctive action alleging that Collins, and others, committed fraud in connection with the operation of a commodity pool. On February 6, 1997, the district court granted the Commission's motion for summary judgment finding that Collins had committed the violations, as charged. *CFTC v. Collins, et al.*, No. 94 C 4375 (N.D. Ill. filed July 19, 1994).
- **CFTC v. Knipping, et al.** On June 20, 2001, the Commission filed a civil injunctive action against Edward W. Knipping and Time Traders, Inc., charging them with fraudulently operating a commodity pool and misappropriating funds. *CFTC v. Knipping, et al.*, No. 01-163-P-H (D. Me. filed June 20, 2001). The Commission received the assistance of the SEC in connection with this matter. Simultaneously with the filing of the complaint, the U.S. Attorney's Office for the District of Maine unsealed a criminal complaint against Knipping, Time Traders, and another business, charging them with fraud.
- **CFTC v. Mobley, et al.** In July 2001, David Mobley, Sr., pled guilty to eight criminal counts, including wire fraud, mail fraud, money laundering, and tax evasion. Criminal No. 2:00-CR-71-FtM-29DNF (M.D. Fla. entered July 21, 2000). Mobley's fraudulent conduct was the subject of a Commission enforcement action alleging that Mobley, and several entities that he owned or controlled, carried out a \$59 million fraud on more than 170 investors in funds managed by Mobley and several of his entities. The civil injunctive action was filed with the assistance of the FBI and coordinated with the filing of a related fraud action by the SEC. *CFTC v. Mobley, et al.*, No. 00 Civ. 1317 (RCC) (S.D.N.Y. filed February 22, 2000).
- **United States v. Bell and Rubel.** In July 2001, a grand jury returned a ten-count indictment against Scott Bell and R. Scot Rubel for allegedly cheating investors in connection with their now-defunct hedge fund, Theta Group, LLC. The fund invested in securities, securities options, and commodity futures. Bell and Rubel allegedly lured 32 wealthy individuals to invest more than \$13 million in the hedge fund they managed, and then took approximately \$2 million for themselves while incurring trading losses of more

than \$4 million. The Commission and the SEC assisted the FBI in its investigation of this matter. Criminal No. 01CR 0669, Indictment (N.D. Ill. filed July 25, 2001).

- **United States v. Wolf.** In September 2001, Barry J. Wolf, a former Commission registrant, was sentenced to five years in prison and ordered to pay nearly \$3 million in restitution in connection with his fraudulent solicitation of customers to invest in commodity futures accounts that Wolf managed. In May 2001, Wolf had pled guilty to 13 counts of mail fraud and commodity fraud. The Commission assisted the Department of Justice in its investigation of this matter. Criminal No. OOCR 0871, Sentencing (N.D. Ill. entered September 13, 2001).

Other Domestic Cooperative Initiatives

During FY 2001, the Division of Enforcement participated in other domestic initiatives designed to promote cooperation among U.S. authorities.

- **Telemarketing and Internet Fraud Working Group.** The Telemarketing and Internet Fraud Working Group consists of representatives from State and Federal regulatory and criminal authorities. At quarterly meetings, members discuss all aspects of telemarketing and Internet fraud, including issues such as new scams, new uses of technology, geographical hotspots for certain types of fraudulent activity, effective enforcement techniques, and recent cases that establish relevant precedent in the area. In the past, the working group has served as a vehicle to introduce authorities to, and train them to use, the Consumer Sentinel Database, a clearinghouse for consumer complaints regarding issues including telemarketing and Internet fraud.
- **Securities and Commodities Fraud Working Group.** The Securities and Commodities Fraud Working Group is a vehicle for public and private sector participants to discuss current trends in financial crime in the securities, futures, and options industries and to exchange ideas about enforcement techniques. The group, organized by the Fraud section of the Criminal Division of the Department of Justice, meets on a quarterly basis. Its members include criminal and regulatory authorities from State and Federal agencies and representatives from various exchanges and other self-regulatory organizations.
- **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. The Commission assists the U.S. Treasury in its Magnitude of Money Laundering Project. Internationally, the Commission assists the U.S. delegation to the Financial Action Task Force.
- **Consumer Protection Initiatives Committee.** The Consumer Protection Initiatives Committee was created by the Attorney General's Council on White-Collar Crime to

coordinate agency consumer protection programs. Committee goals include minimizing duplication of consumer protection efforts by sharing information on various fraud prevention and enforcement initiatives; developing interagency consumer protection initiatives focusing on enforcement, deterrence, and public awareness; and facilitating referrals of cases with strong criminal implications to the Department of Justice and the U.S. Attorney's Offices.

International Cooperation

As the number of financial transactions that cross national borders has continued to grow, the Division of Enforcement and its foreign counterparts have found it increasingly necessary to share documents and testimony, and to conduct joint investigations. In FY 2001, the Division made 89 requests for assistance to foreign authorities, and it received 16 requests from authorities in foreign jurisdictions. The information exchanged between the Commission and foreign authorities has included registration and disciplinary histories of U.S. and foreign firms and individuals, as well as evidence (including testimony and bank and brokerage account records) for use in investigations and enforcement actions.

During FY 2001, the Commission participated in the following international initiatives designed to promote cooperation among authorities.

- **International Cooperative Arrangement.** On June 25, 2001, the Commission signed a Memorandum of Understanding (MOU) with the Capital Markets Board of Turkey concerning consultation and cooperation in the administration and enforcement of futures laws. The MOU provides a framework for the authorities to share information and to extend assistance to one another in taking statements, collecting information and conducting investigations, and thus facilitates cooperation in cross-border investigations of potential violations of the futures laws.
- **Standing Committee on Enforcement and Information-Sharing.** During FY 2001, the Division of Enforcement continued to participate in the Standing Committee on Enforcement and Information-Sharing (SC4) of the Technical Committee of the International Organization of Securities Commissions (IOSCO). SC4 considers issues and formulates recommendations relating to international assistance in the detection, investigation, and prosecution of securities and futures violations.

On April 23, 2001, SC4 held an International Internet Surf Day participated in by 38 regulators in 35 countries. The Division contributed to the organization of the event and prepared the instructional materials and reporting forms. During the event, SC4 members surfed the Internet to detect fraudulent or otherwise illegal schemes involving investment and trading opportunities in securities and derivatives. The Internet websites identified for follow-up review by the Commission (and NFA) involved commodity futures and options in a variety of settings, including computerized trading systems promising highly successful buy

and sell signals; trade recommendations based on seasonal trends in the prices of commodities such as heating oil and gasoline; and purported profit opportunities on commodities such as foreign currencies, precious metals, and stock indices.

On June 14 and 15, 2001, the Commission and the SEC jointly hosted a third Internet Surveillance Training Program for relevant enforcement staff from IOSCO members. The program was held at the Commission's Washington, D.C. headquarters. This training program brought together experts from regulatory authorities with Internet enforcement programs to provide instruction in Internet surveillance techniques. The Commission invited foreign and domestic authorities, including the FBI, to share their knowledge and experience at the training program. The program was attended by 22 participants from 17 jurisdictions.

Table 1
ENFORCEMENT CASES FILED DURING FY 2001
LISTED BY PROGRAM AREA

| Name of Case | Press Release No. | Date Filed |
|--|--------------------------|-------------------|
| Illegal Instruments – Foreign Currency Cases | | |
| <i>CFTC v. SunState FX, Inc., et al.</i> | 4508-01 | 04/18/01 |
| <i>CFTC v. International Currency Strategies, Inc., et al.</i> | 4513-01 | 04/20/01 |
| <i>CFTC v. Infinite Trading Group, L.L.C., et al.</i> | 4513-01 | 04/30/01 |
| <i>CFTC v. International Monetary Group, Inc., et al.</i> | 4528-01 | 06/18/01 |
| <i>CFTC v. Acro Information Service, Inc., et al.</i> | 4551-01 | 08/09/01 |
| <i>CFTC v. Fintrex, Inc., et al.</i> | 4551-01 | 08/09/01 |
| <i>CFTC v. World Banks Foreign Currency Traders, Inc. et al.</i> | 4563-01 | 08/23/01 |
| Manipulation Cases | | |
| <i>In re Eisler, et al.</i> | 4542-01 | 07/11/01 |
| <i>In re Avista Energy, Inc., et al.</i> | 4555-01 | 08/21/01 |
| <i>In re Johns</i> | 4555-01 | 08/21/01 |
| <i>In re DiPlacido, et al.</i> | 4555-01 | 08/21/01 |
| Speculative Limit Violation Cases | | |
| <i>In re Mersch</i> | 4471-01 | 11/07/00 |
| <i>In re Saberi</i> | 4533-01 | 06/26/01 |
| Fraudulent Trade Allocation Cases | | |
| <i>In re U.S. Securities and Futures Corp. et al.</i> | 4465-00 | 10/26/00 |
| <i>CFTC v. Brown and Thompson, et al.</i> | 4476-00 | 11/21/00 |
| Trade Practice Fraud Cases | | |
| <i>In re Coppola, et al.</i> | 4487-01 | 01/10/01 |
| <i>In re Merolla, et al.</i> | 4487-01 | 01/10/01 |
| Commodity Pool Fraud Cases | | |
| <i>In re Fleyshmakher</i> | 4470-00 | 11/29/00 |
| <i>CFTC v. O'Herron, et al.</i> | 4482-00 | 12/14/00 |
| <i>CFTC v. Bailey, et al.</i> | 4507-01 | 04/12/01 |
| <i>CFTC v. Knipping, et al.</i> | 4529-01 | 06/20/01 |
| <i>In re Gilkerson</i> | 4536-01 | 06/29/01 |
| <i>CFTC v. R&W Capital Management, Inc., et al.</i> | 4549-01 | 08/06/01 |
| <i>CFTC v. Duncan, et al.</i> | 4565-01 | 08/30/01 |

| Name of Case | Press Release No. | Date Filed |
|--|--------------------------|-------------------|
| Managed Accounts And Trading Systems Cases | | |
| <i>CFTC v. Stephens, et al.</i> | 4463-00 | 10/24/00 |
| <i>In re Fishback, et al.</i> | 4474-01 | 07/02/01 |
| <i>In re Gramalegui</i> | 4544-01 | 07/12/01 |
| <i>In re Global Telecom, Inc., et al.</i> | 4545-01 | 07/18/01 |
| <i>In re Pennings, et al.</i> | 4545-01 | 07/18/01 |
| <i>In re Sheaves</i> | 4573-01 | 09/28/01 |
| IB Solicitation Fraud Cases | | |
| <i>In re Madison Financial Group LLC, et al.</i> | 4523-01 | 06/06/01 |
| <i>In re First Investors Group of the Palm Beaches, Inc., et al.</i> | 4527-01 | 06/19/01 |
| <i>In re Gladstone</i> | 4564-01 | 09/04/01 |
| Supervision and Compliance Cases | | |
| <i>In re Szach</i> | 4486-01 | 01/08/01 |
| <i>In re New York Futures Exchange, Inc.</i> | 4542-01 | 07/11/01 |
| <i>In re Excellent USA, Inc., et al.</i> | 4553-01 | 08/20/01 |
| <i>In re LFG, L.L.C</i> | 4553-01 | 08/20/01 |
| Violation Of Commission Orders | | |
| <i>CFTC v. Brown</i> | 4502-01 | 03/27/01 |
| <i>In re Varner</i> | 4522-01 | 05/31/01 |
| <i>In re Lee</i> | 4543-01 | 07/12/01 |
| <i>CFTC v. Heffernan</i> | 4568-01 | 09/11/01 |
| <i>CFTC v. Coleman</i> | 4568-01 | 09/13/01 |
| Statutory Disqualification Cases | | |
| <i>In re Excellent USA, Inc. et al.</i> | 4453-01 | 08/20/01 |
| <i>In re Trendsystems, Inc.</i> | 4562-01 | 08/24/01 |

Table 2
INJUNCTIVE ACTIONS

| <i>Fiscal Year</i> | <i>Actions Initiated</i> | <i>Defendants Named</i> |
|--------------------|--------------------------|-------------------------|
| 1992 | 18 | 50 |
| 1993 | 11 | 60 |
| 1994 | 10 | 34 |
| 1995 | 11 | 27 |
| 1996 | 17 | 45 |
| 1997 | 17 | 43 |
| 1998 | 18 | 96 |
| 1999 | 20 | 61 |
| 2000 | 12 | 57 |
| 2001 | 17 | 51 |

Table 3
ADMINISTRATIVE ACTIONS

| <i>Fiscal Year</i> | <i>Actions Initiated</i> | <i>Respondents Named</i> |
|--------------------|--------------------------|--------------------------|
| 1992 | 36 | 79 |
| 1993 | 45 | 72 |
| 1994 | 33 | 60 |
| 1995 | 41 | 72 |
| 1996 | 21 | 32 |
| 1997 | 23 | 48 |
| 1998 | 23 | 47 |
| 1999 | 25 | 47 |
| 2000 | 41 | 68 |
| 2001 | 27 | 52 |

Table 4
PERFORMANCE STATISTICS - FY 2001
CASES

| | |
|---------|----|
| Opened | 44 |
| Closed | 33 |
| Pending | 94 |

SANCTIONS ASSESSED¹

Administrative Cases

| | |
|--|-------|
| Persons Subject to Cease and Desist Orders: | 23 |
| Persons Subject to Trading Prohibitions: | 12 |
| Persons Subject to Registration Suspensions, Denials or Revocations: | 11 |
| Amount of Civil Monetary Penalties [\$000] ² : | 3,271 |
| Number of Persons Assessed: | 23 |
| Amount of Restitution or Disgorgement Ordered [\$000]: ³ | 75 |
| Number of persons assessed: | 6 |

Civil Cases

| | |
|--|--------|
| Persons Enjoined: | |
| <i>Ex parte</i> Restraining Orders | 39 |
| Preliminary Injunctions | 32 |
| Permanent Injunctions | 18 |
| Equity Receivers Appointed: | 3 |
| Assets Placed Under Receiver's Protection [\$000]: | 0 |
| Amount of Civil Monetary Penalties [\$000] ⁴ : | 12,284 |
| Number of persons assessed: | 15 |
| Amount of Restitution or Disgorgement Ordered [\$000] ⁵ : | 7,612 |
| Number of persons assessed): | 19 |

¹ This report includes only those sanctions that became final during FY 2001. This includes sanctions assessed in settled matters and unappealed decisions of the Commission, U.S. district courts, or U.S. courts of appeals.

² Of this amount, \$481,350 was ordered paid pursuant to multi-year payment plans in which the actual amount paid by the respondent depends upon the level of his/her income during the time period of the payment plan.

³ Of this amount, \$16,350 was ordered paid pursuant to a multi-year payment plan in which the actual amount paid by the respondent depends upon the level of his income during the time period of the payment plan.

⁴ Of this amount, \$2,023,287 was ordered paid pursuant to multi-year payment plans in which the actual amount paid by the defendant depends upon the level of her/his income during the time period of the payment plan.

⁵ Of this amount, \$3,073,663 was ordered paid pursuant to multi-year payment plans in which the actual amount paid by the defendant depends upon the level of her/his income during the time period of the payment plan.

Division of Economic Analysis

One of the Commission's principal responsibilities is to assure that futures markets operate competitively, free of manipulation or congestion, and serve the risk-shifting and price-discovery needs of the U.S. and world economies. Division of Economic Analysis (DEA) programs—Market Surveillance, Market Analysis, and Market Research—focus on these objectives. DEA periodically examines the effectiveness of its programs and seeks to institute revisions that reduce the costs of compliance.

Commodity Futures Modernization Act of 2000 (CFMA). During FY 2000, the Commission proposed far-reaching and fundamental changes to its procedures for listing new futures contracts offered by U.S. exchanges. These changes responded to the concerns of U.S. futures exchanges that their ability to list new contracts without delay is important to their continued competitiveness, particularly with foreign exchanges. The Commission adopted procedures allowing an exchange to list new contracts one day after the exchange files a notice with a certification that the contract meets the Commission's requirements. The certification, in conjunction with the fast-track procedures for approval of new contracts adopted previously by the Commission, ensure that the benefits of new contracts can be brought to the marketplace as soon as possible.

These new procedures, codified in the CFMA enacted in December 2000, are designed to help ensure that the benefits of amended contracts are made available to market participants in an expeditious manner. The Commission issued rules implementing these provisions on August 10, 2001.

New Product Filings. In FY 2001, the exchanges submitted 28 filings to list new futures and option contracts to the Commission. Of the 28 contracts filed, 11 were submitted for Commission approval and 17 were submitted under exchange certification procedures.

Section 4p. The CFMA added a new section 4p to the Commodity Exchange Act (CEA or Act) that requires the Commission to consider ways to encourage and facilitate bona fide hedging by agricultural producers and to encourage the exchanges to assist producers in the use of futures and option markets for this purpose. In particular, section 4p provides that the Commission shall consider issuing rules or orders which: (1) prescribe procedures under which each exchange is to provide for orderly futures delivery, including temporary storage costs, of agricultural commodities; (2) increase the ease with which domestic agricultural producers may participate in contract markets, including by addressing cost and margin requirements; (3) provide flexibility in the sizes of agricultural futures and option contracts to better allow domestic agricultural producers to hedge such price risk; and (4) encourage contract markets to provide information and otherwise facilitate the participation of domestic agricultural producers in contract markets. Division staff conducted a review of relevant information from the exchanges as well as other sources and plan to issues a report addressing these requirements.

New Exchange Filings. Division staff participated as team members or team leaders on interdivisional teams reviewing new contract market designation applications, including BrokerTec (BTEX) and Nasdaq LIFFE which were approved by the Commission this fiscal year. Division staff also participated in discussions with several other entities that are planning to conduct trading in futures and options.

Enforcement Support. Division staff provided technical support to the Division of Enforcement on a number of cases regarding fraud and manipulation in precious metals, energy, and currency trading. The staff also testified in several cases requiring expert information on the economic functions and uses of futures contracts.

Market Analysis

To serve the vital price discovery and hedging functions of futures and option markets, exchanges must list products for trading that are not readily susceptible to manipulation and they must have an appropriate ongoing oversight program. Appropriate contract design minimizes the susceptibility of contracts to manipulation or price distortion. A key element of the Commission's market surveillance effort is analysis of the terms and conditions of contracts to ensure that they meet the Commission's rules and policies. The Market Analysis subprogram reviews new contracts as well as rule changes of economic significance to existing contracts to ensure that contracts are in compliance with statutory and regulatory anti-manipulation requirements. The reviews foster markets free of disruptions or price manipulations and provide the Commission and other interested parties with essential market information to conduct effective surveillance and to address regulatory and public interest issues. Deficiencies in the terms and conditions of futures and option contracts increase the likelihood of cash, futures, or option market disruptions and decrease the economic usefulness and efficiency of the contracts.

New Futures and Option Contract Filings. During FY 2001, the staff completed economic reviews of 28 new futures and option contracts; these include 11 applications for approval of new futures or option contracts and 17 filings of new contracts under exchange self-certification procedures. Highlights of the new contracts are as follows.

- **When-Issued Treasury Notes.** The Commission approved the BTEX when-issued Treasury bond and when-issued two-year, five-year, and ten-year Treasury note futures contracts. The staff reviewed similar when-issued Treasury bond and note contracts submitted by Cantor Financial Futures Exchange (CFFE) under certification procedures. The CFFE ten-year when-issued Treasury note contract also was approved by the Commission at the exchange's request. These are the first contracts based on when-issued U.S. Treasury instruments. These innovative contracts are designed to provide an additional risk management tool to help government securities dealers, banks, and institutional traders protect against interest rate risk. The Commission approved the OnExchange Board of Trade's five-year Treasury note futures contract, and staff reviewed the Chicago Board of Trade's (CBOT's) mini-sized U.S. Treasury bond, mini-sized long-term U.S. Treasury note, and mini-sized three-month Eurodollar futures contract submitted under self-certification procedures.

- **Chemical Products.** The Chicago Mercantile Exchange (CME) submitted benzene and mixed xylenes futures during this fiscal year. These contracts are the first contracts based on chemicals to be developed by a U.S. exchange. The contracts offer a risk management tool for oil refiners, petrochemical firms, and end users. The benzene futures contract was submitted for Commission approval, while the mixed xylene futures contract was filed under self-certification procedures.
- **U.S. Equity Indexes.** Commission staff reviewed certification filings by the CME and New York Cotton Exchange (NYCE) for mini-Russell 1,000 index futures contracts and the CBOT for its mini-sized Dow futures contract. These contracts provide institutional portfolio managers with additional means of hedging risks associated with U.S. equity portfolios.
- **Interest Rates.** The CBOT filed a mortgage contract under the self-certification procedures. This new contract is more specifically tailored to the individual needs of firms active in the mortgage-backed security business.
- **Additional Crude Oil Contracts.** The Commission approved four additional New York Mercantile Exchange (NYMEX) crude oil futures contracts—West Texas sour, West Texas intermediate (WTI) Midland, light Louisiana sweet, and mars crude oil futures contracts. These contracts provide energy market participants with risk management tools that are more closely tailored to the cash markets in the Gulf and West Texas areas. Under certification procedures, NYMEX submitted Brent crude oil futures and option contracts plus a WTI/Brent spread option contract.
- **Precious Metals.** The CBOT submitted under certification procedures mini-sized gold and mini-sized silver futures contracts.

Foreign Stock Index No-Actions. Market Analysis staff conducted economic reviews of no-action requests from several foreign exchanges wishing to offer foreign stock index futures contracts to U.S. customers. These included the Italian Derivatives Market's mini-mib-30, the London International Financial Futures and Options Exchange's mini-FTSE 100, the Tokyo Stock Exchange's S&P/Topix 150, and the MEFF RV's S&P Europe 350 and S&P Euro stock index futures contracts.

Rule Changes. During FY 2001, Division staff completed economic reviews of 166 rule amendment filings for existing futures and option contracts. Forty of the rule changes were submitted for review and approval, while 126 were filed under exchange self-certification procedures.

Significant rule changes approved this year include:

- The addition of the European delivery points for the Coffee, Sugar, and Cocoa Exchange (CSCE) coffee "C" futures contract.
- Changes to the circuit breaker provisions of selected CME and Kansas City Board of Trade (KCBOT) stock index contracts to remove the 2.5 percent shock absorber price limit.
- Revisions to the CBOT and MidAmerica Commodities Exchange (MACE) grain, soybean, and soybean products futures contracts to adopt procedures for the transfer of electronic shipping certificates to effect futures delivery.
- Changes to the NYCE cotton futures contract to modify the quality standards for deliverable cotton by increasing the allowable grams per tex strength, changing the micronaire standard, and the quality differentials.
- Modifications to the cash settlement provisions of the CBOT long-term municipal bond futures contract regarding survey procedures.
- Addition of live-graded delivery points for the CME live cattle futures contract, and changes to the inspection and grading provisions of that contract.
- Modifications to the CBOT's interest rate swap contracts and a filing to reactivate trading in those dormant contracts.
- Adoption of position accountability provisions, in lieu of speculative limits, for NYMEX energy contracts.

Market Surveillance

Futures prices are widely quoted and disseminated throughout the U.S. and abroad. Business, agricultural, and financial enterprises use futures markets for 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, preventive measures are necessary to ensure that market prices accurately reflect supply and demand conditions.

CFTC surveillance economists 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.

The Market Surveillance staff works closely with the exchanges and other government agencies to deal with any potential market threats that may develop. The staff informs the commissioners and senior CFTC staff of potential problems and significant market developments at weekly

surveillance briefings so that the Commission is prepared to take prompt regulatory action when warranted.

Terrorist Attacks of September 11, 2001. The Commission's eastern regional office in the World Trade Center was destroyed on September 11; fortunately, all Commission staff escaped without serious injury. The trading floor of the New York Board of Trade also was destroyed. Some surveillance records were lost, but the most critical surveillance data were retained electronically or in duplicate files in another office. Temporary office space for the Commission's New York staff was quickly located. Surveillance staff in other locations monitored New York futures markets when they resumed trading and maintained the daily surveillance information systems while the New York staff relocated.

Financial Markets. During FY 2001, Market Surveillance staff closely monitored the financial futures and option markets as significant slowing in U.S. economic growth and falling corporate profits caused sharp declines in domestic equity indices. The Nasdaq 100 index lost more than two-thirds of its value during the year, while the S&P 500 index and the Dow Jones industrials index declined about 30 percent and 19 percent, respectively. These declines were accompanied by periods of high price volatility in the indices and in futures and options on those indices. The September 11 attacks created both physical and psychological damage to the financial markets and threatened to tip the already slowing economy into a recession.

The slowdown in U.S. economic growth principally was caused by an inventory correction and by a sharp decline in investment spending. Slowdown in demand for technology products was especially severe—over-investment and high debt levels in the telecommunication and internet infrastructure industries resulted in sharply curtailed capital expenditures that quickly spread down the supply chain. Semiconductor and other computer-related industries were hurt by a sharp slowdown in demand for personal computers, for both the business and home markets. Consumer spending, which had remained reasonably strong for much of the year, showed signs of weakening before September 11 and suffered a severe jolt thereafter.

In response to the sharp slowdown in economic growth, beginning during the fourth quarter of 2000, the Federal Reserve Board (FRB) very aggressively began to cut the target for the Federal funds rate. During FY 2001, the FRB cut this rate eight times, reducing it from 6.5 percent to 3.0 percent. The actual and anticipated easing of monetary policy put downward pressure on interest rates, especially at the short end of the yield curve. However, rates at the long end of the yield curve were held up by, among other things, a sharp decline in the U.S. budget surplus, both as a result of reduced revenue due to the slowing economy and increased government spending in response to the September 11 attacks. These factors caused a significant steepening of the yield curve. The volatility at the short end of the yield curve led to sharply increased trading activity in Eurodollar and Federal funds futures and option markets.

Throughout this turbulent year, and especially in the aftermath of September 11, staff conducted heightened surveillance of equity index and interest rate futures and option markets, and shared information with other financial regulators. Staff also participated in preparing the

Commission's regulatory structure for trading of security futures products and worked on developing a surveillance program, including a large trader reporting program, for these products.

Energy Markets. In response to strong demand during a period of low inventories, energy prices reached either record-high prices or the highest prices recorded since the Gulf War in 1991. Natural gas futures prices hit an all-time high of \$10.10 per million BTUs on December 27, 2000. Spot heating oil futures reached a high of \$1.0962 per gallon on November 20, 2000. The prices of these heating fuels reflected potentially severe shortages going into the winter months, when colder than normal temperatures in November and December sharply increased demand and strained the industry's ability to produce heating fuels. Increased production and imports of heating oil and natural gas, combined with moderating temperatures and slowing economic activity, resulted in dramatic price declines for natural gas and heating oil during January and February 2001.

During the spring of 2001, gasoline hit record-high prices as the summer driving season approached. Spot futures prices peaked at \$1.175 per gallon on May 24, 2001. Low inventories of gasoline and of the components required for the cleaner summer gasoline blends and extensive refinery outages caused serious concerns about the adequacy of gasoline supplies and sharply higher prices.

Surveillance staff carefully monitored the monthly expirations of the natural gas, crude oil, heating oil, and gasoline futures markets during this period of unusual price volatility to assure that the actions of large traders did not exacerbate an already tight supply and demand balance for these commodities.

Livestock Markets. Pork belly futures on the CME were characterized by extremely small deliverable supplies, particularly at the end of the 2000-2001 marketing season. Numerous traders held positions going into contract expiration that exceeded deliverable supply, and so Market Surveillance staff initiated frequent contacts with large traders and CME surveillance staff during each expiration. Several live cattle futures expirations also required special surveillance attention because traders with large long positions maintained sizeable positions late into the delivery month. Frequent contacts with large traders and exchange staff resulted in orderly liquidations of these contracts.

Large Trader Reporting. The Commission upgraded its market surveillance system by improving its operational speed, particularly in the Commission's regional offices. Exchanges began electronic transmission of surveillance data and submitted it earlier so Commission surveillance economists have more time for analysis. In October 2000, the Commission began publication of its Commitments of Traders reports on a weekly (rather than biweekly) basis.

Market Research

Market Research staff conducts research on major policy issues facing the Commission; assesses the economic impact of CFTC 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; and conducts special market studies and evaluations.

Market Research staff participated in the development of Commission policies concerning new derivative instruments and trading mechanisms in futures markets. The Market Research staff also studied issues related to consolidation, fragmentation, and segmentation resulting from the introduction of alternative executive procedures in futures markets. The staff also examined margin requirements of single stock futures in foreign countries, and the issues of transparency, liquidity, and alternative block trading rules in futures markets. The staff also completed a research project entitled, "Market Qualities and Electronic Trading Versus Open-Outcry Trading System: an Intraday Analysis of S&P 500 Versus E-Mini S&P 500 Futures."

Market Research staff examined the impact of changes of new contract specifications on the hedging performance of the corn, soybean, and live cattle futures contracts. The staff also conducted research on risk management issues, including alternative market- and credit-risk measurements, stress tests, and risk-based capital requirements.

Market Research staff provided educational services for Commission staff, including the organization of economic and financial seminars for the Commission. Distinguished speakers from academia, industry, and government agencies were invited to present their state-of-the-art research results related to futures and options on futures markets and regulatory issues. Research staff also presented papers and provided consultation to other government agencies, including foreign regulatory bodies, regarding issues related to commodity futures and option trading.

Division of Trading and Markets

The Division of Trading and Markets (Division or T&M) develops, implements, and interprets regulations that protect customers, prevent trading and sales practice abuses, and assure the financial integrity of the futures markets and firms holding customer funds. In addition, the Division oversees the compliance activities of the futures industry self-regulatory organizations (SROs), which include the U.S. commodity exchanges and the National Futures Association (NFA), as well as their clearinghouses. The Division also conducts trade practice surveillance, performs financial and sales practice compliance audits of registrants, reviews exchange and futures association rule amendments and submissions, and oversees the registration of industry professionals.

Regulatory Reform

The Commodity Futures Modernization Act (CFMA), enacted in December 2000 reflects the same philosophy as that of the Commission's new regulatory framework proposed in FY 2000. The CFMA was designed to provide greater legal certainty to the status of various financial products, to make the Commission more an oversight than a frontline regulator, and to provide different levels of regulation based on the type of products and participants involved. During FY 2001, the Commission undertook a number of rulemakings and other regulatory initiatives to implement the CFMA and to facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.

Implementation of a New Regulatory Framework. In August 2001, the Commission adopted rules to implement the statutory framework mandated by the CFMA that consists of a two-tiered structure of trading facilities, designated contract markets, and registered derivatives transaction execution facilities (DTFs). Various other market structures, either totally or mostly exempt from Commission regulation, were also recognized.

Derivatives Clearing Organizations. The CFMA provides for regulation by the Commission of certain derivatives clearing organizations (DCOs). In August 2001, the Commission adopted rules to specify the form and to provide guidance for the content of applications for DCO registration, and the procedures for processing such applications. These rules help the Commission to oversee the operations and activities of DCOs and to enforce compliance by DCOs with core principles and other provisions of the Commodity Exchange Act (CEA) and Commission regulations.

Notice-Designation and Exemption Procedures for Contract Markets in Security Futures Products. In August 2001, the Commission adopted rules that permit national securities exchanges, national securities associations, and alternative trading systems to be designated contract markets in security futures products. The new rules also establish procedures for these entities to apply for exemptions from Commission regulation.

Notice Registration of Securities Broker-Dealers To Trade Security Futures Products. In August 2001, the Commission adopted rules providing for notice registration of Securities and Exchange Commission (SEC)-registered securities broker-dealers as futures commission merchants (FCMs) or introducing brokers (IBs) for the limited purpose of conducting transactions in futures on individual equity securities or on narrow-based equity indices. The Commission also delegated to the NFA the processing functions for such notice registration.

Requests for Exemptive Orders by Securities Broker-Dealers Trading Security Futures Products. In August 2001, the Commission adopted rules to establish procedures whereby securities broker-dealers that are either notice registered as FCMs or IBs for the limited purpose of trading security futures products, or exempt from floor broker or floor trader registration by virtue of restricting their commodity interest trading to security futures products, may apply for, and be granted, orders providing exemption from provisions of the CEA and Commission rules in addition to the provisions from which such broker-dealers are specifically exempted by the terms of the CFMA.

Margin for Security Futures Products. In September 2001, the Commission and the SEC jointly proposed rules to govern customer margin for security futures products. In March 2001, the Board of Governors of the Federal Reserve System had delegated its authority over customer margin for security futures products jointly to the Commission and the SEC, in accordance with the CFMA. As required by the CFMA, the proposed rules are intended: (1) to preserve the financial integrity of markets trading security futures products; (2) to prevent systemic risk; and (3) to set margin requirements comparable to those for security options.

Treatment of Customer Funds and Financial Responsibility Rules Concerning Security Futures Products. In September 2001, the Commission and the SEC jointly proposed rules concerning the treatment and protection of customer funds used for trading security futures products. This joint rulemaking is in response to the CFMA mandate to avoid duplicative or conflicting rules in this area. The proposed rules would provide the framework for determining whether a particular customer's funds are subject to and protected under the securities laws and provisions of the Securities Investor Protection Act or the Commission's rules providing for segregation of customer funds.

Dual Trading. In July 2001, the Commission proposed rules to restrict dual trading by floor brokers in security futures products. The dual trading restriction would affect floor brokers that trade security futures products through open outcry on the trading floor of a designated contract market or registered derivatives transaction execution facility. The proposed rules would provide for certain exceptions to the restriction, including provisions for the correction of errors, customer consent, spread transactions, and market emergencies. The proposed rules also would provide an exception based on unique or special characteristics of an agreement, contract, or

transaction, or of the designated contract market or registered derivatives transaction execution facility.

Rules Related to Intermediaries of Commodity Interest Transactions. In August 2001, the Commission again proposed rule changes to streamline regulations and to eliminate unnecessary regulations affecting intermediaries in the areas of registration procedures and requirements, fitness and supervision, financial and segregated funds requirements, risk disclosure and account statement requirements, trading standards, and recordkeeping matters. The substance of these proposals was part of the Commission's regulatory framework proposed in FY 2000.

Rules Permitting Certain Customers to "Opt-Out" of Customer Funds Segregation Requirements. In April 2001, the Commission adopted rules permitting certain customers to opt out of having their funds segregated by an FCM for trades on or through a DTF. As amended by the CFMA, the CEA provides that a registered DTF may authorize an FCM to offer its customers that are eligible contract participants (generally, institutional customers) the right not to have the customer's funds that are carried by the FCM, for purposes of trading on a registered DTF, separately accounted for and segregated. The new rules specify the conditions under which such an opt-out may be accomplished.

Privacy Disclosures and Restrictions on Use of Nonpublic Customer Information. In April 2001, the Commission adopted rules implementing notification requirements and restrictions on the ability of financial institutions subject to its jurisdiction to disclose nonpublic personal information about consumers to nonaffiliated third parties. Under the CFMA (and Title V of the Gramm-Leach-Bliley Act), the Commission is required to adopt regulations to limit the instances in which FCMs, IBs, commodity pool operators (CPOs), and commodity trading advisors (CTAs) subject to Commission jurisdiction may disclose nonpublic personal information about a consumer to nonaffiliated third parties, and to require those entities to disclose to their customers their privacy policies and practices with respect to information sharing with both affiliates and nonaffiliated third parties.

Advisory on Foreign Currency. In February 2001, the Commission issued an advisory clarifying that the CEA and Commission jurisdiction apply to foreign currency futures and options trading involving retail customers, and that such trading on an off-exchange basis is legal only if the counterparty is a regulated financial entity enumerated in the CEA (as amended by the CFMA). FCMs and their affiliates are included in the enumerated categories.

Study and Report to Congress. The CFMA requires the Commission to study the CEA, Commission rules, and orders governing the conduct of persons required to be registered under the CEA, and to submit a report to the Senate and House Agriculture Committees identifying: (1) core principles the Commission has adopted or intends to adopt to replace Commission rules; (2) rules that the Commission decides to retain and the reasons therefor; and (3) the regulatory functions that the Commission performs that can be delegated to a registered futures association

(RFA) and the functions that the Commission has determined must be retained and the reasons therefor. In August 2001, staff sought public comment and views of the public, registrants, RFAs, and registered entities for this study as required under the CFMA. Due to the industry's need to prepare for other changes, such as security futures products, several industry groups requested a postponement of the due date set forth in the CFMA, December 21, 2001. In response to these comments, the Commission recommended to its Congressional oversight committees that the study due date be delayed for six months, until June 21, 2002.

Trading Facilities and DCO Review Procedures. The Commission established internal procedures to facilitate the review and disposition of new market applications and filings made pursuant to the new regulatory framework for trading facilities and DCOs. In particular, these procedures will facilitate the Commission's implementation of regulations that require that the application for a designated contract market be reviewed within 60 days, the application for registration as a derivatives transaction execution facility be reviewed within 30 days, and the application for registration as a DCO be reviewed within 60 days.

Exemptive Relief and Guidance

In FY 2001 the Division responded to a high volume of requests for guidance concerning the applicability of Commission regulations to specific transactions, products, persons, and market circumstances. Division staff issued 274 exemptive letters, no-action positions, and interpretive guidance in response to written requests from members of the public and the regulated industry. Staff also issued 162 responses to requests for guidance received through the Commission's website and responded to more than 2,200 telephone inquiries concerning the application of Commission requirements.

Response to the Attacks of September 11, 2001. On September 19, 2001, the Commission issued a statement of policy advising registrants that as a result of the financial market disruptions caused by the terrorist attacks on September 11, 2001, the Commission had determined to provide temporary relief from compliance by registrants with certain regulatory requirements, including certain required computations, filing deadlines, and recordkeeping requirements. The Commission recognized that circumstances may make additional relief appropriate in certain cases and encouraged affected registrants to contact NFA, their designated self-regulatory organization, or Commission staff in that regard.

Access to Foreign Board Automated Trading Systems in the U.S. The Commission continued the policy that was resumed in FY 1999 of issuing no-action letters in response to requests by foreign boards of trade to place electronic terminals in the U.S. without requiring those boards of trade to be designated as contract markets (the first such letter was issued in FY 1996). In November 2000, a no-action letter was issued to Eurex Zurich Ltd. (Eurex CH) in connection with the placement of terminals in the U.S. to provide access to the Eurex CH automated trading system. In March 2001, staff granted no-action relief to the London Metals Exchange with respect to access to its automated trading systems from within the U.S. The staff

also issued supplemental relief in May 2001 to LIFFE for an additional broad-based stock index futures product and in July 2001 to the Hong Kong Futures Exchange Ltd., and the Sydney Futures Exchange Corporation Ltd. to permit direct access by non-exchange member participants.

Review and Approval of Exchange Rules

The Division's review of new exchange, clearing organization, and NFA rules is a key aspect of the statutory framework for self-regulation under Commission oversight. Staff review SRO 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 Commission statutory mandates. To these ends, the Division reviewed 220 SRO rule submission packages and, within those packages, staff reviewed 1,300 new rules and rule amendments. The Division also established internal procedures to facilitate the review and disposition of new market applications and filings made pursuant to the new regulatory framework for trading facilities, which include the review of draft applications by Commission staff. These procedures will facilitate the Commission's implementation of regulations that require that the application of a designated contract market be reviewed within 60 days, and the application for becoming a derivatives transaction execution facility be reviewed within 30 days. These submissions often present complex new trading procedures and market structures, as well as financial arrangements that raise novel issues. The Commission acted on a number of issues related to developments in electronic trading, including designation applications for new electronic futures exchanges, and developments in exchange operations.

Nasdaq LIFFE. In August 2001, the Commission conditionally designated the Nasdaq LIFFE, LLC Futures Exchange as a contract market. Among other things, the stated conditions relate to the performance by the National Association of Securities Dealers, Inc. of self-regulatory functions for the exchanges and the performance of clearing by the Options Clearing Corporation. Nasdaq Liffe is the first contract market designated by the Commission that has stated its intention to trade stock futures products.

BrokerTec. In June 2001, the Commission designated BrokerTec Futures Exchange, L.L.C. for designation as a contract market for the automated trading of various interest rate futures contracts. This application was accompanied by an application from BrokerTec Clearing Company, L.L.C. for registration as a DCO that was approved by the Commission at the same time. The contract market application included novel block trading and market maker provisions.

onExchange. In December 2000, the Commission designated onExchange Board of Trade as a contract market and approved the onExchange Clearing Corporation as a registered DCO. OnExchange will utilize an Internet-based trading system limited to proprietary trading by onExchange's subscribers. OnExchange was the first contract market to be designated under the

Act, as amended by the CFMA. The exchange initially plans to trade five-year U.S. Treasury Note futures contracts.

Section 2(h)(3) Notices. Commission staff have reviewed a number of both proposed and final notices submitted by exempt commercial markets pursuant to Section 2(h)(3) of the CEA. This provision was enacted as part of the CFMA.

Energy Clear. In July 2001, the Commission approved the application of EnergyClear Corporation for registration as a derivatives clearing organization under the Commodity Exchange Act. This is the first new DCO not affiliated with a trading facility to be granted registration by the Commission since the passage of the CFMA.

CME GLOBEX Direct Access. Commission staff reviewed a proposal from the CME to permit various individuals and institutional customers to obtain direct access to the GLOBEX trading system upon securing a prior guarantee from a clearing member.

eNymex Implementation Rules. Commission staff reviewed a proposal from NYMEX, certifying that its new and amended rules implementing a new electronic trading system complied with the Act and the Commission's regulations.

FutureCom. Subsequent to its designation as a contract market and approval as a clearing organization, FutureCom submitted a proposal, reviewed by Commission staff, to replace its clearing bank with a Texas state bank owned in part by FutureCom's majority partner and founder. In February 2001, before the proposed change in clearing banks had been approved and after enactment of the CFMA, FutureCom, having been deemed by staff to be a grandfathered registered DCO, resubmitted its proposal to change clearing banks pursuant to the self-certification procedures of Section 5b of the Act.

NYFE Block Trading. Commission staff reviewed a New York Futures Exchange (NYFE) provision, similar to the provision adopted at the Cantor Financial Futures Exchange (CFFE) and CME, which permits certain defined sophisticated market participants to execute large-sized transactions away from the exchange's central marketplace. The provision would permit such block trading in several of the exchange's stock index futures and futures options products.

CBOT Block Trading. The Commission approved the Chicago Board of Trade's (CBOT's) request for its block trading proposal in April 2001. The proposal would establish block trading procedures at the exchange whereby members and non-member customers that qualified as eligible participants, would be allowed to negotiate and execute futures transactions of a minimum size bilaterally away from the centralized competitive market.

BOTCC, CME and NFA Minimum Adjusted Net Capital Requirement. Commission staff reviewed similar proposals from the Board of Trade Clearing Corporation (BOTCC), CME,

and NFA revising the treatment of naked long option positions in the calculation of clearing members' level of adjusted net capital.

CME Special Clearing Membership Status for MEFF. Commission staff reviewed rule changes from the CME establishing special clearing procedures for certain products traded on or through the MEFF Sociedad Rectora de Productos Financieros Derivados de Renta Variable, a futures and options exchange located in Spain.

CBOT Pre-Execution Communication Policy. Commission staff reviewed CBOT proposals clarifying permitted and prohibited types of discussions between potential counterparties prior to the entry of orders into the a/c/e automated trading system.

Financial Oversight

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

During FY 2001 Division staff worked on a number of projects to enhance the financial oversight of the industry, including the following.

Electronic Filing. The Commission continues its efforts to develop and implement electronic filing programs that increase registrants' efficiency in the filing of financial reports, and in the analysis, data retrieval, and storage of the data by Commission staff, while maintaining necessary safeguards over the data. After extensive testing and modifications to the electronic filing software, the Commission found it reliable for the transmission, receipt, and review of financial reports received from most FCMs. In this connection:

- About one-half of the approximately 190 registered FCMs file their financial reports electronically with the Commission. Almost all CME, CBOT, and New York Mercantile Exchange (NYMEX) member firms file their financial reports on a monthly basis, while a few smaller firms continue to file reports on a quarterly basis.
- Approximately one-half of the FCMs registered with the Commission are non-exchange members whose designated SRO is NFA. The Commission and NFA explored a filing option under which NFA electronically would transmit to the Commission financial reports it had received electronically. NFA is considering implementing software

enhancements that would allow FCMs to file financial reports directly with NFA and the Commission.

- FCM financial data on the Commission's website now is updated quarterly rather than semi-annually. Division staff expects that data can be updated monthly on the website as soon as all FCMs file electronically.
- As a result of changes recently adopted by the exchanges, the Commission is planning to update the Form 1-FR. The Commission and exchanges will modify the software to accommodate the new filing formats and to analyze the financial information provided in the reports.

Capital Charge on Unsecured Foreign Broker Receivable. In November 2000, the Commission adopted amendments to Rule 1.17 to expand the current exemption from the 5 percent capital charge for unsecured foreign broker receivables. The amendments modify the net capital treatment of unsecured receivables from foreign brokers to provide greater parity between FCMs and Rule 30.10 firms.

Offsetting Customer Deficits in the Segregated Account with Readily Marketable Securities. In January 2001, the Commission adopted amendments to Rule 1.32 to permit an FCM to offset a customer deficit in the segregated account with readily marketable securities deposited by such customer. The rule amendments would expand no-action letters, which limit securities that an FCM may use to offset customer deficits to U.S. Treasury instruments.

Investment of Customer Funds. In December 2000, the Commission adopted rule amendments to expand the range of instruments in which FCMs and clearing organizations may invest customer funds to include such highly liquid and readily marketable instruments as certain sovereign debt, agency debt, money market mutual funds, and corporate notes.

Filing Extension for Commodity Pool Annual Reports. In December 2000, the Commission amended its rules to permit CPOs of pools that are invested in other collective investment vehicles (commonly called "funds of funds") to claim by a notice filing an extension of time (up to 150 calendar days after the end of a pool's fiscal year) to file and distribute their pools' annual reports. The extension is available to CPOs which are not able to obtain information from the collective investment vehicles in which their pools invest in sufficient time for their accountants to prepare, certify, and distribute the pool's reports by the due dates.

Use of Profile Disclosure Document To Solicit Commodity Pool Participants. In October 2000, the Commission adopted rule changes permitting CPOs to solicit pool participants by means of a summary profile document meeting the requirements of NFA Compliance Rule 2-35(d), prior to providing the pool's full disclosure document.

Other Oversight Activities. The Division's financial surveillance and audit program also fostered the furtherance of sound financial practices in FY 2001 through:

- Review of 5,566 financial reports filed by registrants.
- Direct audits of 30 FCMs, CPOs, CTAs, and other registrants.
- Processing of 175 risk-assessment filings.
- Issuance of 202 warning and non-compliance letters (including letters resulting from review of financial reports).
- Follow-up of 202 required special notices reporting events such as reductions of capital of registered firms.
- Issuance of 1,656 year-end guidance letters to assist such registrants in the preparation of required annual financial reports.
- Conduct of 18 major market move reviews.

SRO Rule Enforcement Oversight

The CEA requires each exchange, through a program of continuing rule enforcement, to ensure that its members adhere to exchange rules. The Division oversees, reviews, and reports to the Commission on the self-regulatory compliance programs of the exchanges. When appropriate, such reports include recommendations for improvements and schedules for implementing those recommendations. During FY 2001, in connection with reviews of trade practice, market surveillance, audit and financial surveillance, and related SRO compliance programs, the Division conducted reviews of the following exchange rule enforcement programs.

Klein & Company Futures, Inc. In July 2001, Commission staff issued a report on lessons learned from the failure of Klein & Company Futures, Inc. In this report, staff discussed best practices and recommendations concerning the risk management practices of contract markets, clearinghouses, and FCMs.

Chicago Board of Trade Market Surveillance Program. In July 2001, Commission staff issued a rule enforcement review of the market surveillance program of the CBOT. In its review, staff found that the exchange operates an effective market surveillance program and made one recommendation for improvement.

Minneapolis Grain Exchange Market Surveillance, Trade Practice Surveillance, Audit Trail, and Disciplinary Programs. In May 2001, Commission staff issued a rule enforcement review of the Minneapolis Grain Exchange's (MGE) market surveillance, trade practice surveillance, audit trail, and disciplinary programs. In its review, staff found that MGE maintains adequate market surveillance and audit trail programs. However, staff recommended that the exchange make certain improvements in its trade practice surveillance and disciplinary programs.

New York Cotton Exchange Trade Practice Surveillance and Disciplinary Programs. Commission staff completed a rule enforcement review of the trade practice surveillance and disciplinary programs of the New York Cotton Exchange (NYCE). In its review, staff found that the NYCE had adequate programs in the areas reviewed and made recommendations for improvements regarding trade practice surveillance and customer restitution.

Cantor Financial Futures Exchange Market Surveillance, Trade Practice Surveillance, Audit Trail and Disciplinary Programs. In March 2001, Commission staff issued a rule enforcement review of the CFFE. The purpose of the review was to evaluate CFFE's market surveillance, trade practice surveillance, audit trail, and disciplinary programs. In its review, staff found that the New York Cotton Exchange (NYCE), with which CFFE has contracted to perform its self-regulatory surveillance functions, maintains adequate programs on behalf of CFFE in each of the areas reviewed.

NFA Program for Review of FCM and IBI Financial Reports. Commission staff completed a review of NFA's FCM and independent introducing broker (IBI) financial reports review program. The review found that generally the program effectively supports NFA's financial surveillance over its member FCMs and IBIs, and promotes compliance by FCMs and IBIs with Commission rules and those of NFA and other SROs.

Review of SRO Risk-Based Capital Requirements. In April 2001, Commission staff issued a review of SRO risk-based capital requirements and comparison to the Commission's minimum net capital requirements. Staff recommended that the Commission act to propose rule amendments to adopt risk-based net capital requirements for FCMs, and to review the components of net capital to ensure that they continue to be relevant in the risk-based environment.

Financial Oversight. Commission staff completed a review of the SPAN (standard portfolio analysis of risk) margining system developed by the Chicago Mercantile Exchange and used by all U.S. commodity futures exchanges and many exchanges worldwide. Commission staff are currently conducting a review of stress testing procedures at the CME, CBOT, and BOTCC.

Oversight of Registered Futures Associations

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

The Commission has delegated to NFA virtually all registration functions, including processing registration applications and related documentation and taking adverse actions against registrants and applicants for registration based upon disqualifying conduct. The Commission oversees the NFA registration program through frequent contacts with NFA staff members on specific matters, as well as through formal reviews of NFA programs by the Commission which are presented to the Commission and made public. In late 1995, the Registration Working Group (RWG) was established. This group, which includes staff members of the Commission and NFA, convenes quarterly to discuss issues of mutual interest concerning registration. During FY 2001, the RWG discussed, among other things, (1) regulatory reform, (2) implementation of the CFMA, particularly with respect to notice registration for securities broker-dealers that limit futures activity to security futures products, (3) revision of NFA's rules governing statutory disqualification proceedings, (4) development of a mandatory electronic registration filing system, and (5) removal of registration holds.

Beginning in FY 1999, the Commission delegated to NFA responsibility for monitoring payment of restitution pursuant to multi-year payment plans in which the amount paid by the defendant/respondent is based upon the level of his/her income. NFA's assumption of these responsibilities has resulted in savings to the Commission and preservation of customer assets. In FY 2001, NFA collected about \$0.1 million in this capacity.

On August 20, 2001, the Commission approved amendments to NFA's rules related to the trading of security futures products. The CFMA amended the Securities Exchange Act of 1934 to permit registered futures associations to become registered national securities associations for the limited purpose of serving as a self-regulatory organization for members who become notice-registered with the SEC to trade security futures products. Such limited-purpose national securities associations must have antifraud, anti-manipulation, and customer protection rules applicable to security futures products that are reasonably comparable to those of fully-registered national securities associations. They also must ensure that their members, and individuals associated with their members, meet standards of training, experience, and competence necessary to effect transactions in security futures products and are tested for their knowledge of security futures products.

The rule changes approved by the Commission were adopted by NFA to ensure that its rules are comparable to those of fully-registered national securities associations. Rule changes that apply to members conducting security futures product activities include: requiring each member firm to designate a security futures product principal who has passed the Futures Branch Manager Examination (Series 30) and will be responsible for reviewing discretionary trades, approving promotional materials, and the opening of customer accounts; requiring that promotional materials provide adequate information and are not misleading; requiring firms to make available to customers supporting documentation for all claims, comparisons, and statistics that may be presented in promotional materials; requiring disclosure of conflicts of interest; requiring that mass media advertising be submitted to NFA for review and approval; and implementing a customer suitability rule regarding the trading of security futures products.

Foreign Futures

Treatment of Customer Funds. In June 2001, the Commission issued an order under Sections 4(b) and 4d of the CEA and Commission Rule 30.10 to permit CME clearing members to commingle in a single account funds received from customers trading on U.S. exchanges with funds received in connection with CME's clearing of certain products traded on or through the Spanish exchange known as MEFF. Absent such an order, the first of its kind issued by the Commission, CME clearing members would be required to hold customer funds attributable to trading MEFF products in an account separate from the account containing funds of customers for trades on U.S. exchanges.

Comparability Relief. In May 2001, the Commission issued an order under Rule 30.10 granting an application for relief filed by the Winnipeg Commodity Exchange on behalf of its members. This relief permits those members to solicit and accept orders and funds related thereto from persons located in the U.S. for trades on the exchange without registering under the CEA or complying with rules thereunder, based on substituted compliance with the regulatory framework of the province of Manitoba, Canada.

Rules Concerning Foreign Futures and Options Secured Amount. In October 2000, the Commission revised its interpretation of the foreign futures or foreign options secured amount requirement set forth in Rule 30.7, clarifying that the requirement for FCMs to obtain an acknowledgement from a depository with respect to the treatment of foreign futures and options customer funds, applies only to the treatment of funds by the initial depository.

Order Related to Foreign Futures and Options Secured Amount. In October 2000, the Commission amended the orders issued pursuant to Rule 30.10 to the New Zealand Futures and Options Exchange, the Montreal Exchange, the Sydney Futures Exchange, the United Kingdom Securities and Futures Authority, the U.K. Investment Management Regulatory Organisation Limited, and the Singapore Exchange Derivatives Trading Limited. The amendment reflects the Commission's revised interpretation of the Rule 30.7 foreign futures or foreign options secured amount requirement as it applies to both FCMs and certain foreign firms exempt from such registration.

Cooperative Efforts

Joint Regulatory Framework under the CFMA. Title II of the CFMA repeals the longstanding ban on single stock futures, and directs the Commission and the SEC to implement a joint regulatory framework for security futures products and narrow-based stock index futures. Trading of security futures products generally would not be permitted until one year after enactment of the CFMA. Options on futures could be permitted three years after enactment following a joint determination by the Commission and the SEC whether to permit such trading and jointly studying the necessary framework for such options. During FY 2001, the Commission and the SEC worked together to promulgate rules, including rules for designated clearing organizations, notice procedures permitting national securities exchanges, national securities associations, and alternative trading systems to be designated contract markets in security futures products, and restrictions on dual trading in security futures products for floor brokers.

Information Sharing with Other Federal Agencies. In January 2001, the Commission amended Rule 140.73, which delegates authority to members of the Commission's staff to provide information to other government agencies, in order to conform the rule to the provisions of the CEA that authorize such information sharing. The Commission also made certain technical corrections to Rules 140.72 and 140.73 to clarify its delegations of authority.

Civil Monetary Penalty Collection Program. The Division, in cooperation with the Division of Enforcement, operates a civil monetary penalty collection program to reinforce Commission sanctions by assuring vigorous pursuit of penalties assessed. During FY 2001, the Commission collected approximately \$3,155,000 in penalties, including disgorgement. Many penalties are assessed against firms and individuals who have dissipated their assets and where there is little likelihood of collection. Delinquent penalties are referred to the U.S. Department of Justice or the U.S. Treasury for collection or retained by the Commission for intensified collection effort.

Bankruptcy Netting Legislation. The Division, in cooperation with the Office of Legislative and Intergovernmental Affairs, worked with the President's Working Group on Financial Markets to develop and comment upon legislation permitting netting of certain financial contracts in bankruptcy.

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 United States courts of appeals and the United States district courts in proceedings that involve futures industry professionals. Through its Opinions Program, OGC staff assists the Commission in performing its adjudicatory functions. As legal advisor, OGC reviews all substantive regulatory, legislative, and administrative matters presented to the Commission. OGC also advises the Commission on the application and interpretation of the Commodity Exchange Act (CEA) and other administrative statutes.

Litigation

During FY 2001, 41 Commission cases were pending before the U.S. courts of appeals. The majority of these appeals involved matters arising from the Commission's enforcement program. Other appellate cases stemmed from the Commission's review of actions taken by a registered futures association and from the Commission's reparations program which resolves customer-broker disputes.

OGC defends the Commission's interests in actions filed against it in U.S. district courts. Such actions may seek to preclude enforcement proceedings 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: defense of Commission decisions rendered in cases prosecuted administratively by the Commission's Division of Enforcement; appellate litigation involving decisions rendered by district courts in cases prosecuted by the Division of Enforcement; and 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 2001, OGC appeared before the courts of appeals and successfully defended enforcement decisions rendered by the Commission in the following noteworthy cases:

- ***Laken v. CFTC***, No. 01-1389 (7th Cir. 2001). This case marks the first test of authority Congress granted the Commission in 1992, following the conduct of undercover "sting" operations on futures markets trading floors. Relying on Section 8a(11) of the CEA, the Commission affirmed an Administrative Law Judge's (ALJ's) temporary suspension of Glenn B. Laken's registration as a floor broker on the Chicago Mercantile Exchange (CME), pending the resolution of criminal charges against Laken in federal district court. Laken filed a petition for review and a motion for stay of the Commission's Opinion and Order. The U. S. Court of Appeals for the Seventh Circuit denied Laken's motion for

stay, resulting in the continuation of the suspension during the pendency of the appeal. Ultimately, Laken withdrew his appeal and the Commission's opinion remained in force.

- ***Elliott, et al. v. CFTC***, 202 F.3d 926 (7th Cir. 2000), No. 00-259 (S. Ct. November 27, 2000). The U. S. Court of Appeals for the Seventh Circuit affirmed the Commission's determination that four large volume wheat traders executed a series of noncompetitive, prearranged trades on the floor of the Chicago Board of Trade (CBOT). The court held that "[d]eciding whether a particular set of circumstances supports an inference of non-competitive trading on the futures markets is an issue peculiarly within the Commission's area of expertise." 202 F.3d at 932. The traders then filed a petition for a writ of *certiorari* before the United States Supreme Court, contending, among other arguments, that the Seventh Circuit had erred in affording the Commission such deference. OGC assisted the U.S. Solicitor General in opposing the petition and on November 27, 2000, the Supreme Court denied the petition.

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

During FY 2001, OGC defended decisions rendered by district courts in the following noteworthy cases:

- ***CFTC v. Carmen Field, et al.***, 249 F.3d 592 (7th Cir. 2001). The district court found that the defendants had defrauded customers in violation of the CEA and ordered the payment in restitution of more than \$1 million. On appeal, the defendants argued that the district court's ruling violated a settlement agreement that the defendants had reached with the Commission's staff prior to the entry of judgment. The court of appeals rejected that challenge, affirming that only the Commission, not its staff, has authority to bind the Commission in settlement.
- ***CFTC v. Richard E. Maseri***, No. 98-5791 (11th Cir. 2001). The district court found that the Commission, through its Division of Enforcement, proved that Maseri had fraudulently marketed a computerized commodity trading program, which signaled the user when to trade commodity futures contracts, and converted funds that customers had entrusted to him to trade commodities on their behalf. Maseri was found to have knowingly misrepresented his trading credentials and success, the profitability of his trading program, and his registration status with the Commission; Maseri also was ordered to disgorge over \$550,000 in ill-gotten gains and to make restitution to defrauded customers. On appeal before the U.S. Court of Appeals for the Eleventh Circuit, Maseri contended that his activities were not subject to Commission regulation. In an unpublished opinion, the court of appeals affirmed the procedures employed and the legal determinations rendered by the district court.
- ***CFTC v. Richard E. Busch***, No. 00-15016-B (11th Cir. 2001). The district court found that Busch had committed fraud in soliciting customer funds to trade futures contracts and ordered him to pay nearly \$11 million in restitution to the victims of his fraud; he was also

ordered to pay a civil monetary penalty of over \$32 million. Busch failed to comply with the district court order and a bench warrant was issued for his arrest. As an initial matter, OGC sought to preclude Busch from presenting any appeal while a fugitive from the district court's bench warrant. On the merits, the central appellate issue involved whether Busch was properly served with the complaint in this case. Relying on Commission Rule 15.05, the Eleventh Circuit agreed with the district court that the Commission had properly served Busch, who resided in Panama and Switzerland, by serving the futures commission merchant (FCM) through which Busch conducted trading. The Eleventh Circuit held that service under Commission Rule 15.05 complies with Rule 4(e) of the Federal Rules of Civil Procedure. Subsequently, Busch filed a petition for a writ of *certiorari* before the United States Supreme Court. OGC is assisting the U. S. Solicitor General in opposing that petition.

- ***CFTC and SEC v. Princeton Economics, Int'l and Martin A. Armstrong, et al.*** Nos.00-6076, 00-6156 (2nd Cir., March 27, 2001), Nos. 01-6060, 01-6061 (2nd Cir., August 1, 2001). These cases involve OGC's defense of the orders of the district court conducting proceedings to determine whether Armstrong committed fraud in the solicitation of millions of dollars for futures trading. Armstrong has been incarcerated pursuant to an order of civil contempt for failing to produce to a court-appointed receiver over \$14 million in assets. While incarcerated, Armstrong filed several actions seeking appellate review of a variety of orders issued by the district court. By orders dated March 27, 2001 and August 1, 2002, the U.S. Court of Appeals for the Second Circuit declined review, finding that none of the challenged orders are subject to appellate review. An additional appeal filed by Armstrong on July 16, 2001 remains pending.
- ***CFTC v. Mass Media***, No. 01-13735 (11th Cir.). In this case, the district court determined that the antifraud provisions of the CEA could not be relied on to bar a company from making false statements regarding commodity options trading in advertising. Mass Media ran advertisements and collected names and other information from individuals who responded to those advertisements. Mass Media then sold those "customer leads" to entities that attempted to induce callers to trade options contracts. The Commission's pending appeal seeks to establish that these activities are subject to the antifraud protections of the CEA.
- ***CFTC v. Baragosh***, No. 00-1488 (4th Cir.). This case arose prior to the enactment of the Commodity Futures Modernization Act of 2000 (CFMA). On appeal before the U.S. Court of Appeals for the Fourth Circuit, the Commission contends that the products fraudulently sold by Baragosh through Noble Wealth were futures contracts that were not exempt from regulation pursuant to the now-superseded "Treasury Amendment," 7 U.S.C. 2(a)(1)(A)(ii).
- ***Kimberlynn Creek Ranch et al. v. CFTC***, No. 00-1989 (4th Cir.) This pending appeal involves the defense of the district court's judgment that ordered certain defendants to turn

over to a receiver customer assets that were obtained from customers through violation of the CEA. These particular defendants were named as “relief defendants,” that is, defendants who were shown to possess assets that were procured by the illegal acts of others, but who were not themselves charged with violating the CEA.

- ***CFTC v. Samaru***, No. 00-56271 (9th Cir.) The Commission charged, and the district court found, that Samaru sold unlawful off-exchange futures contracts in precious metals. Samaru agreed to a consent order of permanent injunction, enjoining him from violating the antifraud provisions of the CEA and engaging in commodity futures transactions other than on a board of trade designated by the Commission as a contract market. Samaru admitted that his conduct had resulted in over \$882,000 in customer losses and the district court ordered him to pay restitution of \$882,000. In the pending appeal, Samaru contends that the district court’s restitution judgment is an excessive fine that violates the Eighth Amendment to the United States Constitution.

Other Litigation Involving the Enforcement Program. OGC defends the Commission’s interests in a variety of other actions commenced in the U. S. district courts and courts of appeals. As described below, during FY 2001, these cases involved actions initiated to bar pending Commission administrative proceedings and actions challenging Commission regulations on constitutional grounds.

- ***Commodity Trend Service, Inc. v. CFTC***, 233 F.3d 981 (7th Cir. 2000). Commodity Trend Services (CTS), a publisher of advice on futures trading, challenged the Commission’s authority to subject its conduct to regulation pursuant to the antifraud provisions of the CEA. The court of appeals held that one antifraud provision of the CEA, Section 4o, and Commission Rule 4.41 properly apply to commodity trading advisors (CTAs) such as CTS, and that the application of those provisions does not violate the First Amendment’s protection of free speech. The court of appeals further held that another antifraud provision of the CEA, Section 4b, was inapplicable to CTS.
- ***Rickerson v. CFTC***, No. 00cv0701 (W.D. Mo., July 30, 2001). In this case, plaintiffs sought to bar enforcement of certain investigative subpoenas the Commission’s Division of Enforcement served on banks seeking the production of financial data. On behalf of the Commission, OGC sought dismissal of plaintiffs’ challenge. Agreeing with the Commission, the district court found that it would be contrary to the CEA to permit a target of an investigation to seek an immediate injunction in Federal court, simply because an investigation was pending, rather than await a final agency decision. In addition, the court rejected plaintiffs’ reliance upon the Right to Financial Privacy Act to quash one of the subpoenas, concluding that the Commission was seeking the production of information relevant to a legitimate law enforcement inquiry.

Appellate Cases Involving the Commission’s Reparations Program. OGC 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 2001, OGC appeared in two such cases.

Other Appellate Litigation. In addition to appeals involving the Commission's enforcement program and appeals from reparations decisions, OGC 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 or an exchange. During FY 2001, three cases were filed in appellate courts seeking judicial review of the Commission's review of actions taken by the National Futures Association (NFA).

- ***MBH Commodity Advisors, Inc. v. CFTC***, 250 F.3d 1052 (7th Cir. 2001). NFA found that Jacob Bernstein and his company, MBH Advisors, Inc., violated NFA's customer protection rules through use of a misleading and deceptive television infomercial and Internet website, that were produced by a third party and used to sell Bernstein's commodity trading program. As a sanction, NFA barred Bernstein and his company from NFA for 18 months, after which they could reapply for membership, and fined them \$200,000. The Commission summarily affirmed the NFA decision and sanction. On appeal, the U.S. Court of Appeals for the Seventh Circuit approved the Commission's oversight policy that reviews NFA decisions under a weight-of-the-evidence standard, rather than engaging in independent fact-finding. The court dismissed a number of other arguments raised by petitioners, finding, among other things, that petitioners' compliance with NFA rules was a non-delegable duty; hence, petitioners could not insulate themselves from liability on the ground that they had no control over the promotional materials produced for them by a third party.
- ***Perk v. CFTC***, Nos. 99-4084, 99-4085 (2^d Cir. 2001). In another NFA disciplinary case, George J. Perk and his brokerage firm, American Futures Group, Inc. (AFG), were found liable for breaches of NFA's compliance rules and financial requirements, including failure to diligently supervise employees. As a sanction, Perk and AFG were expelled from NFA. The Commission summarily affirmed the NFA decision and sanction. On appeal by Perk, the U.S. Court of Appeals for the Second Circuit rejected his contentions that NFA decisionmakers were biased, that he was prejudiced by NFA's alleged failure timely to disclose critical evidence during the NFA proceedings, and that his counsel at the NFA hearing was ineffective.
- ***Clark v. CFTC***, No. 00-4218 (2^d Cir. 2001). NFA brought proceedings against Clark to bar his registration as a futures industry professional due to past transgressions. In the course of those NFA proceedings, an NFA subcommittee denied Clark's request to have certain documents and witnesses produced at a hearing and Clark sought immediate review by the Commission. The Commission declined Clark's request for interlocutory review and he sought appellate review before the U. S. Court of Appeals for the Second Circuit. The court granted the Commission's motion to dismiss the appeal for lack of jurisdiction.

United States District Court, State Court, and Administrative Cases. OGC also defends the Commission's interests in other areas. OGC appears for the Commission in cases involving equal employment opportunity law before U.S. district courts and the Equal Employment Opportunity Commission and in cases brought before the Merit Systems Protection Board. OGC represents the Commission in cases involving the Freedom of Information Act (FOIA) and defends the Commission's interests in a variety of state court and administrative cases.

OGC also defends the Commission's interests when it is served a subpoena or other demand for discovery in a third-party lawsuit (a private suit in which the Commission is not a named party). During FY 2001, OGC handled 12 third-party subpoena matters.

Bankruptcy Proceedings. OGC monitors bankruptcy proceedings involving futures industry professionals and, in some cases, assists courts, trustees, and customers in carrying out the special 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 2001, OGC monitored 12 bankruptcy cases and actively participated in four of those cases.

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, on the request of a party, or on its own initiative, the Commission may submit an *amicus* brief to the court to aid it in its interpretive efforts. The Commission did not have occasion to participate as *amicus curiae* in any non-bankruptcy case during FY 2001.

Opinions

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

- ALJs resolving administrative cases prosecuted by the Division of Enforcement to deter violators of the CEA or Commission regulations and protect the public from such violators;
- Commission presiding officers resolving claims of futures market customers to recover money damages from industry registrants who have allegedly violated the CEA or Commission regulations; and

- Self-regulatory organizations disciplining members for alleged rule violations, denying applications for membership, or exercising delegated authority to resolve applications for Commission registration.

OGC reviews the record of cases subject to appeal, identifies decisional options for the Commission, and prepares draft opinions consistent with the Commission's instructions. As a result of these activities, the Commission issued a number of important decisions in FY 2001, including those outlined below.

Decisions Resolving Appeals in Cases Prosecuted by the Commission's Division of Enforcement. During FY 2001, the Commission resolved several significant appeals from decisions in administrative enforcement actions.

- *In re Elliot*, CFTC Docket No. 95-1 (March 22, 2001). The Commission previously resolved the Division of Enforcement's appeal in this matter by sanctioning respondents for knowing participation in 32 non-competitive transactions. On review, a U.S. Court of Appeals affirmed the Commission's decision and the Supreme Court denied respondents' petition for *certiorari*. Prior to the effective date of the Commission's sanctions, respondent Sion petitioned for a reduction in the amount of his civil money penalty and trading suspension. Sion also sought a stay of the effective date of the sanctions pending Commission consideration of his petition. The Commission concluded that neither a stay nor a reduction in sanctions was appropriate. It noted that many of the points Sion relied upon could have been raised immediately after the Commission resolved his appeal and that Sion offered no excuse for waiting until after the judicial review process was completed to raise these issues. The Commission also concluded that the change in circumstances that Sion cited in support of his petition—the absence of additional wrongdoing during the period of his appeal—was not sufficient to show that his trading no longer posed a substantial risk to market integrity.
- *In re Laken*, CFTC Docket No. SD 00-05 (February 8, 2001). Respondent Laken appealed from a decision suspending his floor broker registration while a federal court conducted proceedings to resolve the criminal charges pending against him. His brief raised several issues of first impression relating to the Commission's authority to impose sanctions under Section 8a(11) of the CEA and Commission Rule 3.56. The Commission acknowledged that Commission Rule 3.56 indicated that a suspension could be imposed if the record showed that a respondent's continued registration may pose a risk to the public interest. Nevertheless, it held that the language of CEA Section 8a(11)(B) requiring proof that continued registration did pose a threat (or was likely to cause a threat) to the public interest established the controlling standard. In the circumstances presented, the Commission concluded that the Division of Enforcement met its evidentiary burden by proving that Laken had been indicted for crimes involving securities and wire fraud, a scheme to generate excessive commissions on commodity transactions through churning, extortion, money laundering, bribery, and illegal kickbacks. The Commission emphasized

that the alleged conduct reflected on Laken's honesty and fitness to act as a fiduciary and involved dishonest and manipulative practices in the securities market that would be a threat to the public interest if carried out in the context of futures transactions. The Commission found that Laken had taken substantial steps since the time of his indictments to limit his role in the futures industry, but held that these steps did not sufficiently address the threat his continued registration posed to the public interest. In this regard, the Commission emphasized that floor traders play a vital role in the open outcry process and have significant incentives to make private agreements that undermine the legitimacy of that process. It also noted that such unlawful agreements were easy to make and that the supervisory mechanisms that Laken proposed were unlikely to detect or prevent them. Finally, the Commission declined to defer to the CME's determination that Laken's continued registration would not pose a risk to the exchange, holding that the record did not show that the public interest and the exchange's interest were directly comparable. In light of these conclusions, the Commission affirmed the ALJ's imposition of a registration suspension pending the completion of Laken's criminal case.

- ***In re Riley***, CFTC Docket No. SD 98-4 (August 9, 2001). Respondent Riley appealed from a decision denying his application for registration as a floor broker. The record showed that Riley failed to disclose elements of his disciplinary history when he filed his application in 1990 and was the subject of several exchange disciplinary actions between 1990 and 1996. Riley claimed that the flaws in his application were due to confusion about the information requested and that the ALJ mischaracterized the wrongdoing at issue in his 1995 exchange disciplinary action. In light of its independent review of the record, the Commission found that Riley's claim that he was confused about the information requested on the registration application was not credible. The Commission acknowledged that Riley's 1995 exchange disciplinary action involved an allegation of prearranged trading rather than an allegation that Riley defrauded his customer. It concluded, however, that for purposes of assessing the gravity of the prearranged trading, it was appropriate to consider circumstances indicating that one of Riley's customers received a less-advantageous price as a consequence of the prearrangement. Finally, the Commission held that Riley's evidence that he had been rehabilitated since the time of his wrongdoing was unpersuasive. In this regard, it noted that Riley's lay character witnesses did not establish that he had undergone a substantial change since 1995 and emphasized that the opinion of his expert witness was undermined by the expert's reliance on misinformation supplied by Riley. In light of this analysis, the Commission affirmed the ALJ's denial of Riley's registration application.
- ***In re Zuccarelli***, CFTC Docket No. SD-97-3 (September 7, 2001). Respondent Zuccarelli appealed from a decision revoking his floor broker registration. The record showed that the Commodity Exchange, Inc. had sanctioned Zuccarelli for prearranged trading in 1990 and 1994. Zuccarelli claimed that he had been rehabilitated since the time of his wrongdoing and sought to present both lay character witnesses and an expert witness on this issue. The presiding ALJ denied Zuccarelli an opportunity to present an

expert witness and strictly limited the lay character witnesses Zuccarelli could present. The ALJ ruled that limiting Zuccarelli's opportunity to develop the factual record was consistent with a strict reading of the instructions that the Commission had given when it remanded the case for additional proceedings. The Commission concluded that the ALJ had misinterpreted its instructions and abused his discretion by pursuing short-term efficiency at the expense of a full and fair development of the record. In light of this conclusion, the Commission remanded for additional hearings and instructed the ALJ to evaluate respondent's evidence of rehabilitation as a whole rather than limiting his focus to whether the testimony of a particular witness, standing alone, established a change in the direction of Zuccarelli's character and conduct.

Decisions Resolving Appeals from Customer Claims Seeking Money Damages from Industry Registrants in the Reparations Forum. During FY 2001, the Commission resolved several significant appeals from decisions in reparation actions.

- ***Dubois v. Alaron Trading Corp.***, CFTC Docket No. 95-R152 (October 26, 2000). Respondent Alaron Trading Corp. appealed from a decision holding it responsible for the unlawful conduct of an introducing broker (IB) that the firm guaranteed. Respondent claimed that the IB's conduct was not covered by the guarantee agreement because the underlying transactions involved the purchase and sale of spot foreign currency contracts rather than the purchase and sale of futures contracts conducted on a board of trade. The Commission concluded that the Judgment Officer had properly focused on characteristics suggesting that the transactions involved futures contracts, such as the presence of standardized contract sizes, initial and maintenance margin requirements, an offset option, and cash settlement, along with the absence of a deadline for performance or capacity to take delivery of the underlying currency. The Commission also concluded that the transactions were conducted on a board of trade because the record showed that trades were made through a public trading facility for buying and selling standardized foreign currency futures contracts that did not limit participants to sophisticated institutional traders eligible to trade on the interbank market. In light of this evidence, the Commission concluded that the transactions at issue violated former Sections 4(a) and 4b(a)(i) of the CEA and fell within the scope of respondent's guarantee agreement with the IB. On this basis, the Commission affirmed the Judgment Officer's award of damages.

- ***Fijolek v. Saliman***, CFTC Docket No. 99-R115 (September 26, 2001). Several respondents appealed from a decision awarding over \$63,000 in damages to complainant Fijolek. Complainant alleged that a friend recommended that she open an account with respondents and that she agreed to deposit \$100,000 based on assurances that respondent Saliman had a 70 percent success rate and could earn her a 20 percent return even if things went wrong. The presiding ALJ concluded that Saliman had fraudulently induced complainant to open her account by offering these false assurances. The judge found that Saliman's testimony denying that he offered such inducements was incredible. On review, the Commission affirmed this negative assessment of Saliman's credibility but

noted that Fijolek had made contradictory statements about the identity of the person who offered her the assurances at issue. Fijolek's complaint stated that her friend had offered the assurances, but her testimony indicated that Saliman had told her about his success rate and the expected return. Because complainant neither plausibly explained her contradictory recollections nor produced corroborating testimony from her friend, the Commission concluded that the record did not show that her testimony was sufficiently reliable to support findings meeting the weight of the evidence standard. On this basis, the Commission vacated the award of damages and remanded for further proceedings focused on an allegation that complainant's account had been churned.

- ***Ralph v. Lind-Waldock & Co.***, CFTC Docket No. 00-R010 (September 7, 2001). Complainant Ralph appealed from a decision dismissing his complaint alleging that his FCM filled a sell order after it expired. The Judgment Officer determined that the facts material to Ralph's claim could be reliably determined without a hearing to assess credibility. Complainant argued that findings necessary to the Judgment Officer's decision were based on an unreliable affidavit submitted by the FCM. The Commission acknowledged that the record raised substantial questions about the credibility of complainant's version of the events at issue. It emphasized, however, that the FCM's own business records indicated that the order at issue had been executed after it expired, and that the only evidence to the contrary was contained in the affidavit it submitted. The Commission also noted that documentary evidence raised a substantial question about the plausibility of the FCM's claim that Ralph's order was filled in the ordinary course of business. In light of these problems, the Commission vacated the dismissal of the complaint and remanded for a hearing to resolve credibility issues.
- ***Taub v. Lind-Waldock & Co.***, CFTC Docket No. 00-R001 (May 30, 2001). Respondent Lind-Waldock appealed from a decision concluding that it had failed to follow complainant Taub's trading instructions. Respondent argued that the weight of the evidence did not show that complainant had given the trading instruction described by the Judgment Officer. The Commission noted that the record was extremely limited because neither party had sought discovery, requested a telephonic hearing, or supplemented the factual statements made in their initial filings. The Commission reiterated its previous view that a holistic, non-technical approach was appropriate when assessing the facial validity of reparations complaints. It emphasized, however, that for purposes of assessing liability and damages, the reliability of statements made in a complaint must be examined in light of the record as a whole. The Commission noted that Taub's statement of facts did not provide any detail in describing a key conversation and focused more on complainant's subjective understanding of his communication than his recollection of the words he actually used. In light of these flaws, the Commission concluded that the complaint did not include a description of the key conversation sufficient to permit a reliable determination of how clearly Taub expressed his wishes. Consequently, the Commission dismissed the complaint for a failure of proof.

- ***Violette v. LFG, L.L.C.***, CFTC Docket No. 98-R188 (September 6, 2001). Respondents appealed from a decision concluding that complainant Violette's \$17,300 loss on a short call option position was proximately caused by respondents' failure to follow Violette's liquidation instruction. Respondents argued that the weight of the evidence did not show that Violette provided a liquidation instruction prior to leaving on vacation. The Judgment Officer made findings based on Violette's testimony after concluding that the contradictory testimony offered by the account executive who spoke to complainant on the day he left for vacation was not credible. On review, the Commission reiterated that factual findings cannot be based on a party's testimony simply because the presiding officer finds that party's testimony more believable than the testimony of an opposing party. Its independent review of complainant's testimony in light of the record as a whole disclosed several problems that undermined the reliability of Violette's version of events. The Commission acknowledged that the flaws in the testimony offered by the respondent account executive were comparable to the flaws in Violette's, but emphasized that in the circumstances at issue, Violette bore the burden of persuasion. Because the record did not include either documentary or testimonial evidence sufficient to support reliable fact finding on material issues, the Commission dismissed the complaint for a failure of proof.

Legal Advice

Significant Regulatory Activities. As the Commission's legal advisor, OGC drafts or reviews the following:

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

Despite the implementation of self-certification procedures for contract market rule amendments and contract market designations, in FY 2001 OGC reviewed more than 95 matters related to enforcement actions, investigations of illegal activity, and complaints in administrative or judicial actions; more than ten applications to trade futures or option contracts; and over 45 exchange rule amendments.

OGC worked closely with the Division of Trading and Markets (T&M) and the Division of Economic Analysis (DEA) in drafting a number of significant rulemakings and regulatory initiatives including:

- an interpretive statement with respect to the secured amount requirement for foreign futures and options transactions and revised orders issued under Regulation 30.10;
- application of onExchange Board of Trade for designation as a contract market;
- proposed rule regarding the daily computation of the amount of customer funds required to be segregated;
- proposed rules regarding agricultural trade options;
- the new regulatory framework for multilateral transaction execution facilities, intermediaries and clearing organizations (subsequently withdrawn);
- new regulatory framework for clearing organizations (subsequently withdrawn);
- rules relating to intermediaries;
- rules providing an exemption for bilateral transactions;
- new regulatory framework for trading facilities, intermediaries, and clearing organizations;
- rules providing for opting out of segregation;
- rules governing the privacy of customer information under the Gramm-Leach-Bliley Act;
- rules exempting certain broker or dealers registered with the Securities and Exchange Commission (SEC) from provisions of the CEA and regulations thereunder;
- new regulatory framework for clearing organizations;
- rules providing for notice registration as an FCM or IB for certain securities brokers or dealers;
- rules regarding the method for determining market capitalization and dollar value of average daily trading volume and the application of the definition of narrow-based security index products;
- order granting Regulation 30.10 relief to the Winnipeg Commodity Exchange;
- rules regarding designated contract markets in security futures products; notice-designation requirements;
- proposed rule to restrict dual trading in security futures products;
- rules establishing listing standards and conditions for trading security futures products;
- proposed rules regarding customer margins for security futures products;
- proposed rules regarding customer protection, recordkeeping, reporting, and bankruptcy rules for security futures products;
- approval of NFA rule amendments and new rules and interpretive notice regarding enhanced supervisory requirements;
- order granting the modification of listing standards requirements for security futures products;
- proposed rules relating to intermediaries of commodity interest transactions; and
- proposed rules regarding cash settlement and regulatory halt requirements for security futures products.

During FY 2001, OGC was part of the review team that considered the designation request of Nasdaq LIFFE, the first exchange to be designated to trade security futures products. As the first security futures contract market designated by the Commission, Nasdaq LIFFE presented a number of unique legal issues.

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 (FRB).

International Issues. The growing international nature of futures and option markets was reflected in OGC's work. Through the review of numerous interpretive letters and Commission orders, OGC assisted T&M in implementing and revising rules governing the offer and sale of foreign futures and option contracts in the United States. During FY 2001, OGC issued a number of no-action letters regarding the offer or sale within the U.S. of foreign futures contracts based on foreign stock indices. 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, and with T&M, the Division of Enforcement, and OIA, in their activities involving the International Organization of Securities Commissions (IOSCO). OGC continued to be an active participant in discussions and negotiations regarding international trade agreements including the General Agreement on Trade in Services (GATS), North American Free Trade Agreement (NAFTA), Multilateral Agreement on Investment (MAI), and Free Trade Area of the Americas (FTAA).

Rulemaking. In FY 2001, as noted earlier, OGC was actively involved in a number of rulemakings to implement the CFMA. Most notably, OGC was involved closely in two major groups of rulemakings—the new regulatory framework for trading facilities and security futures product rules. OGC also drafted the rules to implement the Gramm-Leach-Bliley Act requirements for privacy of futures customer information.

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

Regulatory and Legislative Matters. As the Commission's chief legal advisor, OGC advises the Commission concerning legislative and regulatory matters, including legislation that reauthorizes the CFTC. During FY 2001, OGC engaged in negotiations with other Federal financial regulators, including the SEC, the Department of Treasury, and the FRB, and members of Congress and congressional staff, to implement the provisions of the CFMA that promote legal certainty in the over-the-counter derivatives markets, provide regulatory reform for domestic futures exchanges, and amend the Shad-Johnson Accord.

OGC staff also responded to numerous requests from Congressional committees regarding implementation of the CFMA. OGC staff worked with federal financial regulators on a CFMA-mandated study regarding retail swaps.

Administrative Matters. During FY 2001, OGC advised the Commission on issues raised under FOIA, the Privacy Act, and the Government in the Sunshine Act and responded to approximately 12 FOIA and Privacy Act appeals. In addition, OGC continued to develop and implement procedures to assure timely review and response to requests for information under the FOIA and to administrative appeals under FOIA and the Privacy Act.

OGC is responsible for all matters relating to the Commission's ethics standards and compliance with its Code of Conduct and the Office of Government Ethics (OGE) government-wide ethics regulations, including the provision of annual ethics training for CFTC employees.

OGC also advises the Commission on labor and employment law matters. In conjunction with the Office of Human Resources and the Office of Equal Employment Opportunity, OGC handles equal employment opportunity cases arising under Title VII of the Civil Rights Act of 1964 and the Rehabilitation Act of 1973, and Merit Systems Protection Board cases arising under the Civil Service Reform Act of 1978. During FY 2001, OGC handled five equal employment opportunity complaints.

OGC continued to advise the Commissioners who chair the Commission's advisory committees on procedural and substantive matters. Three Commission advisory committees were active during FY 2001: the Technology Advisory Committee provided advice on issues arising out of technological innovation in the financial services marketplace; the Global Markets Advisory Committee provided advice on international market issues that affect the integrity and competitiveness of U.S. markets and firms engaged in global business; and the Agricultural Advisory Committee provided 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 2000 and FY 2001 are as follows:

| Litigation Docket | FY 2000 | FY 2001 |
|---|----------------|----------------|
| Appellate cases involving the CFTC's enforcement program | 32 | 36 |
| Appellate cases involving the CFTC's reparations program | 5 | 2 |
| Appellate cases involving the CFTC's review of registered futures association and exchange review cases | 2 | 3 |
| District Court cases | 10 | 8 |
| Administrative cases | 9 | 5 |
| Subpoenas | 5 | 14 |
| Bankruptcy cases monitored | 10 | 10 |
| <i>Amicus</i> cases monitored | 2 | 4 |

| Opinions Docket | FY 2000 | FY 2001 |
|--------------------------------------|----------------|----------------|
| Total cases beginning of fiscal year | 37 | 29 |
| Cases received | 33 | 29 |
| Cases completed | 41 | 24 |
| Cases pending end of fiscal year: | | |
| SRO disciplinary actions | 2 | 4 |
| Reparations cases | 14 | 13 |
| Enforcement cases | 13 | 17 |
| Total | 29 | 34 |

Office of the Executive Director

The Office of the Executive Director (OED) provides management services that support the programs of the Commission. OED offices include Information Resources Management (OIRM), Financial Management (OFM), Human Resources (OHR), Administrative Services (OAS), and the Commission Library. The Commission's Office of Proceedings is under the administrative direction of the Executive Director. Through these offices, OED provides strategic planning, personnel management, staffing, training, accounting, budgeting, contracting, procurement, end-user computing, systems development, and facilities and equipment management.

OED staff members:

- formulate budget strategies;
- manage the allocation and utilization of agency resources;
- impose management controls and ensure financial integrity;
- develop and implement the agency's automated information systems;
- provide information and research services; and
- ensure agency-wide compliance with Federal requirements enacted by Congress and imposed by the Office of Management and Budget (OMB), the Department of the Treasury, the General Accounting Office (GAO), the General Services Administration (GSA), and the Office of Personnel Management (OPM).

Organizational Review. During FY 1999, the Commission contracted with Electronic Data Systems for an independent assessment of the Commission's information technology program. The assessment was conducted between January and June 2000; a report, with recommendations for structural and management changes, was issued in July 2000. Throughout FY 2001, the Commission continued to implement the recommendations of the report as resources permitted. OIRM was reorganized and several essential positions were staffed, including three branch chiefs, an enterprise architect, database manager, project manager, and configuration manager. As resources permit, report recommendations will continue to be implemented through FY 2002.

Intranet Development. Staff in the immediate office of the Executive Director worked with OIRM to enhance the use of the Commission intranet, *Open Interest*. Information available includes agency news and events, CFTC historical documents, agency programs and benefits, general reference information, links to Federal, legal, market, and exchange references, a Commission-wide calendar system, a notices board, and a staff directory. Staff continued development of an online repository of current and historic Commission documents and other information.

Internal and External Reports. OED drafts a variety of internal and external reports. OED prepares for Commission approval the Quarterly Performance Review, which outlines the

agency's accomplishments and priorities by quarter under its Annual Performance Plan (APP), the CFTC's Annual Report to Congress, and the biannual Unified Agenda and annual Regulatory Plan, which provide information to the public on the agency's most significant regulatory priorities.

Legal Updates and Compliance. In FY 2001, OED continued its efforts to ensure the agency's compliance with the Regulatory Flexibility Act, the Paperwork Reduction Act, the Congressional Review Act, the Government Performance and Results Act of 1993 (GPRA), and the Small Business Regulatory Enforcement Fairness Act. OED also coordinated the agency's implementation of the Government Paperwork Elimination Act and the agency's compliance with provisions of the Rehabilitation Act as they apply to government technology. The biennial publication of the agency's Privacy Act systems of records was published August 9, 2001 (66 FR 41842).

Other OED Activities. After the destruction of the Commission's New York Regional Office in the World Trade Center on September 11, OED spent significant amounts of time and resources responding to staff needs and arranging for replacement office space. This effort will continue into FY 2002; it is currently expected that the New York Regional Office will move into permanent leased space at 140 Broadway in the spring of 2002.

During FY 2001, the Acting Executive Director continued a teambuilding effort in the Division. OED staff is being trained in teambuilding, problem-solving, communication, and conflict resolution skills. This effort will continue in FY 2002.

Office of Information Resources Management

OIRM provides essential automation services to the Commission. OIRM staff members:

- develop and maintain systems to support Commission activities;
- provide end-user computing services;
- maintain the Commission's facilities for network services;
- provide Internet access and support;
- maintain the Commission's website and intranet;
- support the work of the Commission's operating divisions by reviewing automated trading and clearing systems used by the regulated futures industry; and
- ensure information security and integrity.

During FY 2001, the Commission engaged contractors to redesign and host its Internet website. The Commission's website is designed to provide information to the public about Commission programs, and deliver services electronically to industry participants and the public. The redesigned website features a new navigation scheme, easier access to current information about the Commission and its programs, and improved maintenance and usability.

The Commission entered into a contract to provide software development support and enhancements to stabilize two mission-critical systems: the Integrated Surveillance System (ISS) and the Exchange Database System (EDBS). The Commission collects data from the futures exchanges, clearing members, foreign brokers, and large traders. This data is maintained in the ISS and is used by the Commission to identify potential problems with the markets, preserve historical records on market indicators, and identify market trends. An important element of the Commission's mission is to ensure market integrity and protect market participants against manipulation, abusive trade practices, and fraud. Data designed to be used for this purpose is maintained in the EDBS.

The 1-FR system, which allows futures commission merchants (FCMs) to electronically file financial reports, was redesigned in FY 2001.

In FY 2001 the Commission contracted with multiple Internet service providers (ISPs) to provide stability and increased reliability of CFTC Internet services. Commission staff rely on the Internet for research, communication, and current information about events with potential to affect the markets or Commission operations. Use of multiple ISPs reduces the amount of time the Internet is unavailable to CFTC staff.

Office of Financial Management

OFM manages the Commission's financial, budget, and procurement programs. OFM staff members:

- coordinate development of the Commission's strategic plan, annual performance plan, and annual performance report;
- formulate and execute the Commission's budget;
- provide procurement policy guidance and contracting, leasing, and purchasing services;
- measure, report on, ensure proper use of, and account for, agency financial resources; and
- manage and provide financial policy guidance for the Commission's financial systems, appropriation authority, transit subsidy, and travel programs.

In FY 2001, OFM submitted the FY 2002 President's Budget to the OMB and to Congress. OFM and the Commission's Office of Legislative and Intergovernmental Affairs briefed congressional staff on the FY 2002 Budget Request and on the financial impact of H.R. 1580, a bill that would exempt the Commission from Title V pay coverage and allow the Commission to raise salary rates to levels consistent with those of other financial regulators.

The Commission submitted the FY 2002 Annual Performance Plan and the FY 2000 Annual Performance Report to OMB and to Congress as required by the GPRA. In accordance with the GPRA, OFM worked with the Commission to update its five-year strategic plan, *Opportunities for Strategic Change 2000-2005*, to reflect the Commission's plans for meeting its mission, goals, and objectives in light of the new regulatory framework and (then-pending)

reauthorization legislation, which was enacted on December 21, 2000 as the Commodity Futures Modernization Act of 2000 (CFMA).

As required by the GPRA, OFM performed periodic evaluations of actual agency performance compared to its planned performance as outlined in the strategic plan and annual performance plan. These evaluations are published as the CFTC Quarterly Performance Review on the Commission's website.

OFM managed the Commission's real estate portfolio of approximately 250,000 rentable square feet of office space for its headquarters and five regional offices. Considerable effort was dedicated to selecting new office space for the Commission's Chicago Regional Office and negotiating the terms of that transaction. The move of the Chicago Regional Office is expected to occur in early spring 2002.

OFM concluded extensive negotiations that resulted in a five-year extension of the office space lease for the Commission's Kansas City Regional Office.

As noted earlier, the destruction of the New York Regional Office on September 11 required a rapid response by OED. OFM negotiated lease and space issues, both short-term and long-term, and responded to the need for new financial management procedures and many other requirements necessitated by this emergency.

IN FY 2001, OFM continued to improve its ongoing procurement and accounting services and to comply with numerous new laws and regulations related to those services. OFM also expanded its use of online technology in carrying out procurement and accounting services.

Office of Human Resources

OHR manages the Commission's human resources functions. OHR staff members:

- develop and implement the Commission's human resources policies, programs, and procedures;
- provide recruitment, staffing, pay, and classification services;
- advise on issues of performance management, employee, and labor relations;
- offer employee development and training services; and
- administer the Commission's employee benefits and payroll functions.

In FY 2001, OHR continued to improve the professional development and training services available to Commission employees, both onsite in all Commission offices and online through the Commission intranet. Services available in FY 2001 included seminars, health screenings, transit subsidy distribution, and orientation for new employees. The Commission's Employee Resource Center continued to be expanded through the addition of new materials and resources.

During FY 2001, OHR continued to develop and expand the training available to Commission staff. The CFTC Training Program now includes a revised Nuts and Bolts management training segment, a Human Resources Fundamentals segment, and a Personal/Professional segment that includes sessions on retirement planning, career development, stress management, and alternate dispute resolution (ADR). OHR managed the successful 2001 Summer Intern Recruitment, Placement, and Training Program. The Employee Assistance Program (EAP) available to all CFTC staff continued through the year. Offerings included preventive health screenings and seminars, a smoking cessation program, and flu shot clinics. Special EAP services were made available to staff of the New York Regional Office after the destruction of the World Trade Center on September 11; sessions were also held for all other Commission staff.

OHR continued to use technology to improve its internal functions and its services to Commission staff nationwide.

During FY 2001, OHR continued to participate in government-wide efforts to improve work force planning and restructuring. Group retention allowances were provided to CFTC attorneys and economists in an effort to reduce staff turnover rates.

The Commission's ADR program has proved effective and efficient in resolving workplace disputes; mediation has a 90 percent success rate. The CFTC has expanded its telework initiatives through pilot arrangements and telework has joined the Commission's panoply of family friendly programs—alternate work schedules, part-time employment, EAP, job sharing, and leave sharing.

Office of Administrative Services

OAS provides support services to the Commission. OAS staff members:

- acquire office supplies, equipment, furniture;
- maintain, repair, and dispose of equipment;
- manage telecommunications;
- manage facilities and internal security;
- provide local transportation;
- ensure effective property and space management;
- print and reproduce Commission materials;
- process and distribute mail;
- manage the CFTC Occupational Safety and Health and emergency preparedness programs.

In FY 2001, OAS continued to manage Commission office space and oversaw the completion of several projects, including the addition of windows on internal entrance doors to reduce risk of injury; HVAC improvements to protect computer equipment and improve working

conditions for staff; and the installation of audio-visual equipment in the Hearing Room at headquarters.

During the fiscal year, OAS implemented a new digital identification system for Commission staff which simplifies management of staff ID cards and also allows for rapid identification of employees in an emergency.

OAS made improvements to the Commission's internal security. Security was enhanced in the main reception areas at Commission headquarters and security cameras were installed in the headquarters lobby to increase security in the agency's main conference rooms.

During FY 2001, OAS continued to strengthen management of the Commission's excess property program, successfully removing surplus furniture and computer equipment from the headquarters, New York, and Chicago offices.

During the fiscal year, OAS implemented an agency-wide policy regarding health and safety in the workplace and streamlined Commission transportation and copy services.

Commission Library

The Commission Library services the information and research needs of the Commission. The collection of the Library consists of print, microform, and electronic materials. Library staff members:

- procure and maintain periodical and book collections;
- provide legal and economic research services;
- acquire needed information for employees through interlibrary loans; and
- provide training on use of automated research tools.

Since the installation of its new integrated library system in FY 1999, the Library has continued to implement the various modules of the system. The new system has significantly enhanced the ability of Library staff to meet the reference needs of the Commission.

In FY 2002, the Supervisory Librarian will assist the Commission's New York and Chicago Regional Offices in their moves to new office space.

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 Commodity Exchange Act (CEA). Through the CFTC reparations program, customers may bring complaints against professionals currently or formerly registered with the Commission if the individuals or firms allegedly violated the antifraud or other provisions of the CEA. Reparations cases are decided by Administrative Law Judges (ALJs) or Judgment Officers.

ALJs also decide administrative enforcement cases brought by the Division of Enforcement against persons or firms 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 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 require a \$125 filing fee, and resolve claims of \$30,000 or less; if a hearing is necessary, a Judgment Officer conducts an oral hearing by conference call. Formal proceedings require a \$250 filing fee, resolve claims of over \$30,000, 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 on any futures market are suspended, as well as their registrations. The Office makes the lists available to the public, the commodity exchanges, the National Futures Association (NFA), the National Association of Securities Dealers, and the Securities and Exchange Commission (SEC).

In FY 2001, the Office of Proceedings responded to approximately 13,000 telephone inquiries, received 110 complaints, and forwarded 90 complaints for hearing. The ALJs issued decisions in 24 administrative enforcement proceedings, and the ALJs and Judgment Officers closed a total of 94 reparations cases.

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

| Reparations Complaints | FY 2000 | FY 2001 |
|---|----------------|----------------|
| Complaints pending beginning of fiscal year | 39 | 37 |
| Complaints filed or reinstated | 125 | 110 |
| Complaints dismissed or settled | 25 | 23 |
| Complaints forwarded for all types of proceedings | 102 | 90 |
| Complaints pending end of fiscal year | 37 | 34 |

| Enforcement Cases | FY 2000 | FY 2001 |
|--|----------------|----------------|
| Cases pending beginning of fiscal year | 21 | 24 |
| Cases received for adjudication ^(a) | 47 | 31 |
| Cases settled | 10 | 8 |
| Decisions issued | 34 | 24 |
| Cases pending end of fiscal year | 24 | 23 |

| Reparations Cases | FY 2000 | FY 2001 |
|--|----------------|----------------|
| Cases pending beginning of fiscal year | 89 | 64 |
| Cases received for all types of proceedings ^(b) | 116 | 97 |
| Cases dismissed for cause | 8 | 8 |
| Cases settled | 83 | 54 |
| Cases disposed of by default | 7 | 8 |
| Cases disposed of by initial decision | 43 | 24 |
| Total cases closed | 141 | 94 |
| Cases pending end of fiscal year | 64 | 67 |

^(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 responding to global market and regulatory changes by coordinating the Commission's international activities and providing information on international regulatory developments to the Commission. As called for by Congress in the Commodity Futures Modernization Act of 2000 (CFMA), the Commission coordinates with foreign regulatory authorities, participates in international regulatory organizations and forums, and provides technical assistance to foreign government authorities. The Commission's international policy objectives are intended to encourage the facilitation of cross-border transactions through the removal or lessening of any unnecessary legal or practical obstacles; the development of internationally accepted regulatory standards of best practice; the enhancement of international supervisory cooperation and emergency procedures; the strengthening of international cooperation for customer and market protection; and improvements in the quality and timeliness of international information sharing.

International Organizations. The Commission works with other regulators in international organizations and other forums to foster cooperative policies that will facilitate the effective supervision of, and promote, cross-border transactions.

A key partnership is the Commission's membership in the International Organization of Securities Commissions (IOSCO), an organization of approximately 165 members from over 100 countries. IOSCO's main purposes are to provide a forum for exchanging information and expertise between regulatory authorities, to establish standards of best practice for the supervision of world securities and derivatives markets, to ensure market integrity, and to promote effective supervision and enforcement. During FY 2001, OIA coordinated Commission activities within the IOSCO Technical Committee by participating in standing committees and task forces that have been examining regulatory issues affecting markets and intermediaries. Issues that have been examined include single-stock listing standards, trading halts, the effect of transparency on market fragmentation, current practices of intermediaries in liquidity management, exchange demutualization, and the regulation of financial intermediaries conducting cross-border business. OIA took an active role in the revising of IOSCO's *Principles for the Oversight of Screen-Based Trading Systems for Derivative Products*, that encouraged regulators of cross-border systems to develop cooperative arrangements and to coordinate supervisory responsibilities to promote regulatory effectiveness and eliminate duplication.

OIA actively participated in the IOSCO Task Force on Implementation to develop surveys measuring the degree of compliance by IOSCO members with IOSCO's core regulatory principles, a joint Task Force of IOSCO and the Basle Banking Committee on Payment and Settlement Systems that developed *Recommendations for Securities Settlement Systems*, and

an Internet task force that is monitoring the regulatory implications of the Internet on derivatives and securities markets.

OIA also participates in the Council of Securities Regulators of the Americas (COSRA), an organization of regulators from North and South America that is dedicated to fostering greater regional cooperation.

OIA organized the Commission's annual international regulators meeting in Boca Raton, Florida, which focused on identifying practical methods to reduce unnecessary supervisory requirements on firms operating globally. Participation in this conference, as well as at similar meetings organized by regulators in London and Switzerland, furthers regulatory understanding and develops key relationships that facilitate access to information and cooperative efforts during periods of market emergencies.

International Arrangements. In the last several years, the Commission has cooperated with a large number of foreign regulatory authorities through formal memoranda of understanding and other arrangements to combat cross-border fraudulent and other prohibited practices that could harm customers or threaten market integrity. Cross-border information sharing among market regulators forms the linchpin of effective surveillance of global markets linked by products, participants, and information technology. During FY 2001, OIA finalized a supplemental memorandum of understanding between the Commission and the Italian Commissione Nazionale per le Società e la Borsa (CONSOB) that established reciprocal information sharing of fitness and financial solvency information regarding remote exchange members.

Interagency Coordination. The Commission also contributes to the initiatives of the Department of the Treasury to encourage global financial stability. During FY 2001, OIA coordinated the Commission's comments to the Department of the Treasury on various position papers prepared by the Financial Stability Forum's (FSF) working groups on highly-leveraged institutions, capital flows, and off-shore centers; drafted comments on papers prepared by the FSF's task force on implementation of international standards; participated in discussions on a Chile Free Trade Agreement; and participated in planning sessions for U.S.-Taiwan subcabinet level discussions.

Coordination with Foreign Regulators and Assistance to Registrants and the Public. OIA provides assistance to domestic markets and intermediaries in their dealings with foreign regulators, and provides information as appropriate to the public. For example, in FY 2001 OIA provided assistance to a U.S. futures exchange in connection with an application for licensing in Switzerland, and assistance to intermediaries and markets to understand and comply with foreign regulatory requirements. OIA also communicates with foreign regulators to obtain fitness information on behalf of the National Futures Association to support its registration processing function, and similarly provides fitness information on U.S. registrants to foreign regulators.

Technical Assistance. OIA provides assistance to domestic and international regulators through publications, training, and other forms of assistance. In FY 2001, OIA published its *2001 Report on Exchange Traded Derivatives in Developing Capital Markets*. OIA also organized the Commission's annual training seminar in Chicago that offers foreign authorities intensive training and course work for conducting oversight of futures trading for market integrity and customer protection purposes; it includes a plenary session with the Chicago Federal Reserve Bank and a day in Washington organized in cooperation with the International Finance Corporation. OIA provided technical assistance to the Commission's Global Markets Advisory Committee; responded to numerous requests from domestic and international financial regulators on the Commission's programs; and finalized a statement on technical assistance that was signed by the Commission and the Commodities Exchanges Commission of the Ministry of the Russian Federation for Antimonopoly Policy and Support of Entrepreneurship.

OIA staff coordinated technical assistance visits by staff to foreign jurisdictions and participated in training discussions, including the Asian Development Bank/Asian Pacific Economic Cooperation in Malaysia, the Asian Pacific Economic Council in Japan, the Toronto Centre in Canada on regulatory oversight and crisis management, and a World Bank, International Monetary Fund, and Financial Stability Forum initiative to assess the implementation of standards of best practice.

Office of Legislative and Intergovernmental Affairs

The Office of Legislative and Intergovernmental Affairs (OLIA) facilitates communications between the Commission and Congress, other Federal agencies, and state governments. OLIA monitors legislative and regulatory activities at the Federal and state levels, advises the Commission and its staff on legislative matters, and responds to inquiries in a timely manner.

OLIA has acted as a liaison for the CFTC with Congress and its staff on legislation to reauthorize the CFTC and reform the Commodity Exchange Act. Following several years of congressional consideration, Congress enacted the CFMA on December 15, 2000. The CFMA created a flexible structure for regulation of futures trading; codified an agreement between the CFTC and the Securities and Exchange Commission to repeal the 18-year-old ban on trading single stock futures; and provided legal certainty for the over-the-counter derivatives markets. The CMFA also reauthorized the CFTC for five years, and clarified the Treasury Amendment exclusion and specifically granted the CFTC authority over retail foreign exchange trading.

OLIA assisted in the preparation of congressional testimony for Acting Chairman Newsome on two occasions in FY 2001. Chairman Newsome testified before the House Subcommittee on Agriculture, Rural Development, FDA, and Related Agencies in support of funding for the Commission's activities during FY 2002, and submitted written testimony to the Senate

Subcommittee on Agriculture, Rural Development, and Related Agencies on the same subject.

In addition to its ongoing efforts with the Congress, OLIA coordinated communications between the Commission and the General Accounting Office (GAO) on various reviews of Commission programs and activities.

Office of Public Affairs

The Office of Public Affairs (OPA) is the Commission's liaison with the news media, producer and market user groups, academic and business institutions, and the general public. OPA provides information covering the regulatory mandate of the Commission to protect the public from fraud and to ensure the integrity of the markets, the economic role of the futures markets, new market instruments and regulatory initiatives, global regulatory developments and cooperative undertakings, Commission enforcement actions, customer protection issues, the CFTC's website, and other diverse functions and accomplishments of the Commission.

During FY 2001, OPA assisted over 500 domestic and foreign news correspondents, and others with a business or academic interest in the Commission's regulatory activities, policies, goals, and accomplishments. In addition to issuing press releases and advisories, both printed and via the Internet, covering the CFTC's regulatory and enforcement activities, OPA publishes, updates, and distributes a series of *Backgrounders*. The *Backgrounders* highlight and explain important policy issues and initiatives, technical matters, and salient aspects of the Commission's regulatory mandate. OPA *Backgrounders* explain in detail the *Commitments of Traders* report and the *Large-Trader Reporting System*; provide an overview of commodity pool operator and commodity trading advisor rules and regulations; and describe global cooperation through information sharing and memoranda of understanding with other financial market regulators, the CFTC's market surveillance program, speculative limits, and foreign exchange-traded instrument approvals and exemptions.

In FY 2001 OPA responded to inquiries from the media and general public concerning the CFTC's *Consumer Advisories* that alert the public and potential customers to the warning signs of possible fraudulent activity and offer precautions that individuals should take before committing funds. As part of its ongoing activities to support the Commission's customer education effort, OPA informs the news media, the general public, and potential market participants of the availability of current *Consumer Advisories* and recent enforcement actions. OPA participated in an International Internet Surf Day that targeted futures and securities fraud and abuse on the Internet. Participants from 38 regulators in 35 countries identified more than 2,400 Internet websites for follow-up review.

OPA also promotes access to current Commission enforcement and disciplinary information through the NFA's toll-free Customer Protection Information Hotline (800-676-4NFA [4632]). The Hotline helps futures and options customers verify the registration status and

disciplinary history of firms and individuals in the futures industry. OPA also provided updated information for the 2002 Edition of *The Consumer Action Handbook's* section dealing with commodity investment fraud, entitled: *Investing Wisely*, published by the General Services Administration's Federal Consumer Information Center.

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

OPA publishes brochures and educational materials about the CFTC, the futures industry, and the futures and options markets. OPA also provides timely and important information about the Commission to the media and others through the *Weekly Advisory*, a weekly print and electronic newsletter reporting on Commission activities, and the *Daily News Clips*, a daily compilation of media stories and articles relevant to CFTC regulatory concerns. In FY 2001, OPA continued to post information on the Commission's website (<http://www.cftc.gov>), including general and enforcement press releases, *Backgrounders*, the *Weekly Advisory*, CFTC brochures, speeches by the Acting Chairman and Commissioners, biographies of the Commissioners, a summary of exemptive, no-action and interpretive letters, enforcement complaints and settlement orders, and a glossary of futures industry terms.

During FY 2001, OPA conducted five briefing sessions for market professionals, producer groups, academic representatives, and foreign-based news media representatives to acquaint them with the Commission's recent regulatory activities and responsibilities. OPA also conducts briefings for domestic and foreign media representatives on a broad range of current topics, including proposed and final rulemakings, ongoing regulatory developments, enforcement and customer protection activities, and technical issues, as well as breaking news events. In addition, OPA participated in the media planning activities associated with the upcoming public workshop on the Gramm-Leach-Bliley Act to be held at the end of 2001. The workshop will bring together financial institutions and consumer privacy groups, among others, to discuss privacy issues.

OPA continued to enhance other public outreach initiatives and activities during FY 2001, increasing its efforts to make exemptive, no-action, and interpretive letters and other written communications more readily available to the media, the public, and other interested parties, particularly via the CFTC's website. OPA assisted with the public and media affairs effort related to the release of the Commission's third annual *2001 Report on Exchange-Traded Derivatives in Developing Capital Markets*.

During the fiscal year, OPA continued to work closely with the Commission's advisory committees on agriculture, global markets, and technology to provide information to meeting participants and the media regarding committee activities, deliberations, and

recommendations. OPA assisted with media and external affairs related to the Agricultural Advisory Committee's (AAG) discussion of various provisions of the CFMA and the proposed new regulatory framework that are of significant interest to the agricultural community. The AAG held a separate briefing to review risk management measures for farmers. OPA also provided media and communications support to the Global Markets Advisory Committee's meeting to discuss an overview of CFTC rules to implement the CFMA, along with other topics including developments in electronic derivatives trading, cross-border market access to domestic and foreign investors, and the regulators information alert system. OPA also provided communications support to the Technology Advisory Committee's discussion of electronic order routing and electronic trading facilities.

OPA handled the media coverage of the Commission's implementation of the CFMA and the significant media interest generated by the Commission's enforcement activities, including participation in the *TopTenDotCons Sweep*, a joint law enforcement project that focused on the "Top Ten" Internet-related consumer frauds and includes civil and criminal actions brought by Federal, state, and foreign agencies, and the Commission's actions as part of a nationwide crackdown on foreign currency scams as part-and-parcel of a series of actions filed by the CFTC during FY 2001 alleging the sale of illegal foreign currency futures and options.

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 the 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/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 2001, the Commission held 45 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. In FY 2001, the Secretariat controlled 229 pieces of correspondence for preparation of the Commission's response.

The Secretariat processed and published 118 items in the *Federal Register* during FY 2001. The Secretariat also received and responded to hundreds of requests from the public for information about current or past Commission activities or copies of publicly available records.

Records Section. The Records Section maintains the Commission's official records, receives and responds to requests for information from those records, and performs the research necessary for a response. The Records Section staff also maintains and updates on a daily basis several large automated indices and produces reports compiled from the indices. During FY 2001, the Records Section supported the Commission's website by updating daily the *Federal Register* and public comment files and by publishing periodically popular Freedom of Information Act (FOIA) releases. The staff continued to refine automated systems and convert official files to microfiche, 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 to Congress describing Commission FOIA activities. During FY 2001, the staff received and processed 344 FOIA requests. The FOIA Office also works with the Office of the General Counsel and the Office of the Executive Director to update the Commission's Privacy Act systems notices when a Commission action creates a new system of records or affects existing record systems.

All requests for confidential treatment of records submitted to the Commission by firms or individuals are filed with the FOIA Office. In FY 2001, the Commission received more than 400 such requests. The FOIA Office ensures that the requirements of Commission regulations are met before responding to any FOIA request for records that are subject to a request for confidential treatment.

Office of the Inspector General

The Office of the Inspector General (OIG), established on April 14, 1989, conducts and supervises audits and investigations of programs and operations of the CFTC and reviews existing and proposed legislation and regulations. The OIG recommends policies to promote economy, efficiency, and effectiveness in Commission programs and operations, and to

prevent and detect fraud and abuse. The OIG keeps the Chairman and the Congress informed about problems, deficiencies, and the progress of corrective action in programs and operations.

During FY 2001, the OIG monitored CFTC's compliance with the Federal Manager's Financial Integrity Act and the Government Performance and Results Act, conducted an audit of the Commission's lease of space in Washington, D.C., and continued a comprehensive review of the information requirements of CFTC's Enforcement Division. The OIG reviewed proposed and final CFTC and exchange rules and regulations, and conducted investigations of allegations of impropriety lodged against CFTC employees.

Appendices

Futures - Average Monthend Open Interest, Number of Contracts Traded and Number of Contracts Settled by Delivery or Cash Settlement by Major Groups, All Markets Combined, FY 1995 - FY 2001

| Fiscal Year | Total | Grain | Oilseed Products | Livestock Products | Other Agriculturals | Energy/Wood Products | Metals | Financial Instruments | Currencies |
|--|-------------|------------|------------------|--------------------|---------------------|----------------------|------------|-----------------------|------------|
| Average Monthend Open Interest (In Contracts) | | | | | | | | | |
| 1995 | 6,434,175 | 502,955 | 332,115 | 118,664 | 357,332 | 695,734 | 378,352 | 3,749,845 | 299,178 |
| 1996 | 6,671,956 | 594,283 | 383,027 | 149,110 | 357,039 | 707,515 | 368,788 | 3,776,614 | 335,580 |
| 1997 | 7,035,190 | 484,878 | 378,005 | 158,554 | 399,845 | 793,050 | 355,152 | 4,052,556 | 413,150 |
| 1998 | 8,734,778 | 561,316 | 419,055 | 156,097 | 425,208 | 969,274 | 351,300 | 5,337,352 | 515,176 |
| 1999 | 8,927,497 | 581,590 | 420,159 | 178,617 | 395,387 | 1,140,329 | 361,265 | 5,372,623 | 477,527 |
| 2000 | 8,940,241 | 683,946 | 424,364 | 200,228 | 440,779 | 1,014,794 | 318,505 | 5,454,917 | 402,708 |
| 2001 | 10,225,194 | 686,902 | 435,295 | 185,850 | 428,695 | 1,089,204 | 285,622 | 6,692,181 | 421,445 |
| Number of Contracts Traded | | | | | | | | | |
| 1995 | 409,420,426 | 21,093,886 | 20,687,820 | 6,238,509 | 12,744,901 | 47,944,153 | 17,393,317 | 259,024,379 | 24,293,461 |
| 1996 | 394,182,422 | 30,217,442 | 25,591,703 | 7,048,534 | 12,018,522 | 46,891,524 | 16,938,969 | 234,261,790 | 21,213,938 |
| 1997 | 417,341,601 | 25,507,498 | 27,132,483 | 7,550,556 | 13,190,755 | 51,512,419 | 17,093,481 | 250,143,412 | 25,210,997 |
| 1998 | 500,676,345 | 26,139,949 | 26,854,245 | 7,385,569 | 14,039,615 | 61,705,146 | 17,044,818 | 319,916,653 | 27,590,350 |
| 1999 | 491,137,790 | 26,860,264 | 25,625,245 | 7,438,875 | 13,753,993 | 72,941,764 | 17,294,322 | 303,664,764 | 23,558,563 |
| 2000 | 477,760,141 | 27,415,057 | 24,663,381 | 6,840,029 | 13,806,793 | 74,065,666 | 13,920,393 | 297,039,566 | 20,009,256 |
| 2001 | 581,132,590 | 27,486,353 | 24,695,092 | 7,000,070 | 12,559,799 | 72,476,055 | 12,447,907 | 404,345,668 | 20,121,646 |
| Number of Contracts Settled by Delivery/Cash Settlement | | | | | | | | | |
| 1995 | 2,995,958 | 70,548 | 158,003 | 12,900 | 60,593 | 75,209 | 157,323 | 1,939,909 | 521,473 |
| 1996 | 2,890,167 | 38,226 | 172,442 | 13,384 | 39,406 | 87,777 | 132,507 | 1,903,974 | 502,451 |
| 1997 | 3,559,079 | 36,589 | 148,703 | 29,683 | 38,015 | 119,505 | 129,977 | 2,385,886 | 670,721 |
| 1998 | 4,186,906 | 131,357 | 116,412 | 42,230 | 31,826 | 129,566 | 163,894 | 2,705,700 | 865,921 |
| 1999 | 3,631,916 | 120,775 | 106,364 | 44,129 | 32,282 | 131,905 | 128,557 | 2,230,017 | 837,887 |
| 2000 | 4,533,590 | 148,164 | 138,900 | 44,351 | 68,902 | 107,379 | 152,087 | 3,151,497 | 722,310 |
| 2001 | 5,525,312 | 156,272 | 134,347 | 43,775 | 68,181 | 84,607 | 179,714 | 4,139,614 | 718,802 |

Futures Contract Market Review/Average Open Interest, 12-Month Volume of Trading and Deliveries/Cash Settlement by Commodity and Exchange for Fiscal Years Ending September 30, 2000* and September 30, 2001

| Exchange/Commodity | Contract Unit | Average Monthend Open Interest (Contracts) | | Volume of Trading (Contracts) | | Total Contracts Settled by Delivery or Cash Settlement (Contracts) | |
|-------------------------------------|---------------------|---|------------------|----------------------------------|--------------------|--|----------------|
| | | 1999-00 | 2000-01 | 1999-00 | 2000-01 | 1999-00 | 2000-01 |
| Chicago Board of Trade (CBT) | | | | | | | |
| Wheat | 5,000 Bu. | 132,915 | 140,334 | 6,412,247 | 6,630,041 | 65,177 | 57,321 |
| Corn | 5,000 Bu. | 426,654 | 422,759 | 16,783,099 | 16,727,911 | 44,598 | 52,006 |
| Oats | 5,000 Bu. | 15,172 | 13,453 | 394,972 | 383,591 | 4,575 | 4,180 |
| Rough Rice | 200,000 Lbs. | 6,686 | 4,630 | 171,870 | 126,356 | 4,933 | 3,271 |
| Soybeans | 5,000 Bu. | 161,569 | 162,444 | 12,481,559 | 12,002,149 | 43,079 | 15,799 |
| Soybean Oil | 60,000 Lbs. | 141,082 | 144,708 | 5,423,463 | 5,673,793 | 86,161 | 114,313 |
| Soybean Meal | 100 Tons | 112,544 | 121,976 | 6,161,948 | 6,646,265 | 3,148 | 2,432 |
| U.S. Corn Yield Insurance (All) | Yield Est. x 100 1* | 29 | 28 | 74 | 1 | 7 | 0 |
| Dow Jones Industrial Average | \$10 x Index | 17,187 | 26,616 | 3,620,224 | 4,529,658 | 33,284 | 46,318 |
| Dow Jones Composite Average | \$10 x Index | 0 | 0 | 7 | 0 | 0 | 0 |
| Dow Jones Transportation Average | \$10 x Index | 0 | 1 | 3 | 1 | 0 | 0 |
| Dow Jones Utility Average | \$10 x Index | 3 | 1 | 16 | 8 | 0 | 0 |
| U.S. Treasury Bonds | \$100,000 F.V. | 498,116 | 482,174 | 67,008,924 | 56,563,798 | 52,644 | 48,947 |
| 2-Year U.S. Treasury Notes | \$200,000 F.V. | 45,497 | 70,460 | 1,230,454 | 2,287,969 | 12,943 | 27,843 |
| 10-Year U.S. Treasury Notes | \$100,000 F.V. | 587,715 | 564,317 | 42,769,912 | 53,132,073 | 65,159 | 140,371 |
| 5-Year U.S. Treasury Notes | \$100,000 F.V. | 380,967 | 415,735 | 21,700,056 | 27,537,052 | 118,163 | 74,540 |
| 30-Day Federal Funds | \$5,000,000 F.V. | 40,696 | 108,040 | 1,374,299 | 3,586,867 | 125,743 | 261,771 |
| Mortgage Futures | \$1,000 x Index | 0 | 2,338 | 0 | 55,364 | 0 | 974 |
| Five-Year Agency Note | \$100,000 F.V. | 0 | 110 | 0 | 1,919 | 0 | 160 |
| Ten-Year Agency Note | \$100,000 F.V. | 35,710 | 52,193 | 856,701 | 1,487,772 | 9,190 | 32,692 |
| Municipal Bond Index | \$1,000 x Index | 22,504 | 14,665 | 636,039 | 377,097 | 20,041 | 18,886 |
| 1000 Troy Ounce Silver | 1,000 Tr. Oz. | 1,049 | 990 | 13,206 | 11,821 | 781 | 1,098 |
| 5000 Troy Ounce Silver | 5,000 Tr. Oz. | 40 | 27 | 65 | 227 | 5 | 3 |
| Gold (1 Kilogram) | 352 Tr. Oz. | 322 | 291 | 8,972 | 6,203 | 156 | 148 |
| Gold, 100 Troy Oz. | 100 Tr. Oz. | 1 | 0 | 3 | 0 | 0 | 0 |
| Total CBT | | 2,626,458 | 2,748,290 | 187,048,113 | 197,767,936 | 689,787 | 903,073 |

1* Includes Corn yield Contracts for U.S., Iowa, Illinois, Nebraska, Ohio, and Indiana

Kansas City Board of Trade (KCBT)

| | | | | | | | |
|------------------------|---------------|--------|--------|-----------|-----------|--------|--------|
| Wheat | 5,000 Bu. | 70,480 | 75,987 | 2,324,744 | 2,427,034 | 16,144 | 29,562 |
| Value Line Stock Index | \$500 x Index | 31 | 0 | 198 | 0 | 0 | 0 |

Futures Contract Market Review/Average Open Interest, 12-Month Volume of Trading and Deliveries/Cash Settlement by Commodity and Exchange for Fiscal Years Ending September 30, 2000* and September 30, 2001

| Exchange/Commodity | Contract Unit | Average Monthend Open Interest (Contracts) | | Volume of Trading (Contracts) | | Total Contracts Settled by Delivery or Cash Settlement (Contracts) | |
|--|-----------------|---|---------------|----------------------------------|------------------|--|---------------|
| | | 1999-00 | 2000-01 | 1999-00 | 2000-01 | 1999-00 | 2000-01 |
| Stock Index Future, MVL | \$100 x Index | 244 | 272 | 14,122 | 18,010 | 19 | 110 |
| Internet Stock Index | \$25 x Index | 320 | 72 | 6,577 | 606 | 171 | 127 |
| Natural Gas | 10,000 MM BTU's | 50 | 0 | 84 | 0 | 71 | 0 |
| Natural Gas Index | 10,000 MM BTU's | 1 | 0 | 2 | 0 | 0 | 0 |
| Total KCBT | | 71,126 | 76,331 | 2,345,727 | 2,445,650 | 16,405 | 29,799 |
| Minneapolis Grain Exchange (MGE) | | | | | | | |
| Hard Amber Durum Wheat | 5,000 Bu. | 129 | 7 | 1,516 | 120 | 59 | 18 |
| Wheat | 5,000 Bu. | 22,462 | 23,700 | 963,054 | 970,836 | 8,171 | 9,227 |
| White Wheat | 5,000 Bu. | 225 | 53 | 2,194 | 452 | 291 | 28 |
| Cottonseed | 120 Tons | 119 | 86 | 329 | 688 | 14 | 86 |
| White Shrimp | 5,000 Lbs. | 5 | 0 | 66 | 0 | 23 | 0 |
| Black Tiger Shrimp | 5,000 Lbs. | 4 | 0 | 40 | 0 | 18 | 0 |
| Electricity (On Peak) | 736 MWh | 36 | 75 | 305 | 0 | 60 | 125 |
| Total MGE | | 22,980 | 23,921 | 967,504 | 972,096 | 8,636 | 9,484 |
| MidAmerica Commodity Exchange (MCE) | | | | | | | |
| Wheat | 1,000 Bu. | 2,280 | 1,472 | 80,248 | 62,891 | 954 | 414 |
| Corn | 1,000 Bu. | 6,847 | 4,414 | 278,383 | 155,280 | 3,214 | 235 |
| Oats - Old | 1,000 Bu. | 96 | 93 | 2,730 | 1,841 | 48 | 10 |
| Lean Hogs | 20,000 Lbs. | 527 | 379 | 23,320 | 10,030 | 203 | 321 |
| Live Cattle | 20,000 Lbs. | 163 | 115 | 10,491 | 7,203 | 0 | 0 |
| Soybeans | 1,000 Bu. | 8,575 | 5,729 | 581,482 | 360,266 | 5,999 | 1,527 |
| Soybean Oil | 30,000 Lbs. | 166 | 98 | 5,575 | 3,993 | 241 | 31 |
| Soybean Meal | 50 Tons | 309 | 254 | 9,025 | 7,938 | 258 | 159 |
| Canadian Dollar | CD 50,000 | 91 | 89 | 9,946 | 8,927 | 0 | 0 |
| Swiss Franc | SF 62,500 | 182 | 113 | 37,835 | 14,862 | 1 | 0 |
| Deutsche Mark | DM 62,500 | 51 | 3 | 3,223 | 75 | 12 | 7 |
| British Pound Sterling | BP 12,500 | 97 | 76 | 13,823 | 7,617 | 28 | 3 |
| Japanese Yen | Yen 6,250,000 | 273 | 172 | 31,398 | 15,187 | 1 | 2 |
| Euro | 125,000 Euros | 29 | 31 | 3,225 | 2,434 | 44 | 15 |
| Australian Dollar | AD 50,000 | 4 | 5 | 551 | 473 | 0 | 0 |
| U.S. Treasury Bonds | \$50,000 F.V. | 6,384 | 603 | 763,334 | 69,703 | 939 | 0 |

Futures Contract Market Review/Average Open Interest, 12-Month Volume of Trading and Deliveries/Cash Settlement by Commodity and Exchange for Fiscal Years Ending September 30, 2000* and September 30, 2001

| Exchange/Commodity | Contract Unit | Average Monthend Open Interest (Contracts) | | Volume of Trading (Contracts) | | Total Contracts Settled by Delivery or Cash Settlement (Contracts) | |
|--|---------------------|---|---------------|----------------------------------|----------------|--|--------------|
| | | 1999-00 | 2000-01 | 1999-00 | 2000-01 | 1999-00 | 2000-01 |
| 13-Week U.S. Treasury Bills | \$500,000 F.V. | 2 | 2 | 85 | 95 | 0 | 0 |
| 6.5 - 10 Year U.S. Treasury Notes | \$50,000 F.V. | 194 | 32 | 13,621 | 2,292 | 0 | 0 |
| 5 Year U.S. Treasury Notes | \$50,000 F.V. | 1 | 0 | 222 | 4 | 0 | 0 |
| 3-Month Eurodollars | \$500,000 F.V. | 446 | 1,368 | 8,962 | 8,346 | 366 | 276 |
| Platinum | 25 Tr. Oz. | 29 | 6 | 1,330 | 196 | 7 | 2 |
| Silver, New York Delivery | 1,000 Tr. Oz. | 859 | 199 | 19,120 | 4,626 | 224 | 74 |
| Gold, New York Delivery | 332 Tr. Oz. | 379 | 181 | 15,225 | 4,227 | 307 | 32 |
| Total MCE | | 27,984 | 15,434 | 1,913,154 | 748,506 | 12,846 | 3,108 |
| Chicago Mercantile Exchange (CME) | | | | | | | |
| Lean Hogs | 40,000 Lbs. | 51,922 | 43,546 | 2,202,571 | 1,988,900 | 26,244 | 25,422 |
| Pork Cutout Index | 40,000 Lbs. | 0 | 0 | 1 | 0 | 1 | 0 |
| E-Mini Lean Hogs | 10,000 Lbs. x Index | 550 | 210 | 8,881 | 9,537 | 0 | 1,378 |
| Frozen Pork Bellies | 40,000 Lbs. | 4,549 | 2,613 | 346,519 | 191,717 | 322 | 668 |
| Fresh Pork Bellies | 40,000 Lbs. | 10 | 0 | 5 | 0 | 0 | 0 |
| Live Cattle | 40,000 Lbs. | 120,171 | 121,687 | 3,604,187 | 4,229,918 | 1,425 | 1,608 |
| Feeder Cattle | 50,000 Lbs. | 22,203 | 17,235 | 643,086 | 562,076 | 15,939 | 14,099 |
| E-Mini Feeder Cattle | 10,000 Lbs. | 16 | 20 | 181 | 515 | 0 | 81 |
| Stocker Cattle | 25,000 Lbs. | 117 | 45 | 787 | 174 | 217 | 198 |
| Butter | 40,000 Lbs. | 863 | 162 | 6,117 | 1,250 | 1,126 | 427 |
| Milk | 200,000 Lbs. | 7,095 | 12,180 | 45,099 | 78,655 | 14,442 | 18,218 |
| Non Fat Dry Milk | 44,000 Lbs. | 0 | 31 | 0 | 40 | 0 | 0 |
| Dry Whey | 44,000 Lbs. | 0 | 0 | 0 | 4 | 0 | 0 |
| Class IV Milk | 200,000 Lbs. | 997 | 1,825 | 2,766 | 7,038 | 0 | 3,422 |
| Canadian Dollar | CD 100,000 | 64,313 | 63,619 | 2,490,989 | 2,803,281 | 63,129 | 67,481 |
| French Franc | FF 500,000 | 22 | 2 | 377 | 26 | 67 | 2 |
| Swiss Franc | SF 125,000 | 51,401 | 50,965 | 3,588,727 | 2,792,143 | 118,523 | 114,141 |
| Deutsche Mark | DM 125,000 | 2,735 | 374 | 45,763 | 4,737 | 9,218 | 780 |
| British Pound Sterling | BP 62,500 | 40,968 | 35,742 | 2,196,859 | 1,912,879 | 93,625 | 70,875 |
| Japanese Yen | Yen 12,500,000 | 82,319 | 89,689 | 4,298,405 | 4,262,896 | 157,791 | 133,858 |
| E-Mini Japanese Yen | Yen 6,250,000 | 102 | 34 | 6,388 | 2,374 | 176 | 104 |
| Euro | 125,000 Euros | 63,413 | 89,737 | 4,207,482 | 5,345,582 | 93,247 | 121,265 |

Futures Contract Market Review/Average Open Interest, 12-Month Volume of Trading and Deliveries/Cash Settlement by Commodity and Exchange for Fiscal Years Ending September 30, 2000* and September 30, 2001

| Exchange/Commodity | Contract Unit | Average Monthend Open Interest (Contracts) | | Volume of Trading (Contracts) | | Total Contracts Settled by Delivery or Cash Settlement (Contracts) | |
|---------------------------------|----------------------|---|-----------|----------------------------------|-------------|--|-----------|
| | | 1999-00 | 2000-01 | 1999-00 | 2000-01 | 1999-00 | 2000-01 |
| E-Mini Euro | 62,500 Euros | 367 | 451 | 23,305 | 20,288 | 716 | 954 |
| ECU/British Pound Cross-Rate | 125,000 Euros | 908 | 0 | 3,278 | 53 | 0 | 0 |
| Euro / Japanese Yen Cross-Rate | 125,000 Euros | 84 | 518 | 4,162 | 78,370 | 0 | 0 |
| Euro / Swiss Franc Cross-Rate | 125,000 Euros | 2 | 55 | 2 | 108 | 0 | 0 |
| South African Rand | Rand 500,000 | 2,166 | 2,081 | 47,570 | 55,925 | 8,017 | 6,459 |
| Australian Dollar | AD 100,000 | 24,410 | 24,492 | 783,184 | 818,722 | 39,825 | 48,138 |
| Russian Ruble | 500,000 Rubles | 4 | 31 | 11 | 60 | 3 | 30 |
| Mexican Peso | MP 500,000 | 18,741 | 24,996 | 1,102,784 | 1,096,246 | 33,671 | 49,076 |
| Brazilian Real | R\$ 100,000 | 108 | 655 | 1,062 | 5,125 | 903 | 3,275 |
| New Zealand Dollar | NZ \$100,000 | 1,811 | 895 | 35,510 | 20,742 | 5,863 | 2,955 |
| S&P 500 Stock Index | \$500 x Index | 389,811 | 491,255 | 23,083,991 | 22,432,130 | 346,072 | 426,255 |
| E-Mini S&P 500 Stock Index | \$50 x Index | 30,813 | 87,014 | 16,859,104 | 32,211,582 | 113,443 | 322,561 |
| S&P 500 Barra Growth Index | \$500 x Index | 1,084 | 779 | 15,449 | 12,071 | 2,891 | 1,623 |
| S&P 500 Barra Value Index | \$500 x Index | 2,505 | 1,992 | 29,563 | 25,474 | 2,954 | 3,208 |
| S&P 400 Midcap Stock Index | \$500 x Index | 13,410 | 16,063 | 306,286 | 390,487 | 14,367 | 17,601 |
| Fortune E_50 Stock Index | \$20 x Index | 338 | 175 | 8,320 | 14,970 | 0 | 822 |
| NASDAQ-100 Stock Index | \$100 x Index | 31,280 | 50,172 | 4,482,998 | 5,582,219 | 45,521 | 97,674 |
| NASDAQ-100 Stock Index (Mini) | \$20 x Index | 16,334 | 77,758 | 6,683,941 | 27,155,893 | 71,238 | 341,754 |
| Russell 2000 Stock Index Future | \$500 x Index | 13,056 | 18,621 | 439,366 | 666,450 | 14,029 | 20,598 |
| Nikkei Stock Average | \$5 x Index | 17,006 | 17,712 | 454,189 | 474,765 | 47,696 | 46,558 |
| 13-Week U.S. Treasury Bills | 1,000,000 F.V. | 1,377 | 2,179 | 21,204 | 30,074 | 4,472 | 7,851 |
| Overnight Federal Fund Rates | \$45,000,000 | 112 | 0 | 187 | 0 | 75 | 0 |
| Five-Year Agency Note | \$100,000 F.V. | 3,655 | 0 | 35,579 | 0 | 2,270 | 0 |
| Ten-Year Agency Note | \$100,000 F.V. | 4,073 | 0 | 51,032 | 0 | 2,712 | 0 |
| 1-Month Libor Rate | \$3,000,000 F.V. | 36,938 | 36,422 | 940,688 | 1,243,520 | 193,396 | 214,759 |
| 3-Month Eurodollar | \$1,000,000 F.V. | 3,115,619 | 4,032,631 | 100,452,601 | 162,481,060 | 1,760,793 | 1,841,145 |
| Japanese Bonds (10 year) | Yen 50,000,000 F.V. | 13 | 4 | 0 | 0 | 0 | 0 |
| 3-Mo. Euroyen | Yen 100,000,000 F.V. | 75,375 | 61,380 | 1,031,317 | 658,336 | 50,359 | 86,788 |
| 3-Mo. Euroyen - Libor | Yen 100,000,000 F.V. | 1,353 | 5,841 | 6,346 | 20,853 | 1,363 | 14,313 |
| Goldman-Sachs Commodity Index | \$250 x Index | 37,748 | 21,355 | 1,033,642 | 585,690 | 18,576 | 25,432 |
| Random Length Lumber | 80,000 Bd. Ft. | 3,192 | 3,579 | 219,769 | 226,196 | 84 | 216 |

Futures Contract Market Review/Average Open Interest, 12-Month Volume of Trading and Deliveries/Cash Settlement by Commodity and Exchange for Fiscal Years Ending September 30, 2000* and September 30, 2001

| Exchange/Commodity | Contract Unit | Average Monthend Open Interest (Contracts) | | Volume of Trading (Contracts) | | Total Contracts Settled by Delivery or Cash Settlement (Contracts) | |
|------------------------------------|---------------|---|------------------|----------------------------------|--------------------|--|------------------|
| | | 1999-00 | 2000-01 | 1999-00 | 2000-01 | 1999-00 | 2000-01 |
| Oriented Strand Board Panels (All) | 2* | 22 | 35 | 502 | 10,343 | 40 | 18 |
| Atlanta Heating Degree Days | \$100 x Index | 32 | 0 | 149 | 1 | 118 | 0 |
| Chicago Heating Degree Days | \$100 x Index | 16 | 0 | 49 | 0 | 56 | 0 |
| New York City Heating Degree Days | \$100 x Index | 17 | 0 | 24 | 0 | 33 | 0 |
| Cincinnati Heating Degree Days | \$100 x Index | 2 | 0 | 47 | 0 | 29 | 0 |
| Dallas Cooling Degree Days | \$100 x Index | 5 | 0 | 5 | 0 | 5 | 0 |
| Tucson Cooling Degree Days | \$100 x Index | 5 | 0 | 5 | 0 | 5 | 0 |
| Des Moines Cooling Degree Days | \$100 x Index | 5 | 0 | 5 | 0 | 5 | 0 |
| Las Vegas Cooling Degree Days | \$100 x Index | 5 | 0 | 5 | 0 | 5 | 0 |
| Total CME | | 4,357,568 | 5,508,857 | 181,852,421 | 280,511,495 | 3,377,097 | 4,154,090 |

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

Merchants' Exchange of St. Louis (MESL)

| | | | | | | | |
|------------------------------|------------|----------|-----------|----------|-----------|----------|-----------|
| Illinois Waterway Barge Rate | 3,000 Tons | 0 | 7 | 0 | 41 | 0 | 6 |
| St Louis Harbor Barge Rate | 3,000 Tons | 0 | 6 | 0 | 50 | 0 | 9 |
| Total MESL | | 0 | 13 | 0 | 91 | 0 | 15 |

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

| | | | | | | | |
|--|----------------|---------|---------|------------|------------|--------|--------|
| No. 2 Heating Oil, New York Harbor | 42,000 Gallons | 137,653 | 135,545 | 9,237,905 | 9,521,422 | 29,283 | 21,787 |
| Natural Gas | 10,000 BTU's | 305,203 | 405,142 | 18,136,332 | 15,626,918 | 34,475 | 35,436 |
| Central Appalachian Coal | 37,200 MMBTU | 0 | 266 | 0 | 1,365 | 0 | 10 |
| Electricity (California-Oregon Border) | 864 MWh | 1,219 | 0 | 13,851 | 17 | 2,238 | 1 |
| Electricity (Palo Verde) | 432 MWh | 1,489 | 51 | 26,104 | 174 | 2,006 | 226 |
| Electricity (Cinergy) | 736 MWh | 159 | 25 | 974 | 0 | 831 | 25 |
| Electricity (Entergy) | 736 MWh | 42 | 0 | 159 | 0 | 166 | 0 |
| Electricity (PJM) | 736 MWh | 245 | 0 | 491 | 0 | 488 | 4 |
| Electricity, Mid Columbia Region | 432 MWh | 0 | 56 | 0 | 75 | 0 | 25 |
| Propane Gas | 42,000 Gallons | 1,627 | 588 | 30,628 | 11,589 | 1,361 | 1,009 |
| Crude Oil (Light Sweet) | 1,000 Barrels | 475,987 | 439,985 | 37,526,345 | 37,815,933 | 16,391 | 6,004 |
| Crude Oil (Sour) | 1,000 Barrels | 15 | 0 | 25 | 0 | 15 | 0 |
| Crude Oil (Brent) | 1,000 Barrels | 0 | 5,897 | 0 | 40,952 | 0 | 1,160 |
| Unleaded Gasoline, New York Harbor | 42,000 Gallons | 87,767 | 97,960 | 8,871,901 | 9,221,070 | 19,614 | 18,561 |

Futures Contract Market Review/Average Open Interest, 12-Month Volume of Trading and Deliveries/Cash Settlement by Commodity and Exchange for Fiscal Years Ending September 30, 2000* and September 30, 2001

| Exchange/Commodity | Contract Unit | Average Monthend Open Interest (Contracts) | | Volume of Trading (Contracts) | | Total Contracts Settled by Delivery or Cash Settlement (Contracts) | |
|-------------------------|---------------|---|------------------|----------------------------------|-------------------|--|----------------|
| | | 1999-00 | 2000-01 | 1999-00 | 2000-01 | 1999-00 | 2000-01 |
| Palladium | 100 Tr. Oz. | 2,540 | 1,566 | 63,125 | 27,131 | 895 | 446 |
| Platinum | 50 Tr. Oz. | 10,486 | 6,982 | 368,317 | 217,150 | 1,432 | 985 |
| Aluminum | 44,000 Lbs. | 1,662 | 3,044 | 34,724 | 48,836 | 4,131 | 7,914 |
| Eurotop 100 Stock Index | \$100 x Index | 407 | 243 | 7,230 | 1,650 | 1,195 | 694 |
| Eurotop 300 Stock Index | \$200 x Index | 2,366 | 630 | 38,904 | 7,653 | 2,213 | 908 |
| Silver | 5,000 Tr. Oz. | 77,119 | 71,936 | 3,374,404 | 2,479,191 | 34,577 | 41,614 |
| Copper - Grade #1 | 25,000 Lbs. | 72,309 | 78,699 | 2,673,502 | 2,886,000 | 69,236 | 93,519 |
| Gold | 100 Tr. Oz. | 151,710 | 121,701 | 7,348,400 | 6,762,299 | 40,336 | 33,879 |
| Total NYMEX | | 1,330,005 | 1,370,316 | 87,753,321 | 84,669,425 | 260,883 | 264,207 |

New York Board of Trade (NYBT) - New York Cotton Exchange (NYCE), New York Futures Exchange (NYFE),

| Coffee, Sugar and Cocoa Exchange (CS&CE) and Cantor Exchange (CFFE) | | | | | | | |
|--|---------------|---------|---------|-----------|-----------|--------|--------|
| Cotton No. 2 | 50,000 Lbs. | 61,308 | 66,562 | 2,614,097 | 2,327,953 | 6,493 | 6,556 |
| Frozen Concentrated Orange Juice | 15,000 Lbs. | 25,427 | 25,816 | 695,225 | 637,577 | 2,104 | 1,639 |
| Frozen Concentrated Orange Juice-2 | 15,000 Lbs. | 124 | 12 | 273 | 11 | 471 | 15 |
| FCOJ1-FCOJ2 Diff | 15,000 Lbs. | 138 | 5 | 1,881 | 23 | 0 | 2 |
| Milk Index | 1,000 Cwt. | 385 | 44 | 1,045 | 2 | 1,125 | 65 |
| Milk Index, Large | 2,000 Cwt. | 257 | 11 | 709 | 8 | 815 | 1 |
| Cocoa | 10 Tons | 106,805 | 115,234 | 2,128,243 | 2,029,518 | 12,714 | 6,086 |
| Sugar No. 11 | 112,000 Lbs. | 178,272 | 142,694 | 5,819,141 | 5,191,507 | 8,920 | 18,703 |
| Sugar No. 14 | 112,000 Lbs. | 12,247 | 11,225 | 127,698 | 119,192 | 2,728 | 1,332 |
| Coffee C | 37,500 Lbs. | 46,823 | 52,853 | 2,364,319 | 2,166,929 | 17,916 | 11,700 |
| Canadian Dollar/Japanese Yen | CD 200,000 | 388 | 1,250 | 1,579 | 17,944 | 300 | 3,492 |
| U.S. Dollar / Canadian Dollar | \$200,000 | 166 | 109 | 3,582 | 1,789 | 487 | 274 |
| U.S. Dollar / Swiss Franc | \$200,000 | 920 | 716 | 18,726 | 14,359 | 3,092 | 2,611 |
| Swiss Franc / Japanese Yen Cross-Rate | SF 200,000 | 1,012 | 839 | 17,733 | 11,197 | 3,862 | 2,149 |
| Swiss Franc / Deutsche Mark Cross-Rate | DM 125,000 | 20 | 0 | 20 | 0 | 0 | 0 |
| Japanese Yen / Deutsche Mark Cross-Rate | DM 125,000 | 20 | 0 | 24 | 0 | 0 | 0 |
| U.S. Dollar / British Pound | BP 125,000 | 404 | 376 | 15,791 | 16,096 | 912 | 1,062 |
| Swiss Franc / British Pound Cross-Rate | BP 125,000 | 876 | 1,011 | 12,779 | 20,123 | 2,492 | 2,788 |
| Deutsche Mark / British Pound Cross-Rate | BP 125,000 | 24 | 0 | 335 | 0 | 0 | 0 |
| Japanese Yen / British Pound Cross-Rate | BP 125,000 | 2,672 | 2,316 | 90,135 | 46,951 | 5,953 | 5,580 |
| U.S. Dollar / Japanese Yen | \$200,000 | 2,353 | 979 | 42,399 | 19,028 | 3,843 | 2,993 |
| Euro/Australian Dollar | 100,000 Euros | 520 | 1,234 | 4,653 | 17,979 | 928 | 1,216 |
| Euro/U.S. Dollar | 200,000 Euros | 3,581 | 2,236 | 102,389 | 78,992 | 6,051 | 8,934 |

Futures Contract Market Review/Average Open Interest, 12-Month Volume of Trading and Deliveries/Cash Settlement by Commodity and Exchange for Fiscal Years Ending September 30, 2000* and September 30, 2001

| Exchange/Commodity | Contract Unit | Average Monthend Open Interest (Contracts) | | Volume of Trading (Contracts) | | Total Contracts Settled by Delivery or Cash Settlement (Contracts) | |
|--|-----------------|---|----------------|----------------------------------|-------------------|--|----------------|
| | | 1999-00 | 2000-01 | 1999-00 | 2000-01 | 1999-00 | 2000-01 |
| Euro/U.S. Dollar- Small | 100,000 Euros | 136 | 75 | 6,322 | 2,607 | 337 | 126 |
| Euro/Yen Cross-Rate | 200,000 Euros | 7,023 | 8,152 | 237,143 | 296,926 | 14,413 | 20,624 |
| Euro / Swedish Krona Cross-Rate | 200,000 Euros | 3,743 | 2,500 | 70,681 | 32,743 | 9,882 | 6,202 |
| Euro / Swiss Franc Cross-Rate | 200,000 Euros | 5,073 | 2,496 | 108,802 | 46,291 | 10,239 | 6,740 |
| Pound/Euro Cross-Rate | 200,000 Euros | 8,325 | 5,611 | 167,107 | 114,238 | 15,829 | 13,405 |
| Euro Canadian Dollar Cross-Rate | 200,000 Euros | 678 | 790 | 6,397 | 12,632 | 2,518 | 1,888 |
| Euro Norwegian Krone Cross-Rate | 200,000 Euros | 191 | 273 | 3,581 | 4,759 | 419 | 781 |
| U.S. Dollar /Swedish Krona | \$200,000 F.V. | 169 | 294 | 1,242 | 3,386 | 150 | 528 |
| U.S. Dollar -Norwegian Krone | \$200,000 F.V. | 8 | 6 | 32 | 45 | 0 | 8 |
| U.S. Dollar / South African Rand | \$100,000 | 428 | 257 | 13,320 | 4,747 | 1,205 | 941 |
| Australian Dollar | AD 200,000 | 4,923 | 587 | 52,679 | 6,884 | 4,868 | 2,128 |
| Aussie Dollar/Canadian Dollar | \$200,000 F.V. | 335 | 1,006 | 1,594 | 15,450 | 288 | 4,431 |
| Australian Dollar/Yen Cross-Rate | AD 200,000 | 1,378 | 1,438 | 35,783 | 27,780 | 2,034 | 3,120 |
| Australian Dollar / Kiwi Cross-Rate | AD 200,000 | 1,216 | 948 | 24,516 | 12,718 | 2,720 | 3,068 |
| New Zealand Dollar | NZ \$200,000 | 1,525 | 1,121 | 34,053 | 26,850 | 4,628 | 4,293 |
| NYSE Composite Index | 3* | 1,571 | 1,039 | 80,214 | 45,018 | 2,053 | 1,062 |
| NYSE CMP Index (Small) | \$50 x Index | 346 | 72 | 7,771 | 3,386 | 1,770 | 419 |
| Technology Index | \$500 x Index | 463 | 46 | 22,055 | 374 | 1,387 | 0 |
| Russell 1000 Stock Index Future | 4* | 6,045 | 6,171 | 117,621 | 80,123 | 4,086 | 8,351 |
| Russell 1000 Mini Index Futures | \$50 x Index | 0 | 455 | 0 | 15,002 | 0 | 418 |
| CFFE U.S. Treasury Bonds | \$100,000 F.V. | 804 | 0 | 66,314 | 0 | 265 | 0 |
| CFFE U.S. Treasury Bonds (Flex) | \$100,000 F.V. | 291 | 6,072 | 25,160 | 62,594 | 85 | 0 |
| CFFE 10-Year U.S. Treasury Notes | \$100,000 F.V. | 920 | 0 | 65,315 | 0 | 275 | 0 |
| CFFE 10- Year U.S. Treasury Notes (Flex) | \$100,000 F.V. | 1,390 | 5,096 | 199,760 | 81,670 | 48 | 0 |
| CFFE WI 10-Year U.S. Treasury Notes | Par Amount | 0 | 60 | 0 | 130 | 0 | 30 |
| 5-Year U.S. Treasury Notes-Old | \$250,000 F.V. | 0 | 0 | 8,832 | 3,900 | 0 | 0 |
| CFFE 5-Year U.S. Treasury Notes | \$100,000 F.V. | 605 | 0 | 9,442 | 0 | 342 | 0 |
| CFFE 5-Year U.S. Treasury Notes (Flex) | \$100,000 F.V. | 452 | 3,266 | 55,803 | 66,031 | 85 | 0 |
| CFFE WI 5-Year U.S. Treasury Notes | Par Amount | 0 | 0 | 0 | 26 | 0 | 0 |
| CFFE Five-Year Agency Note | \$100,000 F.V. | 0 | 0 | 1,220 | 0 | 0 | 0 |
| CFFE Ten-Year Agency Note | \$100,000 F.V. | 878 | 0 | 470 | 0 | 0 | 0 |
| U.S. Dollar Index | \$1,000 x Index | 7,441 | 7,518 | 315,491 | 313,278 | 4,868 | 5,637 |
| CRB Bridge Index | \$500 x Index | 3,021 | 1,161 | 78,405 | 20,625 | 1,936 | 138 |
| Total NYBT | | 504,120 | 482,032 | 15,879,901 | 14,017,391 | 167,936 | 161,536 |

3* Includes the large (\$1,000 x Index) and mid-size (\$500 x Index)

Futures Contract Market Review/Average Open Interest, 12-Month Volume of Trading and Deliveries/Cash Settlement by Commodity and Exchange for Fiscal Years Ending September 30, 2000* and September 30, 2001

| Exchange/Commodity | Contract Unit | Average Monthend Open Interest (Contracts) | | Volume of Trading (Contracts) | | Total Contracts Settled by Delivery or Cash Settlement (Contracts) | |
|---|---------------|---|------------|----------------------------------|-------------|--|-----------|
| | | 1999-00 | 2000-01 | 1999-00 | 2000-01 | 1999-00 | 2000-01 |
| 4* Includes the large (\$1,000 x Index) and small Russel 1,000 Index (\$500 x Index) | | | | | | | |
| Total All Markets | | 8,940,241 | 10,225,194 | 477,760,141 | 581,132,590 | 4,533,590 | 5,525,312 |

* Revised since FY 2000 Annual Report

**Options - Average Monthend Open Interest and Number of Contracts Traded by Major Groups,
All Markets Combined for FY 1995 through FY 2001**

| Fiscal Year | Total | Grain | Oilseed Products | Livestock Products | Other Agriculturals | Energy/Wood Products | Metals | Financial Instruments | Currencies |
|--|-------------|-----------|------------------|--------------------|---------------------|----------------------|-----------|-----------------------|------------|
| Average Monthend Open Interest (In Contracts) | | | | | | | | | |
| 1995 | 5,439,631 | 347,911 | 185,995 | 73,286 | 375,506 | 429,094 | 312,488 | 3,285,354 | 429,997 |
| 1996 | 6,172,544 | 537,468 | 290,224 | 82,274 | 302,587 | 588,465 | 393,719 | 3,514,795 | 463,012 |
| 1997 | 6,767,618 | 490,022 | 298,053 | 89,501 | 342,980 | 771,012 | 444,618 | 3,920,519 | 410,913 |
| 1998 | 8,072,707 | 475,752 | 338,525 | 85,406 | 440,680 | 895,155 | 520,748 | 4,982,586 | 333,855 |
| 1999 | 8,358,199 | 461,487 | 390,569 | 102,251 | 419,913 | 1,010,675 | 593,979 | 5,175,958 | 203,367 |
| 2000 | 7,422,500 | 631,242 | 280,994 | 110,338 | 450,166 | 1,237,793 | 578,283 | 4,007,518 | 126,166 |
| 2001 | 9,937,856 | 570,104 | 270,277 | 120,792 | 400,907 | 1,302,741 | 353,605 | 6,731,974 | 187,456 |
| Number of Contracts Traded | | | | | | | | | |
| 1994 | 99,205,548 | 3,339,533 | 3,493,150 | 718,515 | 3,266,062 | 8,075,827 | 3,191,136 | 66,937,138 | 10,184,187 |
| 1995 | 95,406,042 | 4,310,729 | 3,140,330 | 768,488 | 4,224,315 | 6,460,990 | 3,302,548 | 65,502,601 | 7,696,041 |
| 1996 | 100,320,446 | 8,573,628 | 5,758,271 | 896,115 | 3,445,669 | 7,817,074 | 3,369,996 | 62,667,270 | 7,792,423 |
| 1997 | 105,141,954 | 6,963,377 | 6,249,498 | 960,394 | 3,837,325 | 9,575,254 | 2,757,964 | 69,337,931 | 5,460,211 |
| 1998 | 124,107,563 | 6,251,033 | 5,663,415 | 1,000,816 | 4,937,468 | 12,132,919 | 3,178,313 | 86,884,632 | 4,058,967 |
| 1999 | 123,140,632 | 5,915,391 | 6,587,362 | 993,194 | 4,881,153 | 12,759,032 | 3,158,455 | 86,708,838 | 2,137,207 |
| 2000 | 102,579,828 | 6,993,655 | 5,189,730 | 882,772 | 5,046,387 | 14,904,652 | 3,455,302 | 64,695,826 | 1,411,504 |
| 2001 | 141,550,871 | 6,920,657 | 4,957,911 | 1,102,418 | 3,839,313 | 14,462,858 | 2,416,378 | 106,055,420 | 1,795,916 |

Options - Average Monthend Open Interest and Volume of Trading by Exchange and Contract for Fiscal Years Ending September 30, 2000 and September 30, 2001

| Exchange/Commodity | Average Monthend Open Interest (Contracts) | | Volume of Trading (Contracts) | |
|---|---|------------------|-------------------------------|-------------------|
| | 1999-00 | 2000-01 | 1999-00 | 2000-01 |
| Chicago Board of Trade (CBT) | | | | |
| Wheat | 133,384 | 128,055 | 1,580,446 | 1,687,586 |
| Corn | 451,187 | 399,474 | 5,071,472 | 4,864,616 |
| Oats | 9,374 | 6,557 | 58,445 | 52,265 |
| Rough Rice | 8,846 | 3,048 | 50,011 | 19,935 |
| Soybeans | 184,045 | 169,884 | 4,009,482 | 3,771,371 |
| Soybean Oil | 53,176 | 57,059 | 542,313 | 535,817 |
| Soybean Meal | 42,154 | 41,436 | 628,393 | 642,953 |
| Corn Yield Insurance (All) 1* | 11 | 0 | 13 | 1 |
| Dow Jones Industrial Average | 16,176 | 19,400 | 209,676 | 293,275 |
| U.S. Treasury Bonds | 545,246 | 407,500 | 20,087,568 | 12,673,653 |
| 2-Year U.S. Treasury Notes | 276 | 1,218 | 2,654 | 22,443 |
| 10-Year U.S. Treasury Notes | 399,430 | 673,423 | 9,619,214 | 16,121,469 |
| 5-Year U.S. Treasury Notes | 158,806 | 200,822 | 3,449,366 | 4,116,541 |
| Ten-Year Agency Note | 10,147 | 4,254 | 114,998 | 39,679 |
| Municipal Bond Index | 207 | 2 | 18 | 1,004 |
| Catastrophe Insurance (All) 2* | 1,589 | 76 | 206 | 0 |
| 1000 Troy Ounce Silver | 2 | 1 | 26 | 8 |
| Total CBT | 2,014,056 | 2,112,209 | 45,424,301 | 44,842,616 |
| 1* Includes Corn Yield Insurance Contracts for Iowa and Ohio | | | | |
| 2* Includes large cap and small cap national insurance and the following small cap contracts: Eastern, Midwestern, Western, Northeastern, Texas, Florida, and California | | | | |
| Kansas City Board of Trade (KCBT) | | | | |
| Wheat | 21,142 | 25,632 | 181,127 | 260,526 |
| Stock Index Future, MVL | 194 | 1 | 484 | 4 |
| Internet Stock Index | 5 | 0 | 12 | 0 |
| Total KCBT | 21,341 | 25,633 | 181,623 | 260,530 |

Options - Average Monthend Open Interest and Volume of Trading by Exchange and Contract for Fiscal Years Ending September 30, 2000 and September 30, 2001

Minneapolis Grain Exchange (MGE)

| | | | | |
|------------------------|--------------|--------------|---------------|---------------|
| Hard Amber Durum Wheat | 10 | 0 | 11 | 0 |
| Wheat | 5,546 | 6,026 | 42,416 | 31,052 |
| White Wheat | 16 | 0 | 51 | 0 |
| Wheat European | 100 | 112 | 352 | 0 |
| Cottonseed | 312 | 421 | 729 | 702 |
| White Shrimp | 11 | 0 | 61 | 0 |
| Black Tiger Shrimp | 8 | 0 | 57 | 0 |
| Total MGE | 6,003 | 6,559 | 43,677 | 31,754 |

MidAmerica Commodity Exchange (MCE)

| | | | | |
|-------------------------|--------------|--------------|---------------|---------------|
| Wheat | 640 | 358 | 3,969 | 926 |
| Corn | 997 | 842 | 5,355 | 3,751 |
| Soybeans | 1,307 | 1,476 | 8,811 | 7,064 |
| Soybean Oil | 0 | 1 | 2 | 4 |
| U.S. Treasury Bonds | 86 | 36 | 2,418 | 712 |
| Gold, New York Delivery | 6 | 2 | 21 | 3 |
| Total MCE | 3,036 | 2,715 | 20,576 | 12,460 |

Chicago Mercantile Exchange (CME)

| | | | | |
|-------------------------------|--------|--------|---------|---------|
| Lean Hogs | 18,774 | 14,666 | 177,489 | 157,509 |
| Options on CME Lean Hog Index | 144 | 90 | 214 | 0 |
| Frozen Pork Bellies | 3,537 | 753 | 32,871 | 7,510 |
| Live Cattle | 68,851 | 85,654 | 529,546 | 768,208 |
| Feeder Cattle | 19,027 | 19,629 | 142,642 | 169,191 |
| Stocker Cattle | 5 | 0 | 10 | 0 |
| Butter | 34 | 24 | 385 | 38 |
| Milk | 2,445 | 5,144 | 10,095 | 21,193 |
| Class IV Milk | 136 | 279 | 179 | 1,706 |
| Canadian Dollar | 7,123 | 23,985 | 72,211 | 109,631 |
| Swiss Franc | 10,982 | 14,142 | 123,559 | 131,643 |

Options - Average Monthend Open Interest and Volume of Trading by Exchange and Contract for Fiscal Years Ending September 30, 2000 and September 30, 2001

| | | | | |
|--|------------------|------------------|-------------------|-------------------|
| Deutsche Mark | 1,595 | 233 | 15,284 | 966 |
| British Pound Sterling | 18,069 | 14,077 | 199,664 | 146,742 |
| Japanese Yen | 62,933 | 81,196 | 662,030 | 747,707 |
| Euro | 20,169 | 48,109 | 313,109 | 623,002 |
| ECU/British Pound Cross-Rate | 200 | 0 | 0 | 0 |
| Australian Dollar | 849 | 4,389 | 10,829 | 28,327 |
| Mexican Peso | 926 | 719 | 5,536 | 4,310 |
| S&P 500 Stock Index | 228,466 | 224,633 | 4,239,463 | 4,545,981 |
| E-Mini S&P 500 Stock Index | 1,085 | 631 | 24,659 | 22,493 |
| S&P 400 Midcap Stock Index | 84 | 116 | 3,171 | 3,539 |
| NASDAQ-100 Stock Index | 6,884 | 6,533 | 609,678 | 259,365 |
| Russell 2000 Stock Index Future | 176 | 257 | 5,633 | 12,617 |
| Nikkei Stock Average | 562 | 246 | 5,693 | 2,953 |
| 1-Month Libor Rate | 488 | 267 | 3,050 | 2,166 |
| 3-Month Eurodollar | 2,613,804 | 5,185,646 | 25,959,223 | 67,818,410 |
| 3-Mo. Euroyen | 9,409 | 1,202 | 21,719 | 2,345 |
| Goldman-Sachs Commodity Index | 140 | 95 | 2,973 | 4,109 |
| Random Length Lumber - 80/110000 BD FT | 1,293 | 2,443 | 18,542 | 27,441 |
| Total CME | 3,098,190 | 5,735,158 | 33,189,457 | 75,619,102 |

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

| | | | | |
|--|---------|---------|-----------|-----------|
| No. 2 Heating Oil, New York Harbor | 93,833 | 101,620 | 1,181,875 | 957,349 |
| Natural Gas | 498,696 | 531,364 | 4,945,358 | 5,148,756 |
| Electricity (California-Oregon Border) | 1 | 0 | 1 | 0 |
| Crude Oil (Light Sweet) | 570,159 | 592,427 | 7,643,174 | 7,284,753 |
| Crude Oil (Brent) | 0 | 521 | 0 | 521 |
| Unleaded Gasoline, New York Harbor | 66,318 | 68,574 | 1,047,432 | 1,005,461 |
| Heating Oil/Crude Oil Option Spread | 5,050 | 4,129 | 47,795 | 22,810 |
| Unleaded Gas /Crude Oil Option Spread | 2,443 | 1,663 | 20,475 | 15,767 |
| Platinum | 729 | 213 | 8,617 | 2,194 |
| Silver | 61,300 | 60,208 | 639,147 | 464,792 |
| Copper - Grade #1 | 9,403 | 5,618 | 83,499 | 47,167 |

Options - Average Monthend Open Interest and Volume of Trading by Exchange and Contract for Fiscal Years Ending September 30, 2000 and September 30, 2001

| | | | | |
|---|------------------|-------------------|--------------------|--------------------|
| Gold | 506,843 | 287,563 | 2,723,992 | 1,902,214 |
| Total NYMEX | 1,814,775 | 1,653,900 | 18,341,365 | 16,851,784 |
| New York Board of Trade (NYBT): New York Cotton Exchange (NYCE), New York Futures Exchange(NYFE) | | | | |
| Coffee, Sugar, and Cocoa Exchange (CS&CE) and Cantor Exchange (CFFE) | | | | |
| Cotton No. 2 | 88,841 | 112,563 | 981,159 | 1,005,874 |
| Frozen Concentrated Orange Juice | 36,717 | 31,653 | 243,979 | 206,240 |
| Milk Index | 172 | 4 | 1,235 | 0 |
| Milk Index, Large | 463 | 106 | 2,375 | 46 |
| Cocoa | 59,176 | 38,561 | 545,215 | 404,573 |
| Sugar No. 11 | 201,330 | 147,970 | 2,031,092 | 1,389,518 |
| Coffee C | 60,822 | 64,603 | 1,230,542 | 810,124 |
| Swiss Franc / Japanese Yen Cross-Rate | 155 | 0 | 163 | 0 |
| U.S. Dollar / British Pound | 100 | 40 | 200 | 80 |
| Swiss Franc / British Pound Cross-Rate | 128 | 0 | 133 | 0 |
| Japanese Yen / British Pound Cross-Rate | 47 | 0 | 148 | 8 |
| U.S. Dollar / Japanese Yen | 0 | 117 | 0 | 857 |
| Euro/U.S. Dollar | 1,091 | 207 | 1,499 | 964 |
| Euro/Yen Cross-Rate | 1,200 | 72 | 5,361 | 695 |
| Euro / Swiss Franc Cross-Rate | 80 | 0 | 80 | 0 |
| Pound/Euro Cross-Rate | 273 | 170 | 1,448 | 984 |
| U.S. Dollar / South African Rand | 196 | 0 | 200 | 0 |
| New Zealand Dollar | 50 | 0 | 50 | 0 |
| Stock Index, NYSE CMP New | 4,168 | 2,661 | 112,502 | 73,807 |
| Technology Index | 5,252 | 29 | 129,101 | 395 |
| Russell 1000 Stock Index Future | 3,341 | 926 | 75,179 | 17,811 |
| U.S. Dollar Index | 1,025 | 1,841 | 12,645 | 19,142 |
| CRB Bridge Index | 472 | 159 | 4,523 | 1,507 |
| Total NYBT | 465,099 | 401,682 | 5,378,829 | 3,932,625 |
| Total Options | 7,422,500 | 9,937,856 | 102,579,828 | 141,550,871 |
| Total Futures | 8,940,241 | 10,225,194 | 477,760,141 | 581,132,590 |

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

| Exchange ² | Contract ³ | Notes ³ | Approval/ Certification(#) Date ⁴ | Date Trading Began ⁵ |
|---------------------------------|--|--------------------|--|---------------------------------------|
| AGRICULTURE | | | | |
| Grain Futures | | | | |
| MGE | Barley | (d) | 05/02/23 | 10/09/18 |
| MCE | Corn | | 10/24/22 | pre-1880 |
| MGE | Corn | (d) | 05/02/23 | 01/30/22 |
| CBOT | Corn (old) | ⁶ | 05/03/23 | 1859 |
| CBOT | Corn | | 05/07/98 | 05/08/98 |
| KCBT | Corn | (d) | 05/05/23 | 1879 |
| CRCE | Corn | (v) ⁷ | 10/19/82 | 10/22/82 |
| KCBT | Grain Sorghums | (d) | 05/05/23 | 01/01/16 |
| CME | Grain Sorghums | (d) | 01/22/71 | 03/02/71 |
| MCE | Oats | | 10/24/22 | pre-1880 |
| MGE | Oats | (d) | 05/02/23 | 01/18/04 |
| CBOT | 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 |
| CBOT | Rice, Rough | | 08/22/94 | 10/03/94 |
| MGE | Rye | (d) | 05/02/23 | 01/03/18 |
| MCE | Wheat | | 10/24/22 | pre-1880 |
| CBOT | Wheat | | 05/03/23 | 1859 |
| KCBT | Wheat, Hard Winter | | 05/05/23 | 1877 |
| MGE | Wheat, Spring | | 05/02/23 | 1885 |
| MGE | Wheat, White | | 08/24/84 | 09/10/84 |
| MGE | Wheat, Durum | | 05/02/23 | |
| Grain Options | | | | |
| MGE | Barley | (d) | 07/18/96 | 07/20/96 |
| CBOT | Corn | | 01/29/85 | 02/27/85 |
| MCE | Corn | | 01/29/91 | 03/21/91 |
| CBOT | Oats | | 12/19/89 | 05/01/90 |
| MGE | Oats | (d) | 02/18/93 | 04/02/93 |
| CBOT | 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 |
| CBOT | 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 |
| CBOT | FOSFA International Edible Oils Index* | (d) | 06/15/94 | 09/23/94 |

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

| Exchange ² | Contract ³ | Notes ³ | Approval/ Certification(#) Date ⁴ | Date Trading Began ⁵ |
|-----------------------------------|--------------------------------------|--------------------|--|---------------------------------------|
| PCE | Palm Oil | (r) | 07/18/75 | |
| CBOT | Soybean Meal | | 08/22/51 | 08/19/51 |
| MCE | Soybean Meal* | | 03/26/85 | 04/22/85 |
| CBOT | Soybean Oil | | 06/30/50 | 07/27/50 |
| MCE | Soybean Oil* | | 12/22/94 | 01/13/95 |
| CBOT | Soybeans | | 05/07/98 | 05/08/98 |
| CRCE | Soybeans | (v) ⁷ | 10/27/81 | 10/29/81 |
| KCBT | Soybeans | (d) | 09/10/56 | 09/18/56 |
| MCE | Soybeans | | 12/08/40 | 10/05/36 |
| MGE | Soybeans | (d) | 09/11/50 | 09/20/50 |
| CBOT | Soybeans (old) | ⁶ | 12/08/40 | 10/05/36 |
| CBOT | 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 |
| CBOT | Soybean Meal | | 10/21/86 | 02/19/87 |
| CBOT | Soybean Oil | | 10/21/86 | 02/19/87 |
| MCE | Soybean Oil | | 12/22/94 | 01/13/95 |
| CBOT | Soybeans | | 10/29/84 | 10/30/84 |
| MCE | Soybeans | | 01/29/85 | 02/08/85 |
| Fiber Futures | | | | |
| CRCE | Cotton | (v) ⁷ | 06/30/81 | 07/07/81 |
| NYCE | Cotton No.1 | (d) | 09/13/36 | 1870 |
| NYCE | Cotton No.2 | | 09/13/36 | 1870 |
| NYCE | Cotton, Cotlook World* | (d) | 09/22/92 | 10/01/92 |
| NYCE | Wool | (d) | 10/27/54 | 01/01/41 |
| Fiber Options | | | | |
| NYCE | Cotton No.2 | | 10/29/84 | 10/30/84 |
| NYCE | Cotton No.2 Futures Straddles | (d) | 04/21/92 | |
| NYCE | Cotton, Cotlook World | (d) | 09/22/92 | 10/02/92 |
| Foodstuffs / Softs Futures | | | | |
| CME | Butter | | 09/13/36 | 12/01/19 |
| CSCE | Butter | | 09/06/96 | |
| NYMEX | Butter | (d) | 09/13/36 | 01/01/25 |
| CME | Butter, Cash Settled* | | 03/17/99 | |
| CSCE | Cheddar Cheese | (d) | 05/19/93 | 06/15/93 |
| CME | Cheddar Cheese Blocks* | | 08/25/97 | 10/03/97 |
| CSCE | Cocoa | | 07/18/75 | 10/01/25 |
| CSCE | Coffee B | (d) | 07/18/75 | 05/02/55 |
| CSCE | Coffee C | | 07/18/75 | 05/02/55 |
| CSCE | Coffee, Brazil-Differential | (d) | 03/31/92 | 06/12/92 |
| CSCE | Coffee, Euro-Differential | (d) | 03/25/91 | 04/05/91 |
| CME | Dry Whey* | | 10/02/98 | 11/16/98 |
| CME | Eggs | (d) | 09/13/36 | 12/01/19 |
| PCE | Eggs | (r) | 07/18/75 | |
| NYCE | Frozen Concentrated Orange Juice - 1 | ²⁷ | 07/24/68 | 10/26/66 |

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

| Exchange ² | Contract ³ | Notes ³ | Approval/ Certification(#) Date ⁴ | Date Trading Began ⁵ |
|--|--------------------------------------|--------------------|--|---------------------------------------|
| NYCE | Frozen Concentrated Orange Juice - 2 | | 03/27/90 | 10/01/99 |
| MGE | High Fructose Corn Syrup 55 | (d) | 03/10/87 | 04/06/87 |
| CSCE | Milk | | 10/10/95 | 12/12/95 |
| CSCE | Milk, BFP Large* | | 03/29/99 | 04/09/99 |
| CME | Milk, BFP* | | 10/10/95 | 01/11/96 |
| CSCE | Milk, BFP* | | 02/27/97 | 04/08/97 |
| CME | Milk, Class IV | | 05/18/00 (#) | 07/10/00 |
| CME | Nonfat Dry Milk* | | 10/02/98 | 11/16/98 |
| CSCE | Nonfat Dry Milk* | (d) | 05/19/93 | 06/15/93 |
| NYCE | Potatoes | | 09/05/96 | 09/17/96 |
| CME | Potatoes, Idaho Russet Burbank | (d) | 09/13/36 | 01/12/21 |
| NYMEX | Potatoes, Maine Round White* | (d) ⁸ | 12/01/41 | 12/02/41 |
| MGE | Shrimp, Black Tiger | | 10/20/94 | 11/14/94 |
| MGE | Shrimp, White | | 05/25/93 | 07/12/93 |
| CSCE | Sugar, No. 11 | | 07/18/75 | 12/16/41 |
| CSCE | Sugar, No. 14 | ⁹ | 07/18/75 | 12/16/41 |
| MCE | Sugar, Refined | (d) | 09/28/82 | 12/15/82 |
| CSCE | Sugar, White | | 07/21/87 | 10/05/87 |
| Foodstuffs / Softs Options | | | | |
| CME | Butter | | 06/10/96 | 09/05/96 |
| CSCE | Butter | | 09/06/96 | |
| CME | Butter, Cash Settled | | 03/17/99 | |
| CSCE | Cheddar Cheese | (d) | 05/19/93 | 06/15/93 |
| CME | Cheddar Cheese Blocks | | 08/25/97 | 10/06/97 |
| CSCE | Cocoa | | 12/17/85 | 03/13/86 |
| CSCE | Coffee C | | 07/22/86 | 10/03/86 |
| CME | Dry Whey | | 10/02/98 | 11/16/98 |
| NYCE | Frozen Concentrated Orange Juice | | 12/17/85 | 12/19/85 |
| CSCE | Milk | | 10/10/95 | 12/12/95 |
| CME | Milk, BFP | | 10/10/95 | 01/11/96 |
| CSCE | Milk, BFP | | 02/27/97 | 04/11/97 |
| CSCE | Milk, BFP Large | | 03/29/99 | 04/09/99 |
| CME | Milk, BFP Midsize | | 04/05/99 | 04/12/99 |
| CME | Milk, BFP Mini | | 02/03/98 | 02/23/98 |
| CME | Milk, Class IV | | 05/18/00 (#) | 07/11/00 |
| CME | Nonfat Dry Milk | | 10/02/98 | 11/16/98 |
| CSCE | Nonfat Dry Milk | (d) | 05/19/93 | 06/15/93 |
| NYCE | Potatoes | | 09/05/96 | 09/17/96 |
| MGE | Shrimp, Black Tiger | | 10/20/94 | 11/14/94 |
| MGE | Shrimp, White | | 05/25/93 | 07/12/93 |
| CSCE | Sugar, No. 11 | | 08/31/82 | 10/01/82 |
| Livestock / Meatproduct Futures | | | | |
| CME | Boneless Beef, 90% Lean* | | 03/11/97 | 06/17/97 |
| NYMEX | Boneless Beef, Imported Lean | (d) | 08/11/71 | 09/15/71 |
| CME | Boneless Beef, Trimmings, 50% Lean* | ¹⁰ | 03/13/70 | 04/01/70 |
| CBOT | Broilers | (d) | 07/18/75 | 08/01/68 |

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

| Exchange ² | Contract ³ | Notes ³ | Approval/ Certification(#) Date ⁴ | Date Trading Began ⁵ |
|---|-----------------------------------|--------------------|--|---------------------------------------|
| CME | Broilers* | (d) ¹¹ | 09/25/79 | 10/06/79 |
| PCE | Cattle | (r) | 07/18/75 | |
| CME | Cattle, Feeder* | 12 | 06/18/68 | 10/30/71 |
| CME | Cattle, Feeder, E-Mini | | 04/10/00 (#) | 09/19/00 |
| CME | Cattle, Live | | 06/18/68 | 11/30/64 |
| MCE | Cattle, Live | | 09/11/78 | 09/28/78 |
| FCOM | Cattle, Live, Cash-Settled | | 03/13/00 | |
| CME | Cattle, Stocker* | | 11/24/98 | 11/30/98 |
| CME | Hogs, Lean E-Mini | | 03/06/00 (#) | 07/25/00 |
| CME | Hogs, Lean* | 13 | 06/18/68 | 02/28/66 |
| MCE | Hogs, Lean* | | 09/14/73 | 06/03/74 |
| MGE | Pork Bellies | (d) | 03/19/71 | 04/15/71 |
| CME | Pork Bellies, Fresh* | 14 | 06/18/68 | 09/18/61 |
| CME | Pork Bellies, Frozen | 14 | 05/05/98 | 05/11/98 |
| CME | Pork Composite* | | 07/31/98 | |
| CME | Skinned Hams, Frozen | (d) | 07/19/68 | 02/03/64 |
| CME | Turkeys, Frozen | (d) | 07/18/75 | 10/01/45 |
| Livestock / Meat Product Options | | | | |
| CME | Boneless Beef Trimmings, 50% Lean | | 03/11/97 | 06/17/97 |
| CME | Boneless Beef, 90% Lean | | 03/11/97 | 06/17/97 |
| CME | Broilers | (d) | 01/29/91 | 02/07/91 |
| CME | Cattle, Feeder | | 01/06/87 | 01/09/87 |
| CME | Cattle, Feeder, E-Mini | | 04/10/00 (#) | |
| CME | Cattle, Live | | 10/29/84 | 10/30/84 |
| FCOM | Cattle, Live | | 03/13/00 | |
| CME | Cattle, Stocker | | 11/24/98 | 11/30/98 |
| CME | Feeder Cattle Index, Physical | | 05/05/00 | |
| CME | Hogs, Lean | | 01/29/85 | 02/01/85 |
| CME | Hogs, Lean E-Mini | | 03/06/00 (#) | |
| CME | Hogs, Lean, Physical | | 05/05/00 (#) | 06/28/00 |
| CME | Pork Bellies, Fresh | 14 | 09/16/86 | 10/13/86 |
| CME | Pork Bellies, Frozen | 14 | 05/05/98 | 05/11/98 |
| CME | Pork Composite | | 07/31/98 | |
| Crop Yield Futures | | | | |
| CBOT | Illinois Corn Yield* | | 12/26/95 | 01/19/96 |
| CBOT | Illinois Soybean Yield* | | 02/23/95 | |
| CBOT | Indiana Corn Yield* | | 12/26/95 | 01/19/96 |
| CBOT | Iowa Corn Yield* | | 02/23/95 | 06/22/95 |
| CBOT | Kansas Winter Wheat Yield* | | 02/23/95 | |
| CBOT | Nebraska Corn Yield* | | 12/26/95 | 01/19/96 |
| CBOT | North Dakota Spring Wheat Yield* | | 02/23/95 | |
| CBOT | Ohio Corn Yield* | | 12/26/95 | 01/19/96 |
| CBOT | U.S. Corn Yield* | | 12/26/95 | 01/19/96 |
| Crop Yield Options | | | | |
| CBOT | Illinois Corn Yield | | 12/26/95 | 01/19/96 |
| CBOT | Illinois Soybean Yield | | 02/23/95 | |

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

| Exchange ² | Contract ³ | Notes ³ | Approval/ Certification(#) Date ⁴ | Date Trading Began ⁵ |
|-----------------------------------|---|--------------------|--|---------------------------------------|
| CBOT | Indiana Corn Yield | | 12/26/95 | 01/19/96 |
| CBOT | Iowa Corn Yield | | 02/23/95 | 06/22/95 |
| CBOT | Kansas Winter Wheat Yield | | 02/23/95 | |
| CBOT | Nebraska Corn Yield | | 12/26/95 | 01/19/96 |
| CBOT | North Dakota Spring Wheat Yield | | 02/23/95 | |
| CBOT | Ohio Corn Yield | | 12/26/95 | 01/19/96 |
| CBOT | U.S. Corn Yield | | 12/26/95 | 01/19/96 |
| Other Agricultural Futures | | | | |
| CBOT | 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 | |
| CBOT | CBOT Agricultural Index* | (d) | 08/25/92 | |
| FINANCIAL INSTRUMENTS | | | | |
| Currency Futures | | | | |
| CME | Australian Dollar | | 12/02/86 | 01/13/87 |
| MCE | Australian Dollar | (d) | 06/23/87 | |
| NYCE | Australian Dollar | | 02/26/97 | 05/01/97 |
| PBOT | Australian Dollar | | 04/22/87 | 05/22/87 |
| NYCE | Australian Dollar/Canadian Dollar Cross Rate | | 04/13/00 (#) | 05/12/00 |
| NYCE | Australian Dollar/Japanese Yen Cross Rate | | 05/10/99 | 05/14/99 |
| NYCE | Australian Dollar/New Zealand Dollar Cross Rate | | 05/10/99 | 05/14/99 |
| NYMEX | Belgian Franc | (d) | 07/18/75 | 09/12/74 |
| CME | Brazilian Real* | | 11/07/95 | 11/08/96 |
| CME | British Pound | | 07/18/75 | 05/16/72 |
| MCE | British Pound | | 08/16/83 | 09/16/83 |
| NYFE | British Pound | | 05/28/80 | 08/07/80 |
| NYMEX | British Pound | (d) | 07/18/75 | 09/12/74 |
| PBOT | British Pound | | 07/08/86 | 08/08/86 |
| CME | British Pound/Deutsche Mark | | 03/25/91 | 05/29/91 |
| TCBOT | 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 |
| PBOT | Canadian Dollar | | 07/08/86 | 08/08/86 |
| NYCE | Canadian Dollar/Japanese Yen Cross Rate | | 04/13/00 (#) | 05/12/00 |
| CME | Currency Forwards, British Pound Sterling | | 06/15/94 | |
| CME | Currency Forwards, Canadian Dollar | | 06/15/94 | |
| CME | Currency Forwards, Deutsche Mark | (d) | 06/15/94 | 09/12/94 |
| CME | Currency Forwards, Japanese Yen | (d) | 06/15/94 | |
| CME | Currency Forwards, Swiss Franc | | 06/15/94 | |
| CME | Deutsche Mark | | 07/18/75 | 05/16/72 |
| MCE | Deutsche Mark | | 08/16/83 | 09/16/83 |

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

| Exchange ² | Contract ³ | Notes ³ | Approval/ Certification(#) Date ⁴ | Date Trading Began ⁵ |
|-----------------------|-----------------------------------|--------------------|--|---------------------------------------|
| NYFE | Deutsche Mark | | 05/28/80 | 08/07/80 |
| NYMEX | Deutsche Mark | (d) | 07/18/75 | 09/12/74 |
| PBOT | Deutsche Mark | | 07/08/86 | 08/08/86 |
| NYCE | Deutsche Mark/British Pound* | | 03/29/94 | 07/17/94 |
| CME | Deutsche Mark/French Franc | | 03/05/96 | |
| CME | Deutsche Mark/Italian Lira | | 03/05/96 | |
| CME | Deutsche Mark/Japanese Yen | | 03/25/91 | 05/29/91 |
| CME | Deutsche Mark/Spanish Peseta | | 03/05/96 | |
| CME | Deutsche Mark/Swedish Krona | | 03/05/96 | |
| CME | Deutsche Mark/Swiss Franc | | 03/25/91 | 05/29/91 |
| NYCE | Deutsche Mark/Swiss Franc | | 09/01/95 | 09/29/95 |
| NYCE | Deutsche Mark/Spanish Peseta | | 01/27/97 | 04/18/97 |
| CME | Dutch Guilder | (d) | 07/18/75 | 05/16/72 |
| NYMEX | Dutch Guilder | (d) | 07/18/75 | 09/12/74 |
| CBOT | Euro | (d) ²⁶ | 01/28/86 | |
| CME | Euro | ²⁶ | 01/15/86 | 01/16/86 |
| MCE | Euro | | 03/08/99 | 11/05/99 |
| NYCE | Euro/U.S. Dollar | ²⁶ | 12/17/85 | 01/07/86 |
| CME | Euro, E-Mini | ²⁶ | 08/20/99 | 10/07/99 |
| NYCE | Euro/Australian Dollar Cross Rate | | 04/13/00 (#) | 05/12/00 |
| CME | Euro/British Pound | ²⁶ | 02/23/98 | |
| CME | Euro/Canadian Dollar | ²⁶ | 02/23/98 | |
| NYCE | Euro/Canadian Dollar Cross Rate | ²⁶ | 05/10/99 | |
| CME | Euro/Deutsche Mark | ²⁶ | 02/23/98 | |
| CME | Euro/Japanese Yen | ²⁶ | 02/23/98 | |
| NYCE | Euro/Norwegian Krone Cross Rate | ²⁶ | 05/10/99 | 05/14/99 |
| CME | Euro/Swiss Franc | ²⁶ | 02/23/98 | |
| NYCE | Euro/US Dollar, Small | ²⁶ | 05/10/99 | 05/14/99 |
| PBOT | European Currency Unit | ²⁶ | 07/08/86 | 08/08/86 |
| CME | French Franc | | 07/18/75 | 09/23/74 |
| PBOT | French Franc | | 07/08/86 | 02/28/94 |
| NYCE | French Franc/Deutsche Mark* | | 03/29/94 | 06/17/94 |
| NYCE | Indonesia Rupiah* | | 04/16/97 | 07/11/97 |
| CME | Italian Lira | (d) | 09/30/81 | |
| NYMEX | Italian Lira | (d) | 07/18/75 | |
| NYCE | Italian Lira/Deutsche Mark* | | 03/29/94 | 08/08/94 |
| CME | Japanese Yen | | 07/18/75 | 05/16/72 |
| MCE | Japanese Yen | | 08/16/83 | 09/16/83 |
| NYFE | Japanese Yen | | 05/28/80 | 08/07/80 |
| NYMEX | Japanese Yen | (d) | 07/18/75 | 09/12/74 |
| PBOT | Japanese Yen | | 07/08/86 | 08/08/86 |
| NYCE | Japanese Yen/Deutsche Mark* | | 03/29/94 | 07/13/94 |
| CME | Japanese Yen, E-Mini | | 08/20/99 | 10/07/99 |
| NYCE | Malaysian Ringgit* | | 04/16/97 | 07/11/97 |
| CME | Mexican Peso | (d) | 07/18/75 | 05/16/72 |
| MCE | Mexican Peso | | 06/18/96 | |
| NYMEX | Mexican Peso | (d) | 07/18/75 | 09/12/74 |

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

| Exchange ² | Contract ³ | Notes ³ | Approval/ Certification(#) Date ⁴ | Date Trading Began ⁵ |
|-------------------------|---|--------------------|--|---------------------------------------|
| CME | New Zealand Dollar | | 04/16/97 | 05/07/97 |
| NYCE | New Zealand Dollar/US Dollar | | 02/26/97 | 05/01/97 |
| 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 |
| 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 |
| PBOT | Swiss Franc | | 08/08/86 | 08/08/86 |
| CME | Swiss Franc/Japanese Yen | 15 | 03/25/91 | |
| NYCE | Swiss Franc/Japanese Yen Cross Rate | | 11/02/98 | 11/20/98 |
| NYCE | Thai Baht* | | 04/16/97 | 07/11/97 |
| NYFE | US Dollar/Canadian Dollar | | 05/28/80 (#) | 08/07/80 |
| NYCE | US Dollar/Norwegian Krona | | 04/13/00 (#) | 05/12/00 |
| NYCE | US Dollar/Swedish Krona | | 04/13/00 (#) | 05/12/00 |
| Currency Options | | | | |
| CME | Australian Dollar | | 11/17/87 | 01/11/88 |
| NYCE | Australian Dollar | | 02/26/97 | |
| NYCE | Australian Dollar/Canadian Dollar Cross Rate | | 04/13/00 (#) | 05/15/00 |
| NYCE | Australian Dollar/Japanese Yen Cross Rate | | 05/10/99 | 05/17/99 |
| NYCE | Australian Dollar/New Zealand Dollar Cross Rate | | 05/10/99 | 05/17/99 |
| CME | Brazilian Real | | 11/07/95 | 11/08/95 |
| CME | British Pound | | 02/22/85 | 02/25/85 |
| NYFE | British Pound | | 05/07/96 | |
| CME | British Pound Sterling (Physical) | (d) | 06/29/89 | |
| NYCE | British Pound Sterling/Japanese Yen | | 02/26/97 | |
| NYCE | British Pound Sterling/Swiss Franc | | 02/26/97 | |
| CME | British Pound/Deutsche Mark | | 03/25/91 | 05/29/91 |
| CME | British Pound/Japanese Yen | | 03/25/91 | |
| CME | British Pound/Swiss Franc | | 03/25/91 | |
| CME | Canadian Dollar | | 06/17/86 | 06/18/86 |
| NYCE | Canadian Dollar/Japanese Yen Cross Rate | | 04/13/00 (#) | 05/15/00 |
| CME | Currency Forwards, British Pound | | 06/15/94 | |
| CME | Currency Forwards, Canadian Dollar | | 06/15/94 | |
| CME | Currency Forwards, Deutsche Mark | (d) | 06/15/94 | |
| CME | Currency Forwards, Japanese Yen | (d) | 06/15/94 | |
| CME | Currency Forwards, Swiss Franc | | 06/15/94 | |

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

| Exchange ² | Contract ³ | Notes ³ | Approval/ Certification(#) Date ⁴ | Date Trading Began ⁵ |
|-----------------------|-----------------------------------|--------------------|--|---------------------------------------|
| CME | Deutsche Mark | | 12/13/83 | 01/24/84 |
| NYFE | Deutsche Mark | | 05/07/96 | |
| CME | Deutsche Mark/Spanish Peseta | | 03/05/96 | |
| NYCE | Deutsche Mark/Spanish Peseta | | 01/27/97 | |
| CME | Deutsche Mark/Swedish Krona | | 03/05/96 | |
| CME | Deutsche Mark/Swiss Franc | | 03/25/91 | 05/29/91 |
| NYCE | Deutsche Mark/Swiss Franc | | 09/01/95 | 09/29/95 |
| NYCE | Deutsche Mark/British Pound | | 03/29/94 | 04/21/95 |
| CME | Deutsche Mark/French Franc | | 03/05/96 | |
| CME | Deutsche Mark/Italian Lira | | 03/05/96 | |
| CME | Deutsche Mark/Japanese Yen | | 03/25/91 | 05/29/91 |
| CME | Euro | | 10/27/97 | 05/19/98 |
| NYCE | Euro | | 03/31/92 | 04/30/92 |
| CME | Euro, E-Mini | | 08/20/99 | |
| NYCE | Euro/Australian Dollar Cross Rate | | 04/13/00 (#) | 05/15/00 |
| CME | Euro/British Pound Cross Rate | 26 | 02/23/98 | |
| CME | Euro/Canadian Dollar Cross Rate | 26 | 02/23/98 | |
| NYCE | Euro/Canadian Dollar Cross Rate | | 05/10/99 | |
| CME | Euro/Deutsche Mark Cross Rate | 26 | 02/23/98 | |
| CME | Euro/Japanese Yen Cross Rate | 26 | 02/23/98 | |
| NYCE | Euro/Norwegian Krone Cross Rate | | 05/10/99 | 05/17/99 |
| CME | Euro/Swiss Franc Cross Rate | 26 | 02/23/98 | |
| CBOT | European Currency Unit (Physical) | (d) | 03/04/86 | |
| CME | French Franc | | 09/15/93 | 09/20/93 |
| NYCE | French Franc/Deutsche Mark | | 03/29/94 | 04/21/95 |
| NYCE | Indonesia Rupiah | | 04/16/97 | |
| NYCE | Italian Lira/Deutsche Mark | | 03/29/94 | 04/21/95 |
| CME | Japanese Yen | | 03/04/86 | 03/05/86 |
| NYFE | Japanese Yen | | 05/07/96 | |
| CME | Japanese Yen, E-Mini | | 08/20/99 | |
| NYCE | Japanese Yen/Deutsche Mark | | 03/29/94 | |
| NYCE | Malaysian Ringgit | | 04/16/97 | |
| CME | Mexican Peso | | 04/24/95 | 04/25/95 |
| CME | New Zealand Dollar | | 04/16/97 | 05/07/97 |
| NYCE | New Zealand Dollar | | 02/26/97 | |
| CME | Rolling Spot, Australian Dollar | (d) | 08/10/93 | |
| CME | Rolling Spot, British Pound | (d) | 04/06/93 | |
| CME | Rolling Spot, Canadian Dollar | (d) | 05/19/93 | |
| CME | Rolling Spot, Deutsche Mark | (d) | 05/19/93 | |
| CME | Rolling Spot, French Franc | (d) | 09/15/93 | |
| CME | Rolling Spot, Japanese Yen | (d) | 05/19/93 | |
| CME | Rolling Spot, Swiss Franc | (d) | 05/19/93 | |
| CME | Russian Ruble | | 04/20/98 | 04/21/98 |
| NYCE | Singapore Dollar | | 04/16/97 | |
| CME | South African Rand | | 04/16/97 | 05/07/97 |
| NYCE | South African Rand | | 03/28/97 | |
| NYCE | Swedish Krona/Deutsche Mark | | 03/29/94 | 03/25/96 |

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

| Exchange ² | Contract ³ | Notes ³ | Approval/ Certification(#) Date ⁴ | Date Trading Began ⁵ |
|----------------------------|-------------------------------------|--------------------|--|---------------------------------------|
| CME | Swiss Franc | | 02/22/85 | 02/25/85 |
| NYFE | Swiss Franc | | 05/07/96 | |
| CME | Swiss Franc/Japanese Yen Cross Rate | | 03/25/91 | |
| NYCE | Swiss Franc/Japanese Yen Cross Rate | | 11/02/98 | 11/20/98 |
| NYCE | Thai Baht | | 04/16/97 | |
| NYFE | US Dollar/Canadian Dollar | | 04/13/00 (#) | 05/15/00 |
| NYCE | US Dollar/Norwegian Krona | | 04/13/00 (#) | 05/15/00 |
| NYCE | US Dollar/Swedish Krona | | 04/13/00 (#) | 05/15/00 |
| Stock Index Futures | | | | |
| CBOT | Amex Major Market Index Mini* | (d) ¹⁶ | 06/19/84 | 07/23/84 |
| CBOT | Amex Major Market Index* | (d) ¹⁶ | 08/01/85 | 08/08/85 |
| CBOT | Amex Market Value Index * | (d) | 06/19/84 | |
| CBOT | CBOE 250 Stock Index* | (d) | 05/11/88 | 11/01/88 |
| CBOT | CBOE 50 Stock Index* | (d) | 05/11/88 | 11/01/88 |
| CBOT | CBOT Stock Market Index* | (d) | 05/13/82 | |
| COMEX | COMEX 500 Stock Index* | (d) | 04/28/82 | |
| COMEX | COMEX Stock Index* | (d) | 09/30/86 | |
| CBOT | Dow Jones Composite Average | | 07/19/00 (#) | 07/20/00 |
| CBOT | Dow Jones Mini-Sized | | 08/21/01 (#) | 09/30/01 |
| CBOT | Dow Jones Transportation | | 10/27/99 (#) | 07/20/00 |
| CBOT | 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 |
| CBOT | Industry Composite Portfolio* | (d) | 07/06/83 | |
| CBOT | Institutional Index* | (d) | 05/12/87 | 09/22/87 |
| CSCE | International Market Index* | (d) | 12/15/88 | 05/12/89 |
| KCBT | Internet Stock Price ISEX Index* | | 03/24/99 | |
| CME | IPC (Mexican Stock Index)* | | 05/22/96 | 05/30/96 |
| 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 | |
| CBOT | 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 | |
| PBOT | National OTC Index* | (d) | 09/11/85 | 09/18/85 |
| CME | Nikkei 225 Stock Average* | | 11/22/88 | 09/25/90 |
| CME | Nikkei 300 Stock Index* | | 07/26/94 | |
| NYFE | NYSE Beta Index* | (d) | 09/30/86 | |
| NYFE | NYSE Composite Index* | | 05/04/82 | 05/06/82 |
| NYFE | NYSE Financial Stock Index* | (d) | 09/21/82 | |
| NYFE | NYSE Industrial Stock Index* | (d) | 09/21/82 | |
| NYFE | NYSE Large Composite Index* | (d) | 11/30/82 | |
| NYFE | NYSE Small Composite* | | 03/03/98 | |
| NYFE | NYSE Utility Stock Index* | | 09/21/82 | 11/12/82 |
| NYFE | PSE Technology Index* | | 02/21/96 | 04/23/96 |

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

| Exchange ² | Contract ³ | Notes ³ | Approval/ Certification(#) Date ⁴ | Date Trading Began ⁵ |
|----------------------------|---------------------------------------|--------------------|--|---------------------------------------|
| PFE | PSE Technology Index* | (d) | 07/22/86 | |
| NYFE | Russell 1,000 Index* | | 01/21/87 | 03/08/99 |
| NYFE | Russell 1,000 Index, Large* | | 03/03/99 | 03/08/99 |
| NYFE | Russell 1,000 Mini Index, | | 02/13/00 (#) | 03/16/01 |
| CME | Russell 2,000 Index* | | 10/19/92 | 02/04/93 |
| CME | Russell 2,000 Index, E-Mini | | 08/13/00 (#) | |
| NYFE | Russell 2,000 Index* | (d) | 01/21/87 | 09/10/87 |
| NYFE | Russell 3,000 Index* | (d) | 01/21/87 | 09/10/87 |
| CME | S&P 100 Stock Price Index* | (d) | 07/12/83 | 07/14/83 |
| CME | S&P 500/BARRA Growth Index* | | 10/17/95 | 11/06/95 |
| CME | S&P 500/BARRA Value Index* | | 10/17/95 | 11/06/95 |
| CME | S&P 500 Stock Price Index* | | 04/20/82 | 04/21/82 |
| CME | S&P 500, E-Mini* | | 07/28/97 | 09/09/97 |
| CME | S&P Consumer Staple Index* | (d) | 02/22/83 | |
| CME | S&P Energy Index* | (d) | 01/11/84 | |
| 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 | |
| CBOT | 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 |
| CBOT | Wilshire Small Cap Index * | | 10/19/92 | 01/11/93 |
| Stock Index Options | | | | |
| CBOT | Dow Jones Composite Average | | 07/19/00 | |
| CBOT | Dow Jones Transportation | | 10/27/99 | |
| CBOT | 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 |
| CBOT | 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 | |
| NYFE | NYSE Composite Index | | 01/06/83 | 01/28/83 |
| NYFE | PSE Technology Index | | 02/21/96 | 04/23/96 |
| NYFE | Russell 1,000 Index | | 03/03/99 | 03/08/99 |
| CME | Russell 2,000 Index | | 10/19/92 | 02/04/93 |
| CME | S&P 500/BARRA Growth Index | | 10/17/95 | 11/06/95 |
| CME | S&P 500/BARRA Value Index | | 10/17/95 | 11/06/95 |
| CME | S&P 500 Stock Price Index | | 01/06/83 | 01/28/83 |

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

| Exchange ² | Contract ³ | Notes ³ | Approval/ Certification(#) Date ⁴ | Date Trading Began ⁵ |
|------------------------------|---|--------------------|--|---------------------------------------|
| CME | S&P 500, E-Mini | | 07/28/97 | 09/09/97 |
| CME | S&P REIT Composite Index | | 12/15/98 | |
| CBOT | Tokyo Stock Price Index (TOPIX) | (d) | 06/20/90 | 09/27/90 |
| NYFE | Utility Stock Index | | 08/11/93 | 11/15/93 |
| CBOT | Wilshire Small Cap Index | | 10/19/92 | 01/11/93 |
| Interest Rate Futures | | | | |
| CBOT | Agency Notes, Five-Year | | 03/14/00 (#) | 05/03/00 |
| CME | Agency Notes, Five-Year | | 03/13/00 | 03/14/00 |
| CBOT | Agency Notes, Ten-Year | | 03/14/00 (#) | 03/15/00 |
| CME | Agency Notes, Ten-Year | | 03/13/00 | 03/14/00 |
| CBOT | Argentina Brady Bond Index* | | 03/21/96 | 03/22/96 |
| CBOT | Argentine "FRB" Brady Bond | | 03/21/96 | 03/22/96 |
| CBOT | Argentine Par Brady Bond* | | 05/07/96 | |
| CME | Brazilian "C" Brady Bond | | 03/21/96 | 03/26/96 |
| CME | Brazilian "EI" Brady Bond | | 03/21/96 | 03/26/96 |
| CBOT | Brazilian Brady Bond Index* | | 03/21/96 | 03/22/96 |
| CBOT | Brazilian Par Brady Bond* | | 05/07/96 | |
| CME | British Pound Euro-Rate Differential * | (d) | 06/29/89 | 07/06/89 |
| CBOT | Canadian Government Bonds | | 06/25/91 | 04/08/94 |
| CME | CME US Treasury Index* | (d) | 02/17/88 | |
| CBOT | Commercial Paper Loans, 30-Day | (d) | 09/11/78 | 05/14/79 |
| CBOT | 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 |
| CBOT | Domestic CDs | (d) | 07/21/81 | 07/22/81 |
| CME | Domestic CDs | (d) | 07/28/81 | 07/29/81 |
| NYFE | Domestic CDs, 90-Day | (d) | 06/30/81 | 07/09/81 |
| NYCE | Emerging Market Debt Index* | | 10/18/95 | 11/03/95 |
| CME | Euro Canada* | | 04/13/98 | 07/14/98 |
| CME | Eurodollar Forward Rate Agreement, 3-Mo* | | 07/23/99 | |
| CBOT | Eurodollar Time Deposit Rates, 3-Month* | | 12/15/81 | |
| CBOT | Eurodollar Time Deposit Rates, Mini-Sized | | 08/31/01 (#) | |
| CME | Eurodollar Time Deposit Rates, 3-Month* | | 12/08/81 | 12/09/81 |
| MCE | Eurodollar Time Deposit Rates, 3-Month* | | 07/30/92 | 08/21/92 |
| NYFE | Eurodollar Time Deposit Rates, 3-Month* | (d) | 12/15/81 | |
| CME | Euromark Time Deposit Rates, 3-Month* | | 09/22/92 | 04/26/93 |
| CBOT | 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 |
| CBOT | Federal Funds, 30-Day* | | 07/26/88 | 10/03/88 |
| NYCE | Federal Funds, Thirty-Day Index* | (d) | 01/05/89 | |
| CBOT | French Government Bonds, Long-Term | (d) | 04/30/91 | |
| CBOT | 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 | |

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

| Exchange ² | Contract ³ | Notes ³ | Approval/ Certification(#) Date ⁴ | Date Trading Began ⁵ |
|-----------------------|---|--------------------|--|---------------------------------------|
| CBOT | GNMA CDR Mortgage-Backed Certs.* | (d) | 09/11/75 | 10/20/75 |
| CBOT | Italian Government Bonds | | 05/06/97 | |
| CME | Japanese Government Bonds, 10-Year | | 06/08/98 | |
| CBOT | 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 |
| CBOT | Mexico Brady Bond Index* | | 02/26/96 | 03/01/96 |
| CBOT | Mortgage-Backed Future* | (d) ¹⁸ | 09/11/78 | 09/12/78 |
| CBOT | Mortgage-Backed Securities | | 11/30/00 (#) | 03/01/01 |
| CBOT | Municipal Bond Index, Long-Term* | | 05/29/85 | 06/11/85 |
| CME | One-Month LIBOR* | | 10/31/89 | 04/05/90 |
| CBOT | SWAPs, Five-Year Interest Rate* | (d) | 01/29/91 | 06/21/91 |
| CBOT | SWAPs, Ten-Year Interest Rate* | (d) ¹⁹ | 01/29/91 | 06/21/91 |
| CBOT | Three-Month ECU Interest Rate* | (d) | 11/27/90 | |
| CBOT | U.K. Gilts, Long-Term | | 11/22/88 | |
| CFFE | US Agency Notes, Five-Year | | 03/24/00 | 03/15/00 |
| CFFE | US Agency Notes, Ten-Year | | 03/24/00 | 03/15/00 |
| CBOT | US Treas. Notes, Long-Term, Inflation-Indexed | | 03/21/97 | 07/03/97 |
| CBOT | US Treas. Notes, Medium-Term, Inflation-Indexed | | 06/02/97 | 07/03/97 |
| CME | US Treasury Bill, 1-Year* | | 08/25/78 | 09/11/78 |
| CME | US Treasury Bill, 6-Month | (d) | 09/21/82 | |
| ACE | US Treasury Bill, 90-Day | (v) | 06/19/79 | 06/26/79 |
| CBOT | US Treasury Bill, 90-Day | (d) | 03/29/83 | |
| CME | US Treasury Bill, 90-Day | | 11/26/75 | 01/06/76 |
| COMEX | US Treasury Bill, 90-Day | (d) | 06/19/79 | 10/02/79 |
| NYFE | US Treasury Bill, 90-Day | (d) | 07/15/80 | 08/14/80 |
| MCE | US Treasury Bill, 90-Day* | | 03/29/82 | 04/02/82 |
| BTEX | US Treasury Bonds | | 06/18/01 | |
| CFFE | US Treasury Bonds | | 09/04/98 | 09/08/98 |
| CBOT | US Treasury Bonds | | 08/02/77 | 08/22/77 |
| MCE | US Treasury Bonds, 15-Year | | 09/09/81 | 09/18/81 |
| NYFE | US Treasury Bonds, 15-Year | (d) | 07/15/80 | 08/07/80 |
| ACE | US Treasury Bonds, 20-Year | (v) | 10/16/79 | 11/14/79 |
| CFFE | US Treasury Bonds, Flexible Coupon | | 03/01/99 | 03/19/99 |
| CBOT | US Treasury Bonds, Inflation-Indexed | | 06/02/97 | |
| CBOT | US Treasury Bonds, Mini-Sized | | 08/31/00 (#) | 10/01/01 |
| CFFE | US Treasury Bonds, When-Issued | | 01/25/01 (#) | |
| ACC | US Treasury Notes, 2-Year | (d) | 11/21/89 | |
| BTEX | US Treasury Notes, 2-Year | | 06/18/01 | |
| CFFE | US Treasury Notes, 2-Year | | 09/04/98 | 09/08/98 |
| COMEX | US Treasury Notes, 2-Year | (d) | 09/30/80 | 12/02/80 |
| NYCE | US Treasury Notes, 2-Year* | | 02/13/89 | 02/22/89 |
| CFFE | US Treasury Notes, 2-Year, Flex Coupon | | 03/01/99 | 03/19/99 |
| CME | US Treasury Notes, 4-Year | (d) | 06/19/79 | 07/10/79 |
| BTEX | US Treasury Notes, 5-Year | | 06/18/01 | |

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

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

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

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

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

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

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

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

NATURAL RESOURCES

Energy Product Futures

| | | | | |
|-------|--|-----|--------------|----------|
| NYMEX | Coal, Central Appalachian | | 05/11/98 | |
| CME | Crude Oil | (d) | 06/18/85 | |
| NYCE | Crude Oil | (v) | 07/18/75 | 09/10/74 |
| 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 | |
| NYMEX | Crude Oil, Light Sweet | | 03/29/83 | 03/30/83 |
| 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 | |
| CBOT | Crude Petroleum | (d) | 03/29/83 | 03/30/83 |
| NYMEX | Fuel Oil, Industrial | (d) | 07/18/75 | 10/23/74 |
| CME | Fuel Oil, No.2 | (d) | 09/27/83 | 03/26/84 |
| NYMEX | Fuel Oil, Residual | (d) | 08/22/89 | 10/02/89 |
| 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 | |
| CBOT | Gasoline, Unleaded Regular | (d) | 05/25/82 | 12/07/82 |
| CME | Gasoline, Unleaded Regular | (d) | 09/27/83 | |
| NYMEX | Gasoline, Unleaded Regular, Gulf Coast | (d) | 02/11/92 | 09/18/92 |

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

| Exchange ² | Contract ³ | Notes ³ | Approval/ Certification(#) Date ⁴ | Date Trading Began ⁵ |
|-------------------------------|---|--------------------|--|---------------------------------------|
| NYMEX | Gasoline, Unleaded Regular, NY Harbor | | 09/01/81 | 12/03/84 |
| NYMEX | Gasoline, Unleaded Regular, Texas | (d) ²¹ | 10/27/81 | |
| CBOT | Heating Oil | (d) | 05/18/82 | 04/14/83 |
| NYMEX | Heating Oil, No.2, Gulf Coast | (d) | 08/04/81 | 08/17/81 |
| NYMEX | Heating Oil, No.2, NY Harbor | | 07/18/75 | 10/23/74 |
| COMEX | Jet Fuel | (d) | 09/22/92 | |
| NYMEX | Liquefied Propane | | 08/18/87 | 08/21/87 |
| NYCE | Liquefied Propane Gas | (d) | 07/18/75 | 02/01/71 |
| NYMEX | Natural Gas, Alberta | | 08/02/96 | 09/27/96 |
| NYMEX | Natural Gas, Henry Hub | | 02/27/90 | 04/03/90 |
| NYMEX | Natural Gas, Permian Basin | | 05/31/96 | 05/31/96 |
| KCBT | Natural Gas, Western | | 05/03/95 | 08/01/95 |
| KCBT | Natural Gas, Western, Index Price | | 06/07/99 | 06/08/99 |
| Energy Product Options | | | | |
| NYMEX | Coal, Central Appalachian | | 05/11/98 | |
| NYMEX | Crude Oil Average Price Option (Physical)* | | 09/13/99 | |
| NYMEX | Crude Oil, Light Sweet | | 09/16/86 | 11/14/86 |
| NYMEX | Crude Oil, Light Sweet | | 09/16/86 | 11/14/86 |
| NYMEX | Crude Oil, Brent | | 08/22/01 (#) | 09/06/01 |
| NYMEX | Crude Oil, WTI/Brent Spread | | 08/22/01 (#) | 09/07/01 |
| NYMEX | Gasoline, Unleaded Average Price Option (Physical)* | | 09/13/99 | |
| NYMEX | Gasoline, Unleaded Regular, NY Harbor | | 12/08/87 | 03/13/89 |
| NYMEX | Heating Oil Average Price Option (Physical)* | | 09/13/99 | |
| NYMEX | Heating Oil / Crude Oil Spread | | 12/17/91 | |
| NYMEX | Heating Oil, No.2, NY Harbor | | 09/16/86 | 06/29/87 |
| NYMEX | Natural Gas, Alberta | | 08/02/96 | |
| NYMEX | Natural Gas, Henry Hub | | 03/04/92 | 10/02/92 |
| NYMEX | Natural Gas, 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 |
| CBOT | 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 |
| CBOT | Gold, 100 tr.oz. | | 08/11/87 | 09/13/87 |
| NYMEX | Gold, 400 tr.oz. | (r) | 10/25/77 | 11/14/77 |
| COMEX | Gold Asset Participation Contracts | (d) | 02/26/91 | |
| CBOT | Gold, Kilo | 22 | 07/18/75 | 12/31/74 |

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

| Exchange ² | Contract ³ | Notes ³ | Approval/ Certification(#) Date ⁴ | Date Trading Began ⁵ |
|-----------------------------|--------------------------------------|--------------------|--|---------------------------------------|
| CBOT | 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 | |
| CBOT | Silver, 1,000 tr. oz. | 23 | 07/18/75 | 11/03/69 |
| CBOT | Silver, 5,000 tr. oz. | | 08/11/87 | 09/13/87 |
| CME | Silver, 5,000 tr. oz. | (d) | 06/28/88 | |
| MCE | Silver, Chicago | (d) | 07/18/75 | 10/01/68 |
| MCE | Silver, New York | | 09/14/82 | 11/01/82 |
| CBOT | Silver, New York, Mini-Sized | | 09/26/01 (#) | 10/01/01 |
| CME | US Silver Coins | (d) | 07/18/75 | 10/01/73 |
| MCE | US Silver Coins | (d) | 07/18/75 | 03/27/72 |
| NYMEX | US 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 | |
| CBOT | 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 |
| CBOT | Silver, 1,000 tr.oz. | | 02/12/85 | 03/29/85 |
| CBOT | Silver, 5,000 tr.oz. | (d) | 04/19/88 | |
| Wood Product Futures | | | | |
| CME | Oriented Strand Board | | 09/24/96 | 11/08/96 |
| CBOT | Oriented Strand Board, South Eastern | | 02/07/00 | 03/01/00 |
| CBOT | Oriented Strand Board, South Western | | 02/07/00 | 03/01/00 |
| CBOT | Oriented Strand Board, Western | | 02/07/00 | 03/01/00 |
| CME | Plywood | (d) | 06/30/81 | 07/28/81 |
| CBOT | Plywood, Western | (d) | 07/18/75 | 12/01/69 |
| CME | Random Length Lumber | | 07/18/75 | 10/01/69 |
| CBOT | Structural Panel Index* | | 12/21/93 | 01/25/94 |

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

| Exchange ² | Contract ³ | Notes ³ | Approval/ Certification(#) Date ⁴ | Date Trading Began ⁵ |
|---------------------------------------|--------------------------------------|--------------------|--|---------------------------------------|
| CBOT | Stud Lumber | (d) | 07/18/75 | 12/01/72 |
| CME | Stud Lumber | (d) | 10/04/77 | 12/01/77 |
| Wood Product Options | | | | |
| CBOT | CBOT Structural Panel Index | | 12/21/93 | 01/25/94 |
| CME | Oriented Strand Board | | 09/10/96 | 11/11/96 |
| CBOT | Oriented Strand Board, South Eastern | | 02/07/00 | 03/02/00 |
| CBOT | Oriented Strand Board, South Western | | 02/07/00 | 03/02/00 |
| CBOT | Oriented Strand Board, Western | | 02/07/00 | 03/02/00 |
| CME | Random Length Lumber | | 01/21/87 | 05/29/87 |
| Fertilizer Futures | | | | |
| CBOT | Anhydrous Ammonia | (d) | 10/29/91 | 09/11/92 |
| CBOT | Diammonium Phosphate | (d) | 07/25/91 | 10/18/91 |
| Fertilizer Options | | | | |
| CBOT | Anhydrous Ammonia | (d) | 03/12/96 | |
| CBOT | 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 |
| CBOT | ComEd Hub | | 05/08/98 | 09/11/98 |
| NYMEX | Electricity, Mid-Columbia | | 10/04/99 | 09/15/00 |
| NYMEX | Entergy | | 03/23/98 | 07/10/98 |
| NYMEX | Palo Verde | | 01/25/96 | 03/29/96 |
| CBOT | PJM (PA-MD-NJ) | | 01/25/99 | |
| NYMEX | PJM (PA-MD-NJ) | | 01/11/99 | 03/19/99 |
| CBOT | TVA Hub | | 06/08/98 | 09/11/98 |
| CBOT | Twin Cities, Off-Peak | | 07/13/98 | 09/14/98 |
| CBOT | 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 |
| CBOT | ComEd Hub | | 05/08/98 | 09/11/98 |
| NYMEX | Entergy | | 03/23/98 | 08/07/98 |
| NYMEX | Palo Verde | | 01/25/96 | 04/26/96 |
| CBOT | PJM (PA-MD-NJ) | | 01/25/99 | |
| NYMEX | PJM (PA-MD-NJ) | | 01/11/99 | |
| CBOT | TVA Hub | | 06/08/98 | 09/11/98 |
| CBOT | Twin Cities, On-Peak | | 07/13/98 | 09/14/98 |
| CBOT | Twin Cities, Off-Peak | | 07/13/98 | 09/14/98 |
| Other Natural Resource Futures | | | | |
| CME | Benzene | | 04/13/01 | |
| CBOT | Clean Air | (d) ²⁴ | 04/21/92 | |
| CME | Degree Days Index, Atlanta* | | 08/12/99 | 09/22/99 |
| CME | Degree Days Index, Chicago* | | 08/12/99 | 09/22/99 |
| CME | Degree Days Index, Cincinnati* | | 08/12/99 | 09/22/99 |
| CME | Degree Days Index, Dallas* | | 08/12/99 | |

**Futures and Option Contracts Authorized for Trading by the Commodity
Futures Trading Commission as of September 30, 2001 ¹**

| Exchange ² | Contract ³ | Notes ³ | Approval/ Certification(#) Date ⁴ | Date Trading Began ⁵ |
|---------------------------------------|--------------------------------------|--------------------|--|---------------------------------------|
| CME | Degree Days Index, De Moines* | | 08/12/99 | |
| CME | Degree Days Index, Las Vegas* | | 08/12/99 | |
| CME | Degree Days Index, New York* | | 08/12/99 | 09/22/99 |
| CME | Degree Days Index, Philadelphia* | | 08/12/99 | |
| CME | Degree Days Index, Portland, Oregon* | | 08/12/99 | |
| CME | Degree Days Index, Tucson* | | 08/12/99 | |
| CSCE | Natural Rubber | (d) | 07/18/75 | |
| CME | Xylenes | | 08/07/01 (#) | 10/19/01 |
| Other Natural Resource Options | | | | |
| CBOT | Clean Air | (d) ²⁴ | 04/21/92 | |
| CME | Degree Days Index, Atlanta | | 08/12/99 | |
| CME | Degree Days Index, Chicago | | 08/12/99 | |
| CME | Degree Days Index, Cincinnati | | 08/12/99 | |
| CME | Degree Days Index, Dallas | | 08/12/99 | |
| CME | Degree Days Index, De Moines | | 08/12/99 | |
| CME | Degree Days Index, Las Vegas | | 08/12/99 | |
| CME | Degree Days Index, New York | | 08/12/99 | |
| CME | Degree Days Index, Philadelphia | | 08/12/99 | |
| CME | Degree Days Index, Portland, Oregon | | 08/12/99 | |
| CME | Degree Days Index, Tucson | | 08/12/99 | |

Futures and Option Contracts Authorized for Trading by the Commodity Futures Trading Commission as of September 30, 2001 ¹

Footnotes

1. The table lists three main categories of commodities--agriculture, financial instruments, and natural resources--and subcategories within those categories. It groups contracts by futures and options within the categories and subcategories.

2. Exchange abbreviations are as follows:

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

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

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

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

Futures and Option Contracts Authorized for Trading by the Commodity Futures Trading Commission as of September 30, 2001 ¹

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 CBOT'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 CBOT.
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 CBOT'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, delisted from the CBOT.
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.

Futures and Option Contracts Authorized for Trading by the Commodity Futures Trading Commission as of September 30, 2001 ¹

19. The underlying instrument was changed from a three-year interest rate swap to a ten-year interest rate swap on September 4, 1992.
20. These contracts were vacated on April 6, 1993, concurrent with Commission approval of identical CBOT 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 CBOT gold futures contract was later approved on August 11, 1987.
23. Contract size was reduced to 1,000 from 5,000 troy ounces, effective March 16, 1981. A 5,000-troy-ounce silver futures contract was later approved on August 11, 1987.
24. The underlying commodity is a sulfur dioxide emission allowance issued by the Environmental Protection Agency.
25. The COMEX's "old" aluminum futures contract was vacated, at the request of the exchange, effective March 18, 1999. That contract was replaced by a new aluminum contract approved on March 24, 1999.
26. The ECU (European Currency Unit) contracts were changed to euro contracts in January 1999 when the European Monetary Union (EMU) went into effect and the euro replaced the ECU as the official currency unit.
27. The FCOJ-2 futures contract was amended on September 27, 1999, to provide for trading as the difference between the value of Brazil-Florida FCOJ and the value of the existing frozen concentrated orange juice (FCOJ-1) futures contract.

Futures Industry Registrants by Location as of September 30, 2001

| Location | Floor Brokers | Floor Traders | Associated Persons* | FCMs** | Guaranteed IBs** | Non-Guar. IBs** | CTAs** | CPOs** | Principals* | Branches |
|-------------------|------------------|------------------|------------------------|--------|---------------------|--------------------|--------|--------|-------------|----------|
| Alaska | 1 | 0 | 57 | 0 | 3 | 0 | 4 | 5 | 9 | 9 |
| Alabama | 3 | 2 | 317 | 0 | 8 | 0 | 4 | 1 | 25 | 53 |
| Arizona | 5 | 3 | 257 | 1 | 14 | 1 | 8 | 0 | 48 | 41 |
| Arkansas | 7 | 5 | 549 | 0 | 17 | 2 | 27 | 9 | 43 | 78 |
| Caribbean Islands | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| California | 26 | 8 | 5,870 | 8 | 103 | 36 | 237 | 121 | 921 | 542 |
| Colorado | 11 | 2 | 657 | 0 | 29 | 7 | 40 | 20 | 127 | 101 |
| Connecticut | 87 | 2 | 1,237 | 6 | 3 | 24 | 126 | 132 | 394 | 90 |
| D.C. | 0 | 0 | 86 | 0 | 0 | 2 | 4 | 4 | 15 | 3 |
| Delaware | 2 | 0 | 104 | 0 | 1 | 0 | 0 | 2 | 3 | 9 |
| Florida | 65 | 11 | 3,174 | 6 | 127 | 43 | 164 | 70 | 485 | 363 |
| Georgia | 5 | 6 | 795 | 1 | 25 | 3 | 37 | 14 | 111 | 96 |
| Guam | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| Hawaii | 2 | 0 | 175 | 0 | 0 | 0 | 7 | 2 | 7 | 20 |
| Iowa | 8 | 2 | 550 | 2 | 86 | 9 | 46 | 17 | 254 | 119 |
| Idaho | 3 | 0 | 113 | 0 | 12 | 0 | 5 | 1 | 18 | 21 |
| Illinois | 5,607 | 984 | 4,276 | 66 | 168 | 65 | 436 | 206 | 1,311 | 347 |
| Indiana | 93 | 20 | 521 | 1 | 37 | 3 | 21 | 11 | 110 | 84 |
| Kansas | 69 | 3 | 387 | 0 | 44 | 2 | 14 | 0 | 153 | 72 |
| Kentucky | 1 | 1 | 196 | 0 | 4 | 1 | 5 | 3 | 15 | 33 |
| Louisiana | 0 | 1 | 343 | 0 | 4 | 1 | 9 | 2 | 30 | 61 |
| Massachusetts | 7 | 5 | 1,067 | 2 | 4 | 4 | 60 | 54 | 291 | 83 |
| Maryland | 1 | 0 | 506 | 1 | 3 | 5 | 24 | 13 | 90 | 58 |
| Maine | 0 | 0 | 65 | 0 | 0 | 0 | 3 | 0 | 6 | 14 |
| Michigan | 15 | 4 | 684 | 2 | 13 | 1 | 36 | 9 | 89 | 115 |
| Minnesota | 124 | 3 | 733 | 4 | 41 | 5 | 30 | 23 | 168 | 114 |
| Missouri | 74 | 5 | 652 | 3 | 37 | 4 | 30 | 13 | 145 | 87 |
| Mississippi | 0 | 1 | 122 | 0 | 3 | 1 | 2 | 1 | 13 | 23 |
| Montana | 3 | 0 | 72 | 0 | 11 | 0 | 2 | 1 | 15 | 16 |
| North Carolina | 2 | 1 | 617 | 2 | 16 | 6 | 25 | 11 | 92 | 97 |
| North Dakota | 1 | 0 | 94 | 0 | 17 | 0 | 2 | 0 | 34 | 29 |
| Nebraska | 2 | 0 | 347 | 0 | 61 | 3 | 19 | 6 | 127 | 68 |
| New Hampshire | 4 | 1 | 111 | 0 | 0 | 1 | 4 | 3 | 12 | 21 |

Futures Industry Registrants by Location as of September 30, 2001

| Location | Floor Brokers | Floor Traders | Associated Persons* | FCMs** | Guaranteed IBs** | Non-Guar. IBs** | CTAs** | CPOs** | Principals* | Branches |
|-------------------------|------------------|------------------|------------------------|------------|---------------------|--------------------|--------------|--------------|--------------|--------------|
| New Jersey | 779 | 55 | 3,132 | 0 | 14 | 19 | 141 | 97 | 627 | 204 |
| New Mexico | 2 | 3 | 149 | 0 | 6 | 0 | 9 | 5 | 20 | 17 |
| Nevada | 13 | 1 | 261 | 1 | 8 | 2 | 26 | 10 | 38 | 31 |
| New York | 1,379 | 117 | 7,285 | 78 | 41 | 86 | 501 | 558 | 1,549 | 324 |
| Ohio | 4 | 2 | 885 | 0 | 27 | 5 | 28 | 9 | 128 | 149 |
| Oklahoma | 1 | 1 | 369 | 0 | 22 | 0 | 12 | 4 | 50 | 57 |
| Oregon | 2 | 1 | 396 | 0 | 20 | 0 | 27 | 4 | 54 | 41 |
| Pennsylvania | 48 | 7 | 1,137 | 1 | 12 | 2 | 36 | 23 | 149 | 145 |
| Puerto Rico | 0 | 0 | 29 | 0 | 1 | 0 | 1 | 0 | 6 | 5 |
| Rhode Island | 1 | 1 | 69 | 0 | 2 | 0 | 3 | 0 | 11 | 13 |
| South Carolina | 4 | 1 | 274 | 0 | 6 | 2 | 9 | 6 | 21 | 52 |
| South Dakota | 0 | 0 | 134 | 0 | 23 | 0 | 4 | 1 | 44 | 46 |
| Tennessee | 6 | 2 | 642 | 2 | 20 | 10 | 39 | 27 | 140 | 68 |
| Texas | 12 | 7 | 2,404 | 1 | 69 | 21 | 122 | 68 | 375 | 301 |
| Utah | 0 | 1 | 195 | 0 | 1 | 1 | 8 | 5 | 24 | 28 |
| Virginia | 3 | 2 | 693 | 0 | 14 | 8 | 41 | 26 | 132 | 104 |
| Vermont | 4 | 0 | 85 | 0 | 0 | 1 | 3 | 0 | 2 | 12 |
| Washington | 1 | 2 | 615 | 0 | 10 | 3 | 26 | 22 | 77 | 92 |
| Wisconsin | 56 | 8 | 494 | 2 | 14 | 5 | 23 | 8 | 97 | 95 |
| West Virginia | 0 | 0 | 74 | 0 | 0 | 0 | 3 | 0 | 5 | 23 |
| Wyoming | 2 | 0 | 27 | 0 | 2 | 0 | 2 | 1 | 6 | 10 |
| Total U.S. | 8,545 | 1,281 | 44,085 | 190 | 1,203 | 394 | 2,495 | 1,629 | 8,717 | 4,684 |
| Total Foreign | 83 | 15 | 2,216 | 2 | 3 | 3 | 254 | 132 | 795 | 56 |
| Total Registered | 8,628 | 1,296 | 46,301 | 192 | 1,206 | 397 | 2,749 | 1,761 | 9,512 | 4,740 |

*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.

***An additional 5 are authorized to continue to act as floor traders pending review of their application.

CFTC 2001 Available Funds and Staff-Years

| | |
|--------------------|---------------------------|
| Funds Appropriated | \$68,050,000 ¹ |
| Staff-Year Ceiling | 567 |
| Staff-Years Used | 546 |

CFTC Staff-Years by Geographic Location (FY 2001 Actual)

| | |
|----------------------|------------|
| California | 16 |
| District of Columbia | 339 |
| Illinois | 105 |
| Minnesota | 2 |
| Missouri | 7 |
| New York | 77 |
| Total | 546 |

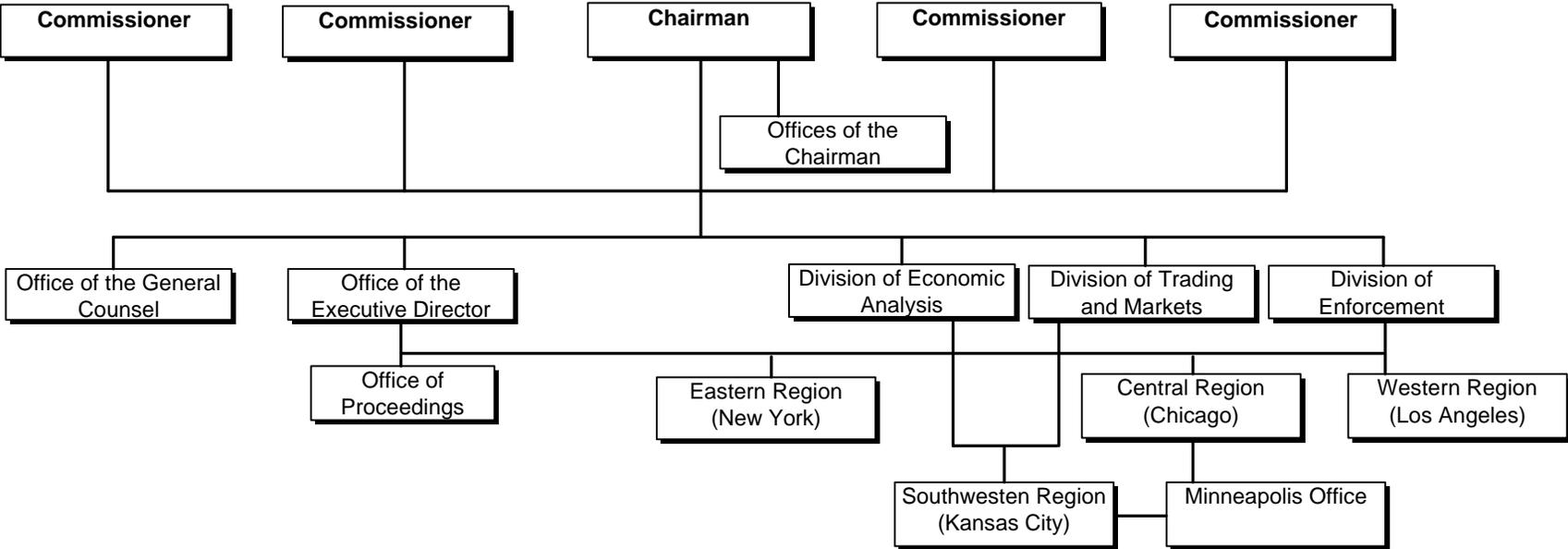
Statement of CFTC Obligations by Geographic Location for Administration of the Commodity Exchange Act (During FY 2001)

| | |
|----------------------|----------------------------------|
| California | \$2,053,000 |
| District of Columbia | 42,708,000 |
| Illinois | 12,665,000 |
| Minnesota | 231,000 |
| Missouri | 835,000 |
| New York | 9,604,000 |
| Total | \$ 68,096,000² |

¹ Includes Emergency Supplemental Appropriation of \$200,000.

² Includes reimbursements of \$50,000 and Emergency Supplemental obligations of \$199,000, less \$3,000 in lapsed appropriated funds.

Commodity Futures Trading Commission Organization Chart as of September 30, 2001



CFTC Offices

Headquarters

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

Central Region

300 South Riverside Plaza
Suite 1600 North
Chicago, ILL 60606
Phone: (312) 353-5990

Southwestern Office

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

Western Office

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

Minneapolis Office

510 Grain Exchange Building
Minneapolis, MN 55415
Phone: (612) 370-3255

Eastern Region

The Newport Office Tower
525 Washington Boulevard
Jersey City, NJ 07310
Phone: (201) 234-6900

After April, 2002

140 Broadway
New York, NY 10005-1101