

# FY 2019 AGENCY FINANCIAL REPORT COMMODITY FUTURES TRADING COMMISSION



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## ABOUT THIS REPORT

The 2019 Agency Financial Report is intended to communicate to stakeholders and interested parties the Commodity Futures Trading Commission's (CFTC or Commission) financial position and operating performance over the previous 12 month time period, and state the CFTC's plans for the future.

The Reports Consolidation Act of 2000 authorizes Federal agencies, with the Office of Management and Budget's (OMB) concurrence, to consolidate various reports in order to provide performance, financial, and related information in a more meaningful and useful format. The Commission has chosen an alternative to the consolidated Performance and Accountability Report and instead, produces an Agency Financial Report and an Annual Performance Report, pursuant to OMB Circular A-136, Financial Reporting Requirements. Unless otherwise indicated, information in this report is provided as of November 7, 2019, and covers the period October 1, 2018 to September 30, 2019.

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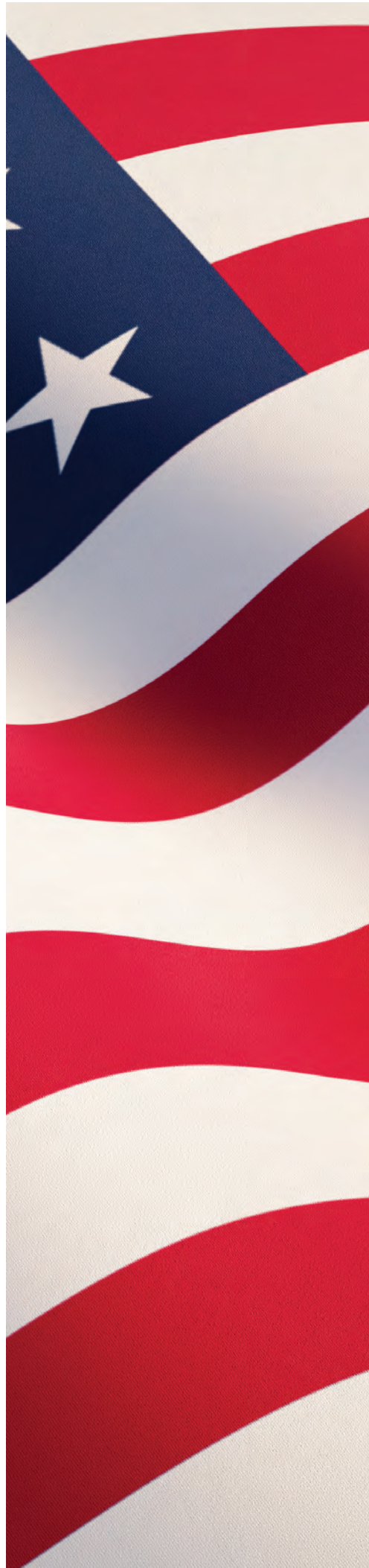
COMMODITY FUTURES TRADING COMMISSION

FY 2019 AGENCY FINANCIAL REPORT

HEATH P. TARBERT  
CHAIRMAN AND CHIEF EXECUTIVE  
ANTHONY C. THOMPSON  
EXECUTIVE DIRECTOR

NOVEMBER 7, 2019

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## Table of Contents

Message from the Chairman .....	5
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	<b>8</b>
The Commission .....	9
What is on the Horizon? .....	20
Performance Highlights .....	28
Financial Highlights .....	36
Management Assurances .....	51
<b>FINANCIAL SECTION .....</b>	<b>56</b>
Report of the Independent Auditor .....	57
Principal Financial Statements .....	62
Required Supplementary Information (Unaudited) ..	88
<b>OTHER INFORMATION .....</b>	<b>89</b>
Inspector General’s FY 2019 Assessment .....	90
Summary of Audit and Management Assurances .....	93
Payment Integrity .....	94
Fraud Reduction Report .....	97
Reduce the Footprint .....	100
Civil Monetary Penalty Adjustment for Inflation ....	101
<b>APPENDIX .....</b>	<b>104</b>
CFTC Customer Protection Fund .....	105
Why Are the Markets Important to Me? .....	108
CFTC Oversight of Regulated Entities .....	112
CFTC Glossary .....	118



Heath P. Tarbert  
Chairman

*CFTC MISSION: To promote the integrity, resilience, and vibrancy of the U.S. derivative markets through sound regulation.*

*CFTC VISION: To be the global standard for sound derivatives regulation.*

*CFTC VALUES: Commitment, Forward-Thinking, Teamwork, Clarity.*

## MESSAGE FROM THE CHAIRMAN

I am pleased to present the CFTC's Agency Financial Report for FY 2019. Transparency about the agency's work and operations is fundamental to public accountability.

While I was at the agency only for a small part of FY 2019, this is a year-long snapshot. I thank my predecessor Chairman J. Christopher Giancarlo for his stewardship of this agency prior to my arrival.

### **U.S. Derivatives Markets**

U.S. derivatives markets are the world's largest, most developed, and most influential. Many of the world's most important agricultural, mineral, and energy commodities are priced in U.S. dollars in our derivatives markets. The estimated 2019 notional value of U.S. derivative markets was \$27 trillion for U.S. futures and \$353 trillion for U.S. swaps.

Our derivatives markets also are central to America's real economy. They allow businesses around the globe to hedge price and manage risk effectively and efficiently. For example, farmers and ranchers use listed

derivatives markets to hedge their costs of production and delivery. These markets allow the risks of variable production costs, such as the price of raw materials, energy, foreign currency, and interest rates, to be transferred from those who cannot afford them to those who can.

Our derivatives markets also are critical for setting the prices of countless goods and services we depend on—from groceries to gasoline to home mortgage interest. They are the reason American consumers enjoy stable prices in the grocery store, whatever the conditions out on the farm.

### **Role of the CFTC**

The U.S. is unique in having a regulatory agency specifically dedicated to derivatives market regulation. The CFTC is recognized for its principles-based regulatory framework and its focus on economic and data-driven analysis. The agency is also known around the world for its depth of expertise and breadth of capability. Well-regulated U.S. derivatives markets serve a vital national interest.

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## **FY 2019 Highlights**

The agency's regulatory efforts are too broad and diverse to describe even in summary fashion in this short message. But I want to highlight a few areas of focus in FY 2019, enforcement, LabCFTC, and customer education and outreach.

### *Enforcement*

The CFTC is committed to rooting out fraud, manipulation, and other trading abuses in the derivatives markets. In FY 2019, the agency filed 69 enforcement actions and opened 88 cases. CFTC staff continues to work proactively alongside law enforcement partners, including the Department of Justice, the Securities & Exchange Commission, and state regulators. We have been and will continue to be tough on those who break the rules.

### *Innovation and LabCFTC*

From corn to crypto, our derivatives markets are going through a major digital transformation. Electronic markets, combined with the introduction of new digital technologies and assets, have altered the entire financial landscape, with far-ranging implications for price discovery and risk transfer. It is imperative that regulators facilitate responsible innovation in these emerging spaces.

LabCFTC serves as the focal point for the Commission's efforts to understand and facilitate market-enhancing financial technology, (FinTech) and innovation and fair competition for the benefit of the American public. In FY 2019, LabCFTC launched the LabCFTC Accelerator program to include pilots, trials, and innovation competitions. LabCFTC also entered a FinTech cooperation

arrangement with the Australian Securities and Investments Commission, and held the first CFTC FinTech Forward Conference. In the future, LabCFTC will enable the CFTC to be proactive and forward-thinking as FinTech presents opportunities, challenges, and risks.

### *Customer Education and Outreach*

The changing digital landscape also brings new opportunities for fraud. In FY 2019, the CFTC's Office of Customer Education and Outreach went on offense against fraudulent activity stemming from social media, mobile apps, and deceptive websites to create the appearance of legitimate trading platforms or opportunities.

The Office of Customer Education and Outreach also continued to deploy evidence-based educational methods along with targeted and broad-based public outreach. Customers who are more knowledgeable about fraud or other market violations—whether they are farmers, ranchers, purchasers of digital assets, or professional traders—can make better-informed trading decisions and are more likely to report suspicious activity.

### *Agency Financials*

The Financial Section in this report includes the results of the independent audit of our FY 2019 Financial Statements, which I am pleased to report is an unmodified opinion. I can also report that the CFTC had no internal control weaknesses and that the financial and performance data in this report are reliable and complete under OMB guidance. Key management assurances and further details about internal controls are provided in the Management's Discussion and Analysis section.

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## Conclusion

This report gives a picture of the CFTC at work. It shows the dedication, professionalism, and successes of the hundreds of people who are truly the heart of the agency.

Every day, they bring their best to ensure the agency acts consistent with our core values: Commitment, Forward-Thinking, Teamwork, and Clarity.

The CFTC's Commissioners and staff are committed to promoting the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation. We will continue to do our work in ways that reflect

our status as the world's premier derivatives regulator and a guardian of the American free enterprise system.

A handwritten signature in black ink, reading "Heath P. Tarbert". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Heath P. Tarbert

November 7, 2019

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The Commission

What is on the Horizon?

Performance Highlights

Financial Highlights

Management Assurances



## The Commission

The CFTC is an independent agency of the U.S. government that oversees the U.S. derivatives markets, which include futures, options, and swaps (for a glossary of terms, see [page 118](#)).



- CFTC was established in 1974 to assume regulatory authority over commodity futures markets that had previously belonged to the U. S. Department of Agriculture (USDA) since the 1920s.



- These markets have existed since the 1860s, beginning with agricultural commodities such as wheat, corn, and cotton.



- The markets grew to include energy and metal commodities, such as crude oil, heating oil, gasoline, copper, gold, and silver.



- Over time, financial instruments based on interest rates, stock indexes, foreign currency, and other products far exceeded agricultural contracts in trading volume.



- In the aftermath of the 2008 financial crisis, the Commission's mandate was vastly expanded to include most over-the-counter (OTC) derivatives markets.

*Be sure to visit the CFTC [timeline of significant dates](#).*

### Why Are Derivatives Important to Me?

The futures and swaps markets are essential to our economy and the way that businesses and investors manage risk. The CFTC works to ensure that market participants can use markets with confidence. These markets also shape the prices we pay for food, energy, and a host of other goods and services. See the Appendix on [page 108](#) for additional information on how futures and swaps work.

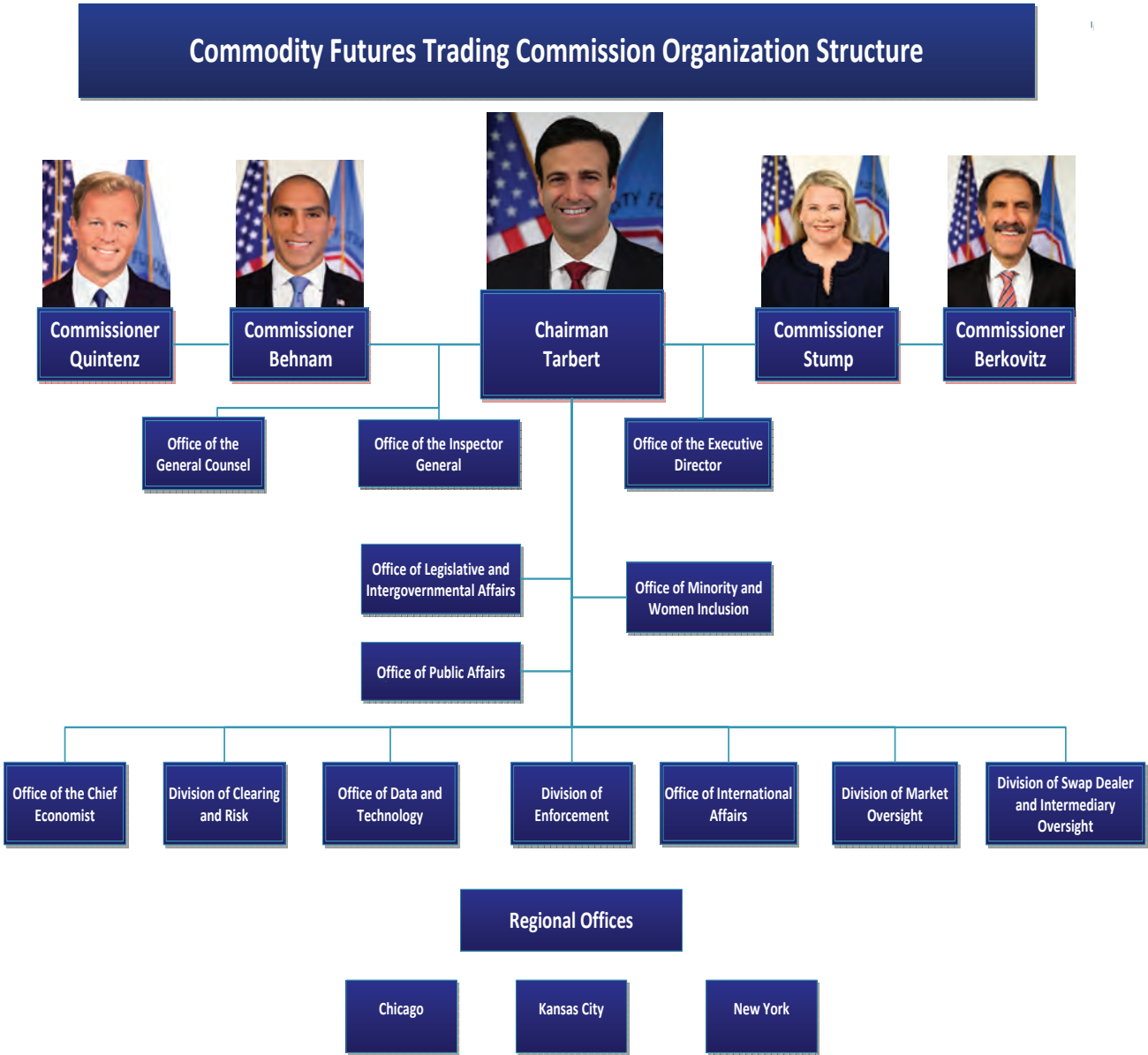


### **CFTC Organizational Structure**

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

The Office of the Chairman oversees the Commission's principal divisions and offices that administer and enforce the Commodity Exchange Act (CEA) and the regulations, policies, and guidance thereunder. The Office of the Chairman includes: the Office of Public Affairs (OPA), the Office of Legislative and Intergovernmental Affairs (OLIA), and the Office of Minority and Women Inclusion (OMWI).

The four programmatic divisions: Division of Clearing and Risk (DCR), Division of Enforcement (DOE), Division of Market Oversight (DMO), and Division of Swap Dealer and Intermediary Oversight (DSIO) are supported by a number of offices, including the Office of the Chief Economist (OCE), Office of Data and Technology (ODT), Office of the Executive Director (OED), Office of the General Counsel (OGC), and Office of International Affairs (OIA). The Office of the Inspector General (OIG) is an independent office of the Commission.



Headquarters for the CFTC is located in Washington, DC.

## **U.S. Commodity Futures Trading Commission Organization**

### **Offices of the Chairman and the Commissioners**

The Offices of the Chairman and the Commissioners provide executive direction and leadership to the CFTC as it implements the CEA.

### **Division of Clearing and Risk**

The Division of Clearing and Risk (DCR) oversees derivatives clearing organizations (DCOs) and other market participants in the clearing process. DCR monitors the clearing of futures, options on futures, and swaps by DCOs, assesses DCO compliance with the CEA and Commission regulations, and conducts risk assessment and surveillance. DCR also makes recommendations on DCO applications and eligibility, rule submissions, and which types of swaps must be cleared.

### **Division of Enforcement**

The Division of Enforcement (DOE) identifies, investigates, and prosecutes alleged violations of the CEA and Commission regulations. Potential violations include fraud, false statements to the Commission, misappropriation, price manipulation, use of a manipulative or deceptive device, disruptive trading practices, false reporting, accounting violations, registration and fitness violations, failure to maintain or produce required records, failure to make required reports, a registrant's failure to supervise, failure to comply with business conduct standards, and illegal off-exchange activity. DOE's Whistleblower Office receives tips, complaints, and referrals of potential violations, and its market surveillance program analyzes trade data to identify trading or positions that warrant further enforcement inquiry.

### **Division of Market Oversight**

The Division of Market Oversight (DMO) oversees derivatives platforms and swap data repositories (SDR). DMO reviews new applications for designated contract markets, swap execution facilities, SDRs and foreign boards of trade and examines existing trading platforms and swap data repositories to ensure their compliance with regulatory requirements, including system safeguards. DMO also evaluates new platform-traded products to ensure that they are not susceptible to manipulation, and reviews entity rules to ensure compliance with the CEA and Commission regulations. DMO's data analysis informs CFTC policymaking.

**Division of Swap Dealer and Intermediary Oversight**

The Division of Swap Dealer and Intermediary Oversight (DSIO) oversees the registration and compliance of intermediaries and futures industry self-regulatory organizations, including U.S. derivatives exchanges and the National Futures Association (NFA). DSIO also develops and monitors compliance with regulations addressing registration, business conduct standards, capital adequacy, and margin requirements for swap dealers and major swap participants.

**Office of the Chief Economist**

The Office of the Chief Economist (OCE) conducts economic and econometric analysis of derivatives markets. It also partners with other CFTC divisions and offices to integrate economic reasoning and data analysis into Commission policy and cost-benefit considerations.

**Office of Data and Technology**

The Office of Data and Technology (ODT) provides technology and data management support for Commission market and financial oversight, surveillance, enforcement, legal support, and public transparency activities. ODT also provides general network, communication, storage, computing, and information management infrastructure and services.

**Office of the Executive Director**

The Offices of the Executive Director (OED) leads the innovative and strategic management of employee, financial, and operational resources in support of the CFTC's mission. By delegation of the Chairman, OED directs the internal management of the Commission, ensuring the Commission's continued success, continuity of operations, and adaptation to the ever-changing markets it is charged with regulating. OED directs effective and efficient allocation of CFTC resources, develops and implements management and administrative policy, and ensures program performance is measured and tracked agency-wide.

**Office of the General Counsel**

The Office of General Counsel (OGC) provides legal services and support to the Commission and all of its programs. These services include: engaging in defensive, appellate, and amicus curiae litigation; assisting the Commission in the performance of its adjudicatory functions; providing legal advice and support for Commission programs; assisting other program areas in preparing and drafting Commission regulations; interpreting the CEA; overseeing the Commission's ethics program and compliance with laws of general applicability; and providing advice on legislative, regulatory issues and financial technology innovation.

### **Office of the Inspector General**

The Office of the Inspector General (OIG) is an independent organizational unit at the CFTC. Its mission is to detect waste, fraud, and abuse and to promote integrity, economy, efficiency, and effectiveness in the CFTC's programs and operations. In accordance with the Inspector General Act of 1978, the OIG issues semiannual reports detailing its activities, findings, and recommendations.

### **Office of International Affairs**

The Office of International Affairs (OIA) advises the Commission on all international regulatory initiatives, provides guidance regarding international issues raised in Commission matters, represents the Commission in international groups (such as the Financial Stability Board (FSB)), standard setting bodies (such as the International Organization of Securities Commissions (IOSCO)) and bilateral fora, and provides technical assistance to non-U.S. authorities.

### **Office of Legislative and Intergovernmental Affairs**

The Office of Legislative and Intergovernmental Affairs (OLIA) is the Commission's official liaison with Members of Congress, federal agencies, and the Administration. OLIA develops and executes legislative strategy on behalf of the Chairman and Commission, manages congressional testimony, and works with the various divisions to provide technical assistance on legislation.

### **Office of Minority and Women Inclusion**

The Office of Minority and Women Inclusion (OMWI) leads the CFTC's civil rights, equal employment opportunity, diversity, and inclusion programs.

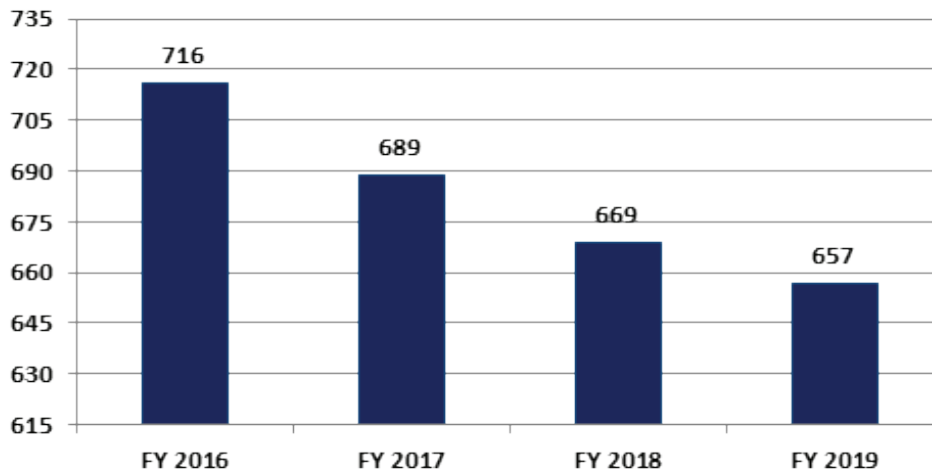
### **Office of Public Affairs**

The Office of Public Affairs (OPA) is the Commission's primary public-facing office that provides honest, timely, and useful information across all communication platforms in order to serve internal and external stakeholders in all sectors to accomplish and facilitate the Commission's mission. OPA proactively conducts outreach and creates messages designed to raise awareness of the CFTC brand in order to promote the public's trust.

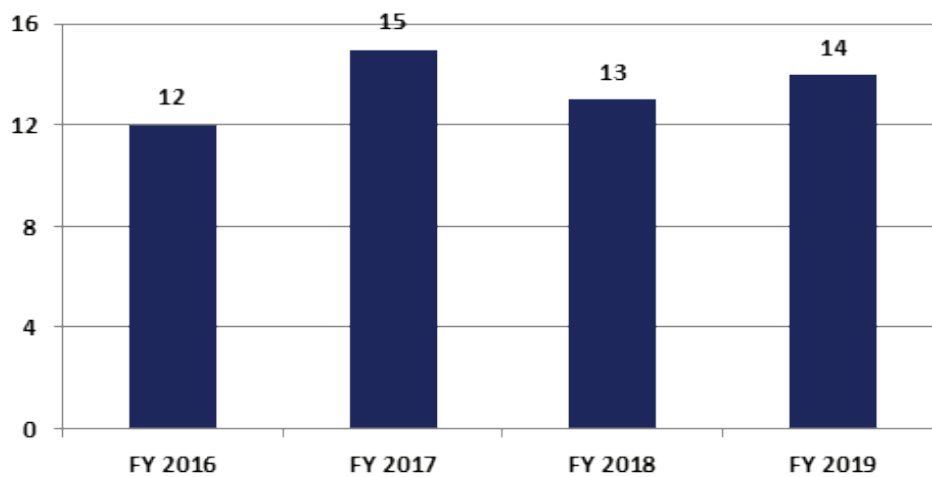
### CFTC Staffing and Funding Resources

The CFTC is funded through the Salary and Expenses (S&E) Appropriation and the Customer Protection Fund (CPF). The S&E Fund is appropriated annually and provides for the general operating expenses for the Commission to carry out its responsibilities under the CEA. The CPF consists entirely of the monetary sanctions the CFTC levies and collects in enforcement actions; no tax payer money is included in the Fund. The CFP is a permanent appropriation, but must be apportioned annually by OMB (See the Appendix for more information on the CPF.).

#### Salary and Expenses FTE



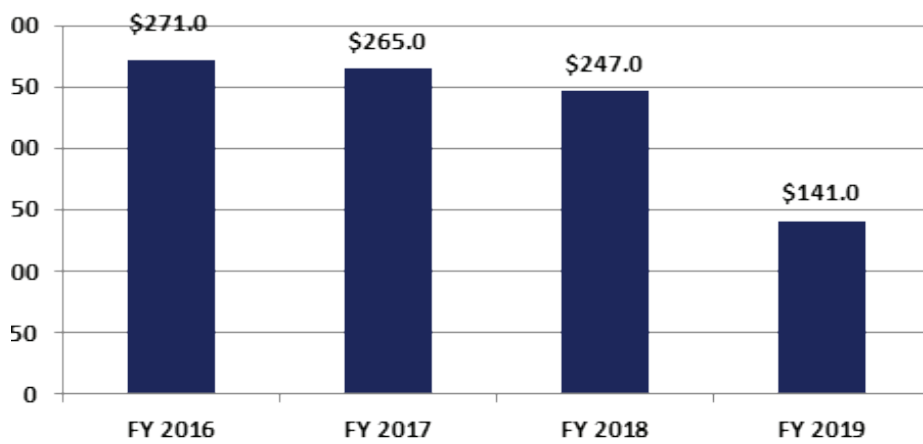
#### Customer Protection Fund FTE



### S&E Appropriation by FY (\$ in millions)



### CPF Balance by FY (\$'s in millions)





### CFTC Industry Oversight

The Commission is committed to carrying out its mission to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation.

For more details on the types and numbers of regulated entities, see [pages 112-116](#).



## CFTC Fiscal Year 2019 Highlights

- Issued 12 Proposed Rulemakings and 10 Final Rulemakings including:
  - Adopted Final Rule setting the swap dealer de minimis exception threshold at \$8 billion
  - Adopted amendments to the Volcker Rule under the Economic Growth, Regulatory Relief, and Consumer Protection Act
  - Adopted “Volcker 2.0” amendments
  - Adopted Uncleared Swap Margin Rules Comparability Determination for Australia
  - Adopted Amendment of Uncleared Swap Margin Rules Comparability Determination for Japan
  - Adopted Brexit-related Interim Rule permitting retention of legacy status under the uncleared swap margin rules for swaps transferred from the U.K. to European Union (EU)-based affiliates of swap dealers.
- Published a LabCFTC primer on smart contracts, and held first CFTC FinTech Forward Conference
- Entered into third international FinTech cooperation arrangement with the Australian Securities and Investments Commission
- Filed 69 enforcement actions, opened 88 investigations, and imposed \$205 million in civil monetary penalties and \$120 million in restitution and disgorgement
- Published four Whistleblower Alerts and two customer Advisories on the CFTC website
- Created a prototype to detect spoofing in futures trading using Machine Learning
- Centralized the intake of enforcement cases for Chicago, New York, and Kansas City; deployed the legal Case Management system to DOE, OGC, and the OIG; implemented a data analytics platform to support the investigative analysis of unstructured data. These efforts streamlined 400 cases and supported processing nine terabytes of information
- Published more than 25 research papers on derivative markets
- Reviewed approximately 140 Chief Compliance Officer annual reports for swap dealers and futures commission merchants
- Conducted four system safeguard examinations, examinations of the two systemically important DCOs, which included a measurement of compliance in both the risk management and system safeguards core principles, and five other DCOs including a system safeguard examination of a DCO that clears crypto assets; issued orders of

registration to four Swap Execution Facilities and Foreign Boards of Trade and one DCO; and evaluated remediation plans for 140 ad hoc DCO notifications

- Published the CFTC's third Supervisory Stress Test of central counterparties, breaking new ground by targeting a series of reverse stress tests to assess sufficiency of central counterparties' pre-funded resources to absorb losses from market moves in multiples of historic events
- Conducted quantitative analysis of aspects of the Basel III capital rules related to the leverage ratio, resulting in the Basel Committee's decision to change the rules to remove certain exposures from the leverage ratio
- Fortified cyber defenses by launching phishing campaign exercises, resulting in the click rate decreasing from 24% to under 2% within 10 months. In addition, introduced advanced email security and encryption enhancements, and implemented all the Department of Homeland Security Binding Operational Directives.
- Launched the web-based Learning Management System, eliminating the legacy paper process and uploaded over 1500 online classes.



## What is on the Horizon?



The CFTC's unique mission is to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation. As our markets continue to evolve at a breakneck pace, the CFTC remains committed to becoming the global standard for sound derivatives regulation.

In taking advantage of future opportunities and tackling challenges, the CFTC is focused on resolving unfinished business and preparing for the future. Going forward, the Commission will work in support of five strategic goals: 1) strengthen the resilience and integrity of our derivatives markets while fostering their vibrancy, 2) regulate our derivatives markets to promote the interests of all Americans, 3) encourage innovation and enhance the regulatory experience for market participants at home and abroad, 4) be tough on those who break the rules, and 5) focus on our unique mission and improve our operational effectiveness. The following highlights just a few of the CFTC activities on the road ahead.

### **Strengthen the Resilience and Integrity of Our Derivatives Markets While Fostering Their Vibrancy**

Strong and resilient central counterparties (CCP) are essential to the efficiency and stability of derivatives markets, as they provide crucial risk management services and reduce counterparty risk. The CFTC is focused on promoting the strength and resilience of CCPs through regular examinations, stress testing, capital requirements, financial reporting obligations, and ongoing risk monitoring, among many other supervisory tools.

The CFTC collaborates closely with other domestic regulators on oversight of CCPs. Cooperation with international and domestic financial regulators advances consistent margin and capital requirements. The CFTC also works with international financial regulators of both developed and developing countries and participates (and in some cases occupies leadership roles) in standard setting bodies such as the Committee on Payments and Market Infrastructures (CPMI)-IOSCO to achieve international standards that are strong and effective, but also practicable, proportionate, and efficient.

The CFTC is also working with international counterparts to identify and address the potential impacts of Brexit. The CFTC's Brexit Task Force has proposed and enacted a series of concrete regulatory actions to mitigate the effects of a disorderly Brexit, culminating in the CFTC's Joint Statement with the Bank of England and U.K. Financial Conduct Authority on Continuity of Derivatives Trading and Clearing Post-Brexit.

Another key point of engagement with international counterparts involves negotiations regarding the EU's proposed European Market Infrastructure Regulation known as "EMIR 2.2" legislation. As currently drafted, this legislation could direct EU regulators to exercise direct supervision over U.S. CCPs. The CFTC is working with the European Commission, the European Securities and Markets Authority, and other stakeholders to reach an agreement that preserves the CFTC's exclusive direct supervision over U.S.-based CCPs.



## **Regulate Our Derivatives Markets To Promote the Interests of All Americans**

The derivatives markets serve the needs of everyday Americans. These financial instruments touch all corners of the real economy — from farmers and ranchers who need to hedge grain and cattle prices, to manufacturers and exporters who need to manage exchange-rate fluctuations. In regulating these instruments, the CFTC serves as a guardian of our free-enterprise system.

The Commission demonstrates commitment to the agricultural community and its stakeholders by understanding and addressing issues that negatively impact agricultural commodity derivatives markets. We also focus on tailoring regulation of smaller financial institutions and end users. In FY 2019, the CFTC adopted rulemakings that streamlined regulatory burdens for futures commission merchants, commodity pool operators, commodity trading advisors, and designated self-regulatory organizations. The Commission removed regulatory burdens preventing certain market participants, like prime brokers and proprietary trading firms, from providing liquidity for customers on registered trading venues. The CFTC will continue these efforts by demonstrating improved market accessibility to end users, and by taking actions to right-size regulations for Main Street financial institutions and smaller futures commission merchants.

To inform policymaking and decision making, the Commission’s Market Intelligence Branch analyzes current and emerging market dynamics, developments, and trends. The Market Intelligence Branch’s focus includes automated trading in derivatives and cash markets, the changing landscape of commodity markets and the effect on derivatives markets, and development of liquidity in our markets.



### **Encourage Innovation and Enhance the Regulatory Experience for Market Participants at Home and Abroad**

Technological innovation such as blockchain holds great promise, and the rise of digital assets has created a new asset class. Working with our counterparts, the CFTC must develop a holistic framework for these 21st-century commodities.

One of the emerging issues in digital assets is the clearing and the deposit of those assets at DCOs or other non-traditional depositories. Clearing of these types of instruments is an important and emerging business trend where principles need to be formally defined, addressed, and made public. The Commission will continue to assess this marketplace to identify its unique risks and balance the need to allow for innovation with maintaining resilience and integrity of the markets. Cloud providers and distributed ledger technology are additional examples of developing technology that has the potential for broad use across the derivatives markets. The Commission will dedicate resources to analyze the technology, identify the risks, and determine if there is a need for any additional rulemaking action to help ensure the derivatives markets continue to function effectively, efficiently, and in a manner that is prudent for the marketplace and the protection of its customers.



LabCFTC is the agency's office of financial innovation. LabCFTC provides a channel to interact with FinTech innovators, to inform the Commission's understanding of emerging technologies, and to serve as a focal point for the development and implementation of regulatory policy within the FinTech space. For instance, LabCFTC serves as a dedicated point of contact for FinTech innovators to engage with the CFTC, learn about the CFTC's regulatory framework, and obtain feedback and information on the implementation of innovative technology-driven ideas for the market. LabCFTC coordinates internal/inter-divisional resources to track FinTech-related developments, educate Commission staff, coordinate with other U.S. and international regulatory authorities, and engage with external organizations (e.g., academic institutions, think tanks).

### **Be Tough on Those Who Break the Rules**

The CFTC remains vigilant against those who seek to game the market. The CFTC's strong enforcement program emphasizes being tough on those who break the rules, but also being fair and consistent. We recognize that the best way to preserve market integrity is by deterring potential bad actors from engaging in misconduct in the first place. The CFTC's enforcement efforts to obtain remedial sanctions and maximize deterrence against future violations increases public confidence and trust in our derivatives markets.

In FY 2019, the CFTC focused its enforcement efforts on the following consistent priorities: (1) preserving market integrity; (2) protecting customers; (3) promoting individual accountability; and (4) increasing coordination with other regulators and criminal authorities.





The CFTC has focused on detecting, investigating, and prosecuting misconduct that has the potential to undermine the integrity of the markets—misconduct like fraud, manipulation, spoofing, and disruptive trading. The CFTC continues to track down fraudsters as they enter new markets—and sometimes entirely new asset classes, like digital assets—seeking to use new products or new technologies to target unsuspecting customers. The CFTC works to hold accountable those culpable, including individuals in supervisory and leadership positions. Individual accountability ensures that the person committing the illegal act is held responsible and punished—and when appropriate, banned from the market; it deters others, it incentivizes companies to develop cultures of compliance; and it promotes the public’s confidence that we are achieving justice.





### **Focus on Our Unique Mission and Improve Our Operational Effectiveness**

The Commission continues to sustain, optimize, and protect CFTC’s core IT infrastructure and create the next generation of tools, systems, and services necessary to generate new capabilities with greater efficiency and effectiveness. The CFTC must guard against emerging threats, especially cyber risks. Protecting against these risks, which includes protecting confidential trading and clearing data, is a top priority of the CFTC as well as the firms, clearinghouses, and exchanges we regulate. The CFTC will continue to work closely with the U.S. Department of Homeland Security on security matters while maintaining and evaluating cybersecurity protections to guard against growing and evolving cyber threats.

**Effective Data Management:** With the signing of the Foundations of Evidence Based Policymaking Act of 2018 into law, the agency is mandated to adopt best practices in data management and to ensure that data is used in an effective way in decision-making and creating public policy. The Commission will focus not only on complying with the law, but also driving value for the agency through effective management of data priorities.

**Technology Initiatives:** Several initiatives are in process including a new asset management system and initial implementation of the Commission's Chicago Mercantile Exchange Order Book on Demand, an initiative that will leverage cloud technology to access large amounts of market data to support the agency's enforcement, oversight, and regulatory policy functions. The Commission will also be evaluating the application of other emerging technologies, such as machine learning to oversee the increasingly diverse and challenging 21st Century markets.

**IT Modernization:** In addition to the new tools, data streams, and other means of supporting mission operations, the CFTC is also pursuing initiatives to best maintain and optimize its core IT infrastructure to continue to provide the capacity, reliability, and resiliency necessary to support an increasingly technology-focused mission. These modernization efforts cover all aspects of the CFTC's IT platform including computer, network, telecommunications, data storage, and business continuity. For example, the Commission plans to implement the General Services Administration's Enterprise Infrastructure Solutions Unified Communications Service, which integrates multiple communication tools such as Internet Protocol-based phone service, mobile communication, e-mail, voicemail, and video calling to enable users to connect, collaborate, and exchange information from any device, anywhere, and at any time. In addition, the agency is exploring off-premises infrastructure cloud/managed services initiatives that will create new efficiencies and cost effectiveness, address mission challenges, and further mobilize the CFTC's workforce.



## Performance Highlights

Prior to the adoption of the 2019-2022 Strategic Plan, the CFTC structured its efforts around four strategic goals and a set of management objectives.



### GOAL 1: MARKET INTEGRITY & TRANSPARENCY

The focus of Market Integrity and Transparency was to recognize that derivatives markets provide a means for market users to offset price risks inherent in their businesses and to serve as a public price discovery mechanism.



### GOAL 2: FINANCIAL INTEGRITY & AVOIDANCE OF SYSTEMIC RISK

The focus of Financial Integrity and Avoidance of Systemic Risk was to ensure that Commission-registered DCOs, swap dealers, and futures commission merchants have the financial resources, risk management systems and procedures, internal controls, customer protection systems, and other controls necessary to meet their obligations to minimize the risk that the financial difficulty of any of these registrants, or any of their customers has systemic implications.



### GOAL 3: COMPREHENSIVE ENFORCEMENT

Through the goal of Comprehensive Enforcement, the CFTC enforced the CEA and Commission regulations, and worked to promote awareness of and compliance with these laws.



### GOAL 4: DOMESTIC & INTERNATIONAL COOPERATION & COORDINATION

Domestic and International Cooperation and Coordination focused on how the Commission interacts with domestic and international regulatory authorities, market participants, and others affected by the Commission's regulatory policies and practices.



### MANAGEMENT OBJECTIVES

The CFTC achieved Commission-wide excellence by empowering strong, enterprise-focused leaders, maintaining a high-performing and engaged workforce, and ensuring effective stewardship of resources.

Performance results are influenced by several environmental factors, including global, complex and constantly evolving securities markets. The Commission recently completed a robust Strategic Plan, reflecting leadership priorities. A revised CFTC mission statement and strategic goals are included at the end of this section.

#### **Verification and Validation of Performance Data**

The CFTC continues to build completeness and reliability into the Commission's performance management by refining performance indicators, and providing detailed justifications of how the indicators gauge progress towards the strategic objectives.



## Strategic Goals and Key Results

The following are results with selected representative indicators from each strategic goal of the FY 2014-2018 Strategic Plan.

### Strategic Goal One: Market Integrity and Transparency

#### Public Benefit

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

#### Resource Investment

In FY 2019, the Commission invested \$67.5 million and 180 FTE for Goal One.

### Strategic Goal One: Key Indicator Performance Results

#### Objective 1.1: Markets are not readily susceptible to manipulation and other abusive practices

##### Performance Indicator 1.1.a: Percentage of high impact contract and rule submissions received by the CFTC through the Organizations, Products, Events, Rules, and Actions (OPERA) portal

Description: This indicator captures the efficiency with which staff can receive and process exchange submissions related to contracts and rules. Through the OPERA portal, exchanges are able to electronically file submissions directly with the Commission. The portal will then automatically route submissions to relevant staff without the need for staff to input certain data elements into its systems. Use of the OPERA portal reduces staff burdens and increases the efficiency and effectiveness with which staff can identify high impact contract and rule submissions in order to conduct reviews of new or amended contracts and rule filings.

Data Source: The Filings and Actions database indicates whether a filing was made via email or OPERA portal.

Verification and Validation: The OPERA portal automatically assigns a submission number to all filings made through the portal. Filings made via email are not assigned a submission number.

FY 2016	FY 2017	FY 2018	FY 2019
99%	99%	100%	100%

**Objective 1.2: Effective self-regulatory framework**

**Performance Indicator 1.2.c: Examine compliance by exchanges and SDRs with the system safeguards and cybersecurity requirements of the CEA Core Principles and Commission regulations, prioritizing systematically important entities.**

Description: Utilizing both risk-based and Core Principles-based approaches, the Commission conducts comprehensive system safeguards examinations (SSE) and cybersecurity programs at exchanges and SDRs, and prepares examinations reports when deficiencies are identified. Exchanges and SDRs are notified, and staff monitors their remediation efforts. SSEs have four main stages: 1) initiating letter, 2) onsite exam, including data review and systems review, 3) review findings and follow up questions and 4) determination of a rating: Adequate/Needs Improvement/Inadequate, DMO develops a letter with findings and recommendations, and presents them to Commission. When the letter is accepted by Commission, it is sent to the Exchange.

Data Source: DMO maintains a list of SSEs commenced and completed each year.

Verification and Validation: Management record keeping.

FY 2016	FY 2017	FY 2018	FY 2019
5 on-site reviews for SSEs conducted	5 on-site reviews for SSEs conducted	7 on-site reviews for SSEs conducted	8 on-site reviews for SSEs conducted

## Strategic Goal Two: Financial Integrity and Avoidance of Systemic Risk

### Public Benefit

In fostering financially sound markets, the Commission’s main priorities under the FY 2014-2018 Strategic Plan are to avoid disruptions to the system for clearing and settling contract obligations and to protect the funds that customers entrust to futures commission merchants (FCM) and other intermediaries. Effective regulatory oversight of clearing and intermediary entities is integral to the financial integrity of derivatives transactions, and by extension, the faith and confidence of market users.

### Resource Investment

In FY 2019, the Commission invested \$90.4 million and 241 FTE for Goal Two.

### Strategic Goal Two: Key Indicator Performance Results

#### Objective 2.1: Avoid disruptions to the system for clearing and settlement of contract obligations

Performance Indicator 2.1.a: Conduct back testing of DCOs’ material product and portfolio initial margin requirements to assess their sufficiency.			
Description: The Commission relies on a range of analytical tools and metrics to test and assess the sufficiency of margin requirements. The defaulting firm’s margin contributions are the first financial resource used to cover the financial impact of a clearing member default. To the extent margin can cover the financial impact of the default, the DCO will not have to use its own resources to cover the balance.			
Data Source: Part 39 data from DCOs, and financial reporting by FCMs			
Verification and Validation: Multiple analytical tools, some sourced from vendors, others developed using internal resources.			
FY 2016	FY 2017	FY 2018	FY 2019
Conducted back-testing of products and portfolios of 5 DCOs	Conducted back-testing of products and portfolios of 5 DCOs	Conducted back-testing of products and portfolios of 5 DCOs	DCR no longer measures DCO back-testing to gauge its performance. DCR continues to strengthen and expand its risk surveillance program’s scope and sophistication to identify potential clearing system weaknesses



Performance Indicator 2.1.c: Aggregate cleared swaps, futures, and options positions into a comprehensive risk surveillance process and conduct analysis for each material market participant			
<p>Description: The Commission has a comprehensive program in place to aggregate and conduct risk surveillance of market participants' futures and options positions. The Commission is developing procedures to aggregate swap positions across multiple DCOs and the asset classes for which such DCOs offer clearing services. Upon the development of such procedures, the Commission will be in a position to aggregate the risk of market participants that trade futures, options on futures and swaps, and conduct risk surveillance for that aggregate portfolio.</p>			
<p>Data Source: For futures, options on futures, and swaps, the source of trader data is currently large trader data that the Commission receives daily from FCMs and Part 39 margin and position data that the Commission receives daily from DCOs. DCR worked with DCOs to have them transmit account level data with their Part 39 transmissions. This work is now complete as all DCOs submit account level data. DCR receives additional supplementary data such as delta ladders for swaps.</p>			
<p>Verification and Validation: The Standard Portfolio Analysis of Risk application can stress test futures positions.</p>			
FY 2016	FY 2017	FY 2018	FY 2019
Aggregated the risk of 16 IRS and interest rate (IR) futures accounts	Aggregated the risk of 100 IRS and IR futures accounts	Aggregated the risk of 100 IRS and IR futures accounts	Aggregated the risk of 100 IRS and IR futures accounts

### Strategic Goal Three: Comprehensive Enforcement

#### Public Benefit

The Commission is committed to prosecuting violations of the CEA and Commission regulations to protect market participants and promote market and financial integrity.

#### Resource Investment

In FY 2019, the Commission invested \$129.8 million and 260 FTE for Goal Three.

### Strategic Goal Three: Key Indicator Performance Results

#### Objective 3.1: Strengthen capacity to receive and expeditiously handle high-impact tips, complaints, and referrals

**Performance Indicator 3.1.b.2: Develop comprehensive communication strategy, geared for internal and external stakeholders, relating to role of whistleblowers and the function of the Whistleblower Office (WBO).**

Description: The Commission participates in public forums and trade shows annually, including the National Futures Industry Association Conference. This measure reflects the need of the WBO to communicate effectively to external audiences. Outreach is an essential part of the program. The WBO sends the message that the program is in place and emphasize in its message the rewards and protections offered by Section 23 of the CEA and the Commission regulations. Whistleblowers provide the Commission with the opportunity to receive timely information relating to potential violations of the CEA that may not otherwise be available.

Data Source: [www.whistleblower.gov/news/events](http://www.whistleblower.gov/news/events); <https://www.whistleblower.gov/whistleblower-alerts>

Verification and Validation: Management record keeping.

FY 2016	FY 2017	FY 2018	FY 2019
Participated in 18 public forums and trade shows and launched a new website for the CFTC Whistleblower Office	Participated in 16 public forums and trade shows	Participated in 19 public forums and trade shows	<ul style="list-style-type: none"> <li>Participated in 15 public forums and trade shows</li> <li>Posted three “trending topic” alerts to Whistleblower Office website</li> </ul>

**Strategic Goal Four: Domestic and International Cooperation and Coordination**

**Public Benefit**

Because the swaps market is a global market, international cooperation among regulators is necessary to regulate financial markets effectively. Recognizing this risk, the United States joined with other G-20 countries in 2009 to require that all major market jurisdictions bring swaps under regulation.

**Resource Investment**

In FY 2019, the Commission invested \$13.6 million and 35 FTE for Goal Four.

**Strategic Goal Four: Key Indicator Performance Results**

**Objective 4.4: Robust Domestic and International Enforcement Cooperation and Coordination**

**Performance Indicator 4.4.a: Leverage the impact of its enforcement program through coordination with Self-Regulatory Organizations (SRO) and active participation in domestic and international cooperative enforcement efforts.**

Description: This indicator reflects the Commission’s continued participation in regular meetings with the SROs and with domestic and international cooperative partners. The Commission’s enforcement program regularly meets with the SROs to discuss matters of common interest including investigations, enforcement actions, and the sanctioning of violative conduct. The Commission’s enforcement program also works cooperatively with both domestic and international authorities to maximize its ability to detect, deter, and bring sanctions against wrongdoers involving U.S. markets, registrants, and customers. These cooperative efforts bolster the effectiveness of the enforcement program by allowing it to investigate and litigate more efficiently, and seek penalties that provide the appropriate punitive and deterrent effect.

Data Source: Meeting records

Verification and Validation: Management record keeping.

FY 2016	FY 2017	FY 2018	FY 2019
Participated in 12 domestic and international cooperative enforcement meetings, task forces, etc.	Participated in 38 domestic and international cooperative enforcement meetings, task forces, etc.	Participated in 48 domestic and international cooperative enforcement meetings, task forces, etc.	Participated in 58 domestic and international cooperative enforcement meetings, task forces, etc.

## Financial Highlights

### Financial Overview

The CFTC prepares annual financial statements in accordance with U.S. generally accepted accounting principles (GAAP) for Federal government entities and subjects the statements to an independent audit. The following table presents an overview of the Commission's financial position and net costs as of and for the fiscal years ending September 30, 2019, and September 30, 2018.

	2019	2018
<b>CONDENSED BALANCE SHEET DATA</b>		
Fund Balance with Treasury	\$ 86,407,483	\$ 66,320,101
Investments	141,300,000	157,518,375
Accounts Receivable, Net	54,582	44,667
Prepayments	5,693,295	4,145,426
Custodial Receivables, Net	51,364,449	11,497,175
General Property, Plant and Equipment, Net	29,738,196	35,176,845
<b>TOTAL ASSETS</b>	<b>\$ 314,558,005</b>	<b>\$ 274,702,589</b>
Accounts Payable	\$ 21,419,590	\$ 10,575,642
FECA Liabilities	564,109	539,092
Accrued Payroll and Annual Leave	19,885,383	17,618,256
Custodial Liabilities	51,364,449	11,497,175
Deposit Fund Liabilities	445,754	369,175
Deferred Lease Liabilities	21,494,054	23,970,026
Liability for Whistleblower Awards	20,280,146	4,913,875
Contingent Liabilities	-	38,696
<b>Total Liabilities</b>	<b>\$ 135,453,485</b>	<b>\$ 69,521,937</b>
Unexpended Appropriations - All Other Funds	\$ 58,465,701	\$ 47,626,826
Cumulative Results of Operations - Funds from Dedicated Collections	125,439,162	158,337,598
Cumulative Results of Operations - All Other Funds	(4,800,343)	(783,772)
<b>Total Net Position</b>	<b>\$ 179,104,520</b>	<b>\$ 205,180,652</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 314,558,005</b>	<b>\$ 274,702,589</b>
<b>CONDENSED STATEMENTS OF NET COST</b>		
Gross Costs	\$ 301,553,671	\$ 305,304,023
Earned Revenue	(248,915)	(42,739)
<b>TOTAL NET COST OF OPERATIONS</b>	<b>\$ 301,304,756</b>	<b>\$ 305,261,284</b>
<b>NET COST BY STRATEGIC GOAL</b>		
Goal One - Market Integrity and Transparency	\$ 67,476,123	\$ 65,351,841
Goal Two - Financial Integrity and Avoidance of Systemic Risk	90,364,976	89,433,103
Goal Three - Comprehensive Enforcement	129,854,799	136,287,044
Goal Four - Domestic and International Cooperation and Coordination	13,608,858	14,189,296
<b>TOTAL NET COST OF OPERATIONS</b>	<b>\$ 301,304,756</b>	<b>\$ 305,261,284</b>

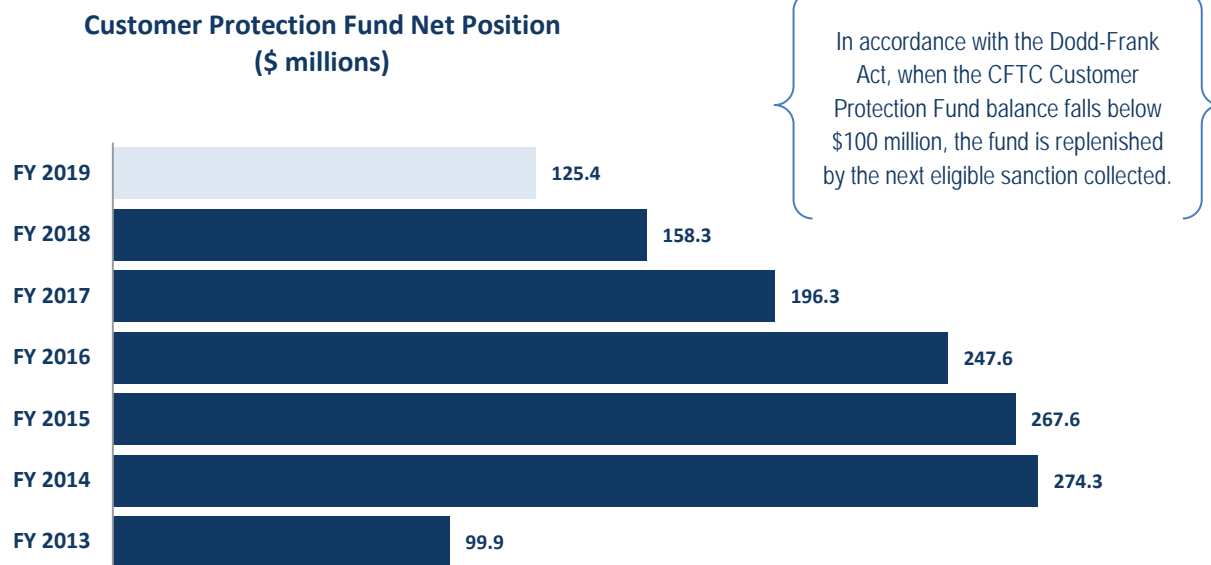
The above overview is supplemented with brief descriptions of the nature of each required financial statement and its relevance. Significant balances or conditions featured in the graphic presentation are explained in each section to help clarify their relationship to Commission operations. Readers are encouraged to gain a deeper understanding by reviewing the Commission's financial statements and notes and the accompanying audit report presented in the Financial Section of this report.

### Understanding the Financial Statements

The CFTC presents financial statements and notes in accordance with accounting principles generally accepted in the United States of America and in the form and content requirements of OMB Circular A-136, *Financial Reporting Requirements*, which is revised annually by OMB in coordination with the U.S. Chief Financial Officers Council. The CFTC's current year and prior year financial statements and notes are presented in a comparative format. The chart below presents changes in key financial statement line items, as of and for, the fiscal year ended September 30, 2019, compared to September 30, 2018.

	2019	2018	\$ Change	% Change
Total Assets	\$ 314,558,005	\$ 274,702,589	\$ 39,855,416	14.51%
Total Liabilities	\$ 135,453,485	\$ 69,521,937	\$ 65,931,548	94.84%
Total Net Position	\$ 179,104,520	\$ 205,180,652	\$ (26,076,132)	(12.71%)
Total Net Cost of Operations	\$ 301,304,756	\$ 305,261,284	\$ (3,956,528)	(1.30%)
Total Budgetary Resources	\$ 295,144,893	\$ 333,115,209	\$ (37,970,316)	(11.40%)
New Obligations and Upward Adjustments	\$ 268,029,495	\$ 310,043,029	\$ (42,013,534)	(13.55%)
Apportioned	\$ 142,982,838	\$ 160,197,074	\$ (17,214,236)	(10.75%)
Unapportioned	\$ (126,714,806)	\$ (149,078,415)	\$ 22,363,609	(15.00%)
Agency Outlays, Net	\$ 260,142,271	\$ 327,281,972	\$ (67,139,701)	(20.51%)
Custodial Receivables/Liabilities	\$ 51,364,449	\$ 11,497,175	\$ 39,867,274	346.76%

To better comprehend the Commission's financial statements and the reasons for changes from year to year, it is important to understand that the Commission's financial statements report on the operations of the Commission as well as its Customer Protection Fund. As discussed in Note 1A to the financial statements, the Customer Protection Fund is available to pay whistleblower awards and fund customer education initiatives to help investors protect themselves against fraud. Amounts in the Fund are invested until needed to fund whistleblower awards, customer education initiatives, or operating expenses of the fund. As shown in the table below, the balance in the fund can change significantly as a result of large whistleblower awards paid to individuals in exchange for the voluntary disclosure of information that leads to the successful enforcement by the CFTC of a covered judicial or administrative action in which monetary sanctions exceeding \$1 million are imposed.



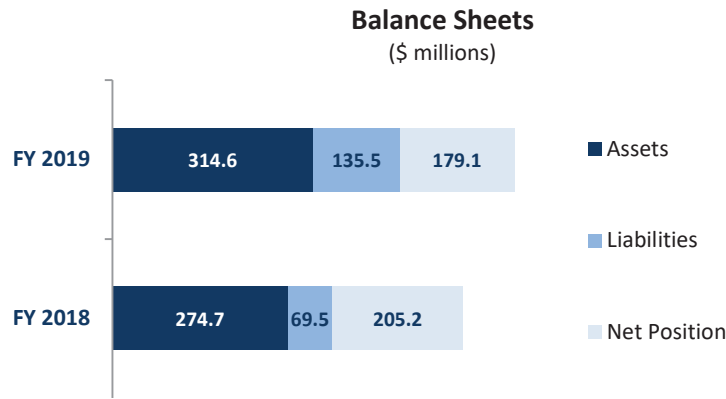
The \$32.9 million decrease in the net position of the Customer Protection Fund in FY 2019 was primarily due to new whistleblower awards of \$4.6 million paid during FY 2019 and \$26.1 million in awards pending as of September 30, 2019 (disclosed in Note 8—Liability for Whistleblower Awards).<sup>1</sup> Pending awards increase liabilities and decrease net position as of September 30, 2019, but will not result in the obligation of resources and redemption of investments until the awards are issued. The remaining decrease of \$2.2 million is due to administrative expenses and costs for customer education initiatives of \$3.2 million and \$2.1 million, respectively, offset by \$3.2 million in interest earned on investments.

When the balance in the fund falls below \$100 million, as it did in FY 2013, the Customer Protection Fund is replenished by the next eligible sanction collected by the Commission in accordance with the provisions of the Dodd-Frank Act. The Customer Protection Fund’s individual balance sheets, statements of net cost, and statements of changes in net position are reported separately in Note 12—Funds from Dedicated Collections, and its statements of budgetary resources are reported in the “Customer Protection Fund” column of the combining statements of budgetary resources in the required supplementary information section immediately following the notes to the financial statements.

<sup>1</sup> \$8.4 million was disbursed from the Customer Protection Fund for whistleblower awards during FY 2019. The cash disbursed included \$3.8 million in awards that were previously reported as pending claims as of September 30, 2018, and an additional \$4.6 million in new amounts awarded and disbursed during FY 2019. The amount of unpaid claims of \$26.1 million consists of final whistleblower awards due and payable plus the amount of new awards preliminarily determined by the Commission as of September 30, 2019, but not issued as final awards during FY 2019. Of the \$20.3 million reported as the FY 2019 Liability for Whistleblower Awards, \$1.1 million was for awards previously included in the FY 2018 Liability for Whistleblower Awards but not yet disbursed as a result of requests for reconsideration by the whistleblowers and other elements of due process.

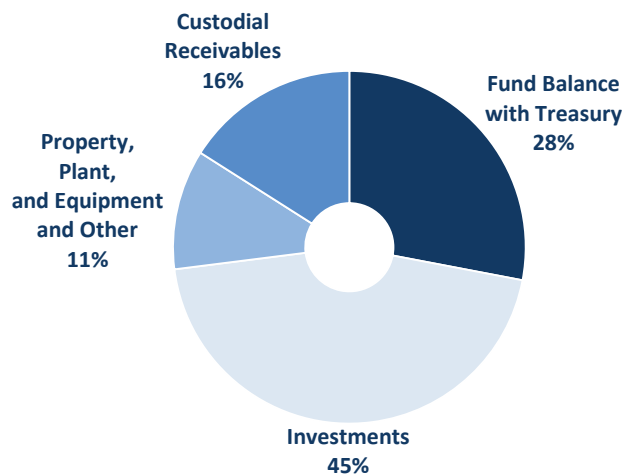
**Balance Sheets**

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



Total Assets: As of September 30, 2019, the Balance Sheet reflects total assets of \$314.6 million. This is an increase of \$39.9 million, or 14.5 percent, over FY 2018. The increase was primarily due to increases of \$39.9 million in Custodial Receivables, \$20.1 million in Fund Balance with Treasury, and \$1.5 million in Prepayments, offset by decreases of \$16.2 million in Investments and \$5.4 million in Property, Plant, and Equipment.

**FY 2019 Total Assets  
(Composition)**



The \$39.9 million, or 346.8 percent, increase in custodial receivables was due to an increase in the number and amount of receivables for civil monetary sanctions that are estimated to be collectible as of September 30, 2019. The number and collectible amount of receivables for civil monetary sanctions are driven by enforcement actions and the violators' ability to pay in any given fiscal year.

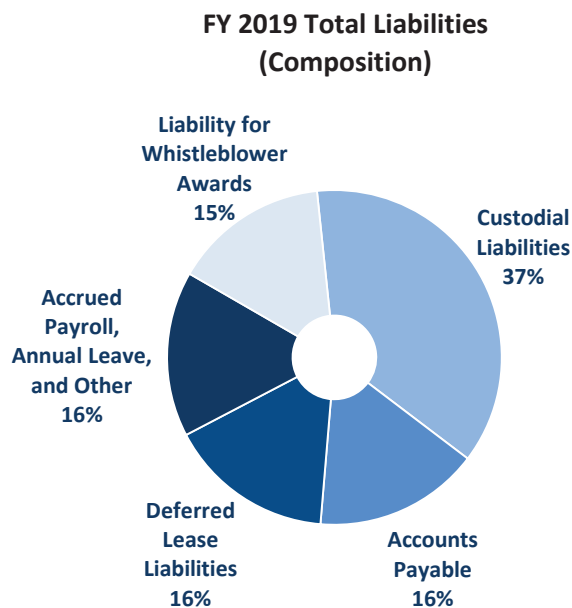
The \$20.1 million, or 30.3 percent, increase in Fund Balance with Treasury was due to \$24.0 million more in appropriations plus offsetting collections and redemption of investments during the year than outlays, primarily the result of a \$19.0 million increase in FY 2019 appropriations received and the timing of cash payments. In addition, \$4.0 million in cancelled funds were returned to the U.S. Department of the Treasury.

The \$1.5 million, or 37.3 percent, increase in Prepayments was primarily due to \$1.5 million in additional advances for contract support from the U.S. Department of the Interior.

Investments of \$141.3 million comprise approximately 44.9 percent of the Commission’s total assets as of September 30, 2019. This significant asset represents the balance of the Customer Protection Fund that is not needed to pay whistleblower awards or fund customer education initiatives and operating expenses of the fund. The \$16.2 million, or 10.3 percent, decrease in investments was due to the redemption of investments to cover eligible expenses and obligations of the Customer Protection Fund during FY 2019, including \$15.4 million for FY 2018 and FY 2019 whistleblower awards (\$8.4 million disbursed plus an additional \$7.0 million accrued).

The \$5.4 million, or 15.5 percent, decrease in Property, Plant, and Equipment was the result of depreciation and disposals exceeding new asset purchases.

**Total Liabilities:** As of September 30, 2019, the Balance Sheet reflects total liabilities of \$135.5 million. This is an increase of \$65.9 million, or 94.8 percent, over FY 2018. The increase was primarily due to increases of \$39.9 million in Custodial Liabilities, \$15.4 million in Liability for Whistleblower Awards, \$10.9 million in accounts payable, and \$2.3 million in accrued payroll and annual leave, offset by a decrease of \$2.5 million in Deferred Lease Liabilities.





The \$39.9 million, or 346.8 percent, increase in Custodial Liabilities was directly related to the increase in Custodial Receivables discussed above. Custodial liabilities are recorded to offset the custodial receivables balance and increase or decrease to reflect outstanding receivables for civil monetary sanctions at any given point in time. Once custodial receivables are collected, the Commission transfers eligible collections to the Customer Protection Fund whenever the balance of the fund is below \$100 million at the time the collection is received. Remaining amounts collected are transferred to the U.S. Department of the Treasury on September 30th each year.

The \$15.4 million, or 312.7 percent, increase in Liability for Whistleblower Awards was due to an increase in the estimated amount of pending whistleblower awards as a result of valid whistleblower claims on Commission-imposed sanctions that have already been collected. The number and amount of whistleblower awards are driven by the amount of sanctions collected in any given fiscal year and the contribution the whistleblowers made to the cases. Additional information on whistleblower awards is discussed in the *Annual Report on the Whistleblower Program and Customer Education Initiatives* available at [www.whistleblower.gov/reports](http://www.whistleblower.gov/reports).

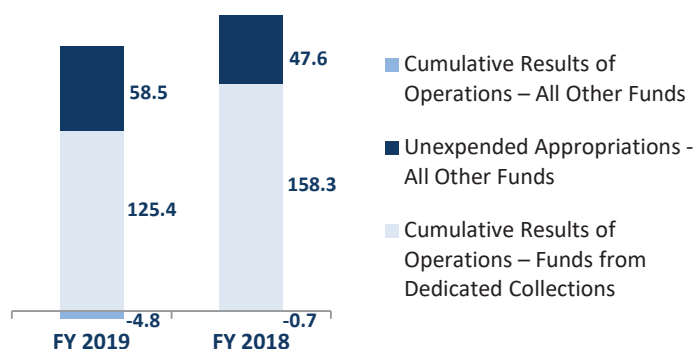
The \$10.9 million, or 107.3 percent, increase in Accounts Payable is primarily due to a \$7.0 million final whistleblower award issued just prior to year-end and the timing of billings received from the Commission's vendors. The Commission estimates the unbilled amounts and records an accrual for goods and services received but not yet paid for as of the end of each reporting period.

The \$2.3 million, or 12.9 percent, increase in Accrued Payroll and Annual Leave is due to one additional workday accrued in the year-end payroll accrual, increases in average salary of approximately 4.0 percent, and increased annual leave balances of approximately 12 hours per employee. The increase in leave hours is most likely due to the lingering effect of holiday leave canceled during the government shutdown.

Consistent with the utility of its commercial office space, the Commission records deferred lease liabilities representing lease expense amounts in excess of payments to date. The \$2.5 million, or 10.3 percent, decrease in Deferred Lease Liabilities was due to the recognition of these deferred costs spread over the life of the Commission's leases.

### Total Net Position

(\$ millions)



**Total Net Position:** As of September 30, 2019, the Balance Sheet reflects a total net position of \$179.1 million, a decrease of \$26.1 million, or 12.7 percent, over FY 2018. The changes in each of the three components of the Commission’s net position (Cumulative Results of Operations—Funds from Dedicated Collections, Cumulative Results of Operations—All Other Funds, and Unexpended Appropriations—All Other Funds) are discussed separately below.

Cumulative Results of Operations—Funds from Dedicated Collections decreased by \$32.9 million, or 20.8 percent, due to Customer Protection Fund expenses of \$36.1 million offset by interest revenue of \$3.2 million. As discussed above, the most significant cause of this decrease was due to new whistleblower awards of \$30.7 million paid or accrued as of September 30, 2019.

Cumulative Results of Operations—All Other Funds decreased by \$4.1 million, or 585.7 percent, due to the net cost of operations exceeding total financing sources. Depreciation of \$7.4 million was the largest single contributor to the excess of net cost over total financing sources. Cumulative Results of Operations—All Other Funds became negative at the end of FY 2018 when unfunded liabilities exceeded Property, Plant and Equipment and non-custodial Accounts Receivable. This condition will resolve itself as the Deferred Lease Liabilities are amortized over time or when the Commission is able to invest in additional assets.

Unexpended Appropriations—All Other Funds increased by \$10.9 million, or 22.9 percent, due primarily to FY 2019 appropriations received of \$268 million in excess of appropriations used of \$253.1 million as a result of a \$19.0 million increase in FY 2019 appropriations received and the timing of actual cash payments. In addition, approximately \$4.0 million in cancelled funds were returned to Treasury on September 30, 2019.

## Statements of Net Cost

The Statements of Net Cost present the components of the Commission's gross and net cost of operations. Net cost is the gross cost incurred less any revenues earned from Commission activities. The Commission experienced a \$4.0 million, or 1.3 percent, decrease in the total net cost of operations during FY 2019.

Excluding the \$4.2 million decrease in whistleblower awards paid or accrued by the Customer Protection Fund, total net costs of operations actually increased by approximately \$487.7 thousand, or 0.2 percent. This overall increase was the result of increases of \$5.0 million in payroll, \$759.2 thousand in imputed financing, \$344.6 thousand in annual leave, and \$307.1 thousand in travel, offset by decreases of \$5.6 million in contracts for goods and services and leases and \$297.7 thousand in depreciation expense.

Despite receiving an additional \$19.0 million in appropriations in FY 2019, this slight increase in expenses is deemed reasonable because CFTC did not receive its final appropriation until February 15, 2019. The impact of this increase is evident in increased obligations on the Statement of Budgetary Resources, and will be reflected in the Statement of Net Cost in FY 2020 as related goods and services are received and amounts are disbursed.

In line with the Strategic Plan in effect during FY 2019, the Commission's Statement of Net Cost is categorized by the following four strategic goals:

- The focus of **Strategic Goal One**, *Market Integrity and Transparency*, is to recognize that derivatives markets provide a means for market users to offset price risks inherent in their businesses and to serve as a public price discovery mechanism. In FY 2019, excluding the \$30.7 million net expense for whistleblower awards that is fully allocated to goal three, the Commission committed 25.0 percent of its resources to this goal, an increase of 0.8 percent over FY 2018.
- The focus of **Strategic Goal Two**, *Financial Integrity and Avoidance of Systemic Risk*, is to strive to ensure that Commission-registered DCOs, swap dealers, MSPs, and FCMs have the financial resources, risk management systems and procedures, internal controls, customer protection systems, and other controls necessary to meet their obligations so as to minimize the risk that the financial difficulty of any of these registrants, or any of their customers has systemic implications. In FY 2019, excluding the \$30.7 million net expense for whistleblower awards that is fully allocated to goal three, the Commission committed 33.4 percent of its resources to this goal, an increase of 0.3 percent over FY 2018.
- Through **Strategic Goal Three**, *Comprehensive Enforcement*, the CFTC enforces the CEA and Commission regulations, and works to promote awareness of and compliance with these laws. In FY 2019, excluding the \$30.7 million net expense for whistleblower awards

that is fully allocated to goal three, the Commission committed 36.6 percent of its resources to this goal, a decrease of 0.9 percent over FY 2018.

- The focus of **Strategic Goal Four**, *Domestic and International Cooperation and Coordination*, is on how the Commission interacts with domestic and international regulatory authorities, market participants, and others affected by the Commission's regulatory policies and practices. In FY 2019, excluding the \$30.7 million net expense for whistleblower awards that is fully allocated to goal three, the Commission committed 5.0 percent of its resources to this goal, a decrease of 0.3 percent over FY 2018.

As reflected under each strategic goal above, the Commission's strategic focus remained relatively stable from FY 2018 to FY 2019. While the statements of net cost report a \$3.8 million decrease in gross costs for FY 2019, this decrease is mainly due to the \$4.2 million decrease in whistleblower awards paid or accrued by the Customer Protection Fund and not a significant change in the Commission's focus or available resources.

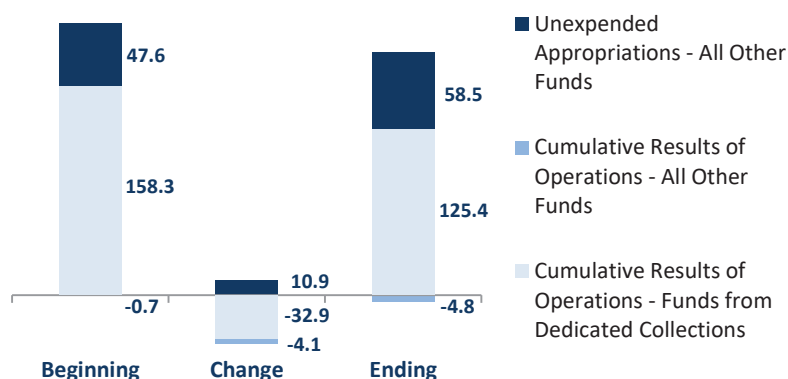
To aid the financial statement reader in fully understanding the Commission's strategic focus and how it changed from FY 2018 to FY 2019, the table below presents the gross costs by strategic goal excluding whistleblower awards. After adding back the whistleblower awards, the total gross costs in the table below ties to the total gross costs on the Commission's Statements of Net Cost for FY 2019 and FY 2018.

Gross Costs by Strategic Goal							
	2019	2018	2019 %	2018 %	% Change	\$ Change	
<b>Strategic Goal One</b>	\$ 67,538,202	\$ 65,362,175	25.0%	24.2%	0.8%	\$ 2,176,027	
<i>Market Integrity and Transparency</i>							
<b>Strategic Goal Two</b>	\$ 90,448,114	\$ 89,447,245	33.4%	33.1%	0.3%	\$ 1,000,869	
<i>Financial Integrity and Avoidance of Systemic Risk</i>							
<b>Strategic Goal Three</b>	\$ 99,195,042	\$ 101,314,075	36.6%	37.5%	(0.9%)	\$ (2,119,033)	
<i>Comprehensive Enforcement</i>							
<i>(excluding Whistleblower Awards)</i>							
<b>Strategic Goal Four</b>	\$ 13,621,378	\$ 14,191,540	5.0%	5.3%	(0.3%)	\$ (570,162)	
<i>Domestic and International Cooperation and Coordination</i>							
<b>Gross Costs Excluding Whistleblower Awards</b>	<b>\$ 270,802,736</b>	<b>\$ 270,315,035</b>	<b>100.0%</b>	<b>100.0%</b>		<b>\$ 487,701</b>	
Whistleblower Awards	\$ 30,750,935	\$ 34,988,988				\$ (4,238,053)	
<b>Gross Costs</b>	<b>\$ 301,553,671</b>	<b>\$ 305,304,023</b>				<b>\$ (3,750,352)</b>	

### Statements of Changes in Net Position

The Statements of Changes in Net Position present the Commission's cumulative net results of operations and unexpended appropriations for the fiscal year. The components of the changes in the Commission's Net Position shown below are explained in the Total Net Position discussion in the Balance Sheets section above.

**Statements of Changes in Net Position**  
(\$ millions)



### Statements of Budgetary Resources

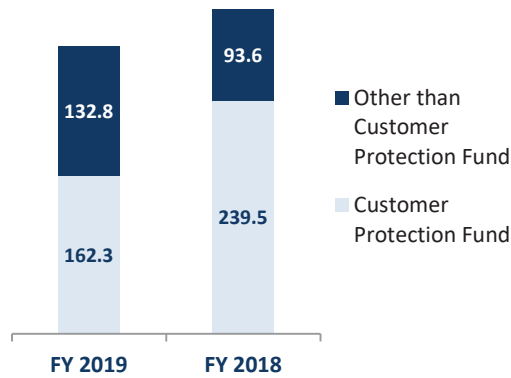
The Statements of Budgetary Resources provide information about the provision of budgetary resources and its status as of the end of the year. Information in this statement is consistent with budget execution information and the information reported in the *Budget of the U. S. Government*, FY 2019.

The changes in the Commission’s total budgetary resources from September 30, 2018, to September 30, 2019, can mostly be explained by the following three events:

- The Commission obligated and outlaid \$75.6 million from the Customer Protection Fund for payments to whistleblowers in FY 2018, reducing the unobligated balance from prior year budget authority, net.<sup>2</sup> As disclosed in Note 12 to the financial statements, the Customer Protection Fund is funded through eligible disgorgement and penalty collections rather than appropriations.
- The Commission reduced its outstanding unfunded lease deficiency by \$22.7 million (see Note 10 for additional information).
- The Commission received \$19.0 million more in appropriations in FY 2019 over FY 2018.

<sup>2</sup> The cash disbursed included \$45.5 million in awards that were previously reported as pending claims as of September 30, 2017, and an additional \$30.1 million in new amounts awarded and disbursed during FY 2018.

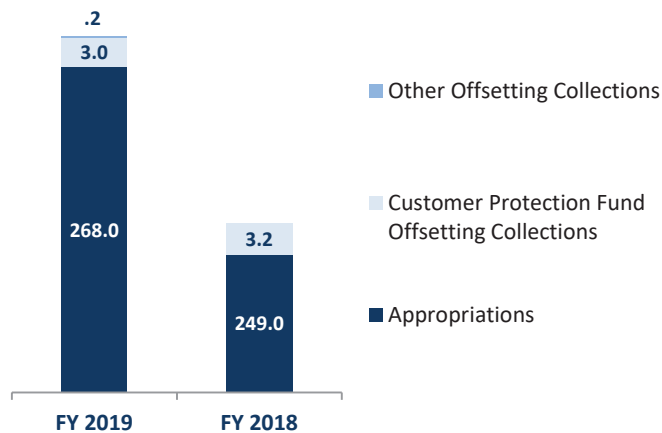
**Total Budgetary Resources**  
(\$ millions)



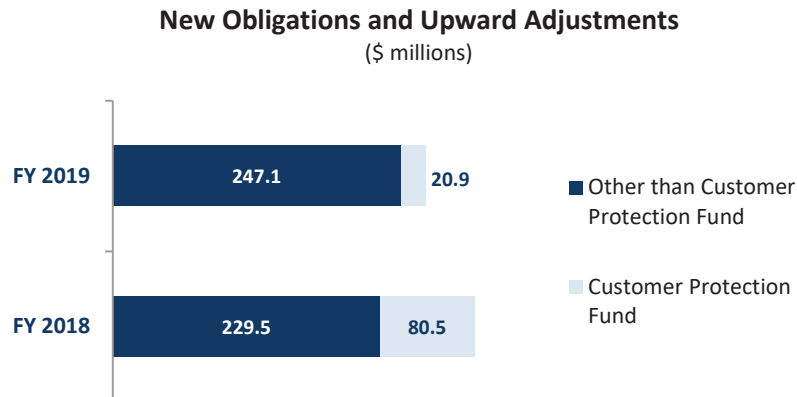
For the year ending September 30, 2019, the Commission’s Total Budgetary Resources decreased by \$38.0 million, or 11.4 percent. This decrease is primarily due to a \$56.9 million decrease in Unobligated Balance from Prior Year Budget Authority, Net, offset by a \$19.0 million increase in Appropriations received in FY 2019.

The \$56.9 million, or 70.4 percent, decrease in the Unobligated Balance from Prior Year Budget Authority, Net (beginning unobligated balance plus adjustments made during FY 2019) was primarily due to a \$75.9 million, or 32.3 percent, reduction in available authority in the Customer Protection Fund as a result of amounts expended in the prior year, offset by a \$22.7 million reduction in negative unapportioned amounts for outstanding lease obligations funded in the prior year (FY 2018).

**New Budget Authority**  
(\$ millions)



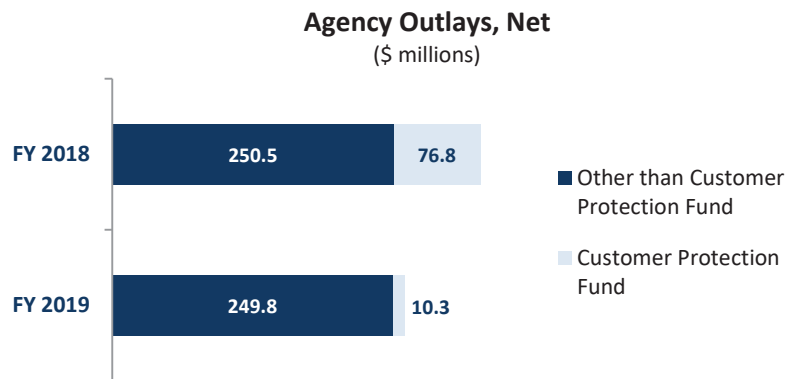
For the year ending September 30, 2019, the Commission's new budget authority increased by \$19 million primarily due to an increase in annual appropriations received. Despite significantly higher average Treasury interest rates paid on Customer Protection Fund investments in overnight Treasury securities (2.3 percent in FY 2019 versus 1.5 percent in FY 2018), Customer Protection Fund Offsetting Collections decreased by \$241.2 thousand, or 7.0 percent, due to a \$16.2 million decrease in investment balance in order to fund outlays and Customer Protection Fund available fund balance that went uninvested during the government shutdown.



New obligations and upward adjustments decreased by \$42.0 million, or 13.6 percent, primarily due to decreases in new obligations for whistleblower awards of \$60.2 million, offset by increases in new obligations for goods and services and salaries and benefits of \$15.0 million and \$3.8 million, respectively. The increase in new obligations for goods and services and salaries and benefits of \$18.8 million is due to the \$19.0 million increase in appropriations received in FY 2019.

The \$17.2 million, or 10.8 percent, decrease in Apportioned, Unexpired Accounts was primarily due to a decrease in the amounts available for apportionment for the Customer Protection Fund of \$17.2 million, mainly as a result of the \$15.4 million obligated for whistleblower awards.

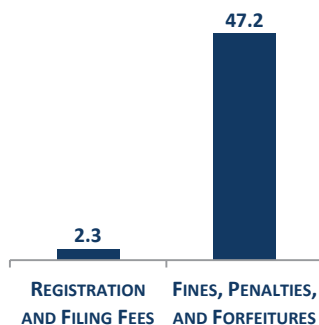
The \$22.4 million, or 15.0 percent, increase in Unapportioned, Unexpired Accounts was largely the result of the \$22.7 million reduction in unfunded lease obligations. As noted above, the Commission reduced its outstanding unfunded lease deficiency through funding from current year appropriations of \$22.7 million. As reported in prior years, the total Unapportioned, Unexpired Accounts balance is negative because no funds have been appropriated or apportioned to fund the remaining lease obligations through FY 2025. These unfunded lease obligations remaining as of September 30, 2019, and 2018, are \$126.7 million and \$149.4 million, respectively.



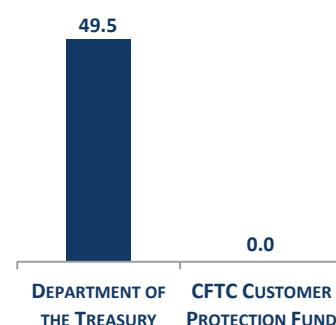
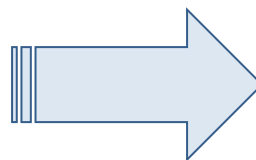
Agency Outlays, Net decreased by approximately \$67.1 million, or 20.5 percent, primarily due to decreases in outlays for whistleblower awards and contracts for goods and services of \$67.2 million and \$6.1 million, respectively, offset by increases for salaries and benefits and leases of \$5.6 million. Outlays in any given fiscal year are impacted by such things as appropriations available for obligations in the prior fiscal year, timing of cash payments, level of FTE, and whistleblower award activity.

### Statements of Custodial Activity

**FY 2019 Total Cash Collections<sup>3</sup>**  
(\$ millions)



**FY 2019 Total Disposition of Collections**  
(\$ millions)



This statement provides information about the sources and disposition of collections. CFTC transfers eligible funds from dedicated collections to the Customer Protection Fund when the balance falls below \$100 million and other non-exchange revenue to the Treasury general fund. Collections primarily consist of fines, penalties, and forfeitures assessed and levied against businesses and individuals for violations of the CEA or Commission regulations. They also include other non-exchange revenues such as registration, filing, appeal fees, and general receipts. The Statement of Custodial Activity reflects total cash collections for FY 2019 in the amount of \$49.5 million, a decrease of \$808.0 million, or 94.2 percent, over FY 2018. These custodial collections are driven by enforcement actions in any given fiscal year as well as the violators' ability to pay. Of the \$49.5 million in FY 2019 cash collections, all \$49.5 million was

<sup>3</sup> Total cash collections includes \$14.6 thousand, or <\$0.1, in general proprietary receipts



transferred to the Treasury because the Customer Protection Fund balance exceeded \$100 million so no collections were eligible to be transferred to it.

Historical experience has indicated that a high percentage of custodial receivables prove uncollectible. An allowance for uncollectible accounts has been established and included in the accounts receivable on the Balance Sheet. Although historical experience has indicated that a high percentage of custodial receivables prove uncollectible, the Commission determines the collectability of each individual judgment based on knowledge of the financial profile of the debtor obtained through the course of the investigation and litigation of each case, including efforts to identify and freeze assets at the beginning of cases, when any remaining assets are most likely to be recoverable. Accounts are re-estimated quarterly based on account reviews and the agency's determination that changes to the net realizable value are needed.

### **Financial Risks Occurring During the Reporting Period**

The most significant financial risk occurring during the reporting period was a direct result of the curtailment of operations during the government shutdown that occurred from December 22, 2018, to January 25, 2019. During this time period, the Commission was unable to pay invoices in a timely manner, resulting in a delay in payments to contractors for goods and services already provided, and an increase in prompt pay interest once operations were back up and running.

With the increase in payments to whistleblowers, the Commission also may encounter the possible risk of time lag in making payments to whistleblowers if the balance of the Customer Protection Fund is not sufficient to make timely payments to whistleblowers. This risk is minimized in that there is a level of due process involved in approving whistleblower claims that should provide the Commission with sufficient time to replenish the Customer Protection Fund, as necessary.

Other than the extended government shutdown, there were no unanticipated financial risks occurring during the reporting period.

### **Limitations of Financial Statements**

Management has prepared the accompanying financial statements to report the financial position and operational results for the CFTC for FY 2019 and FY 2018 pursuant to the requirements of Title 31 of the U.S. Code, section 3515 (b).

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

to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the understanding that they represent a component of the U.S. Federal government, a sovereign entity. One implication of this is that the liabilities presented herein cannot be liquidated without the enactment of appropriations, and ongoing operations are subject to the enactment of future appropriations.

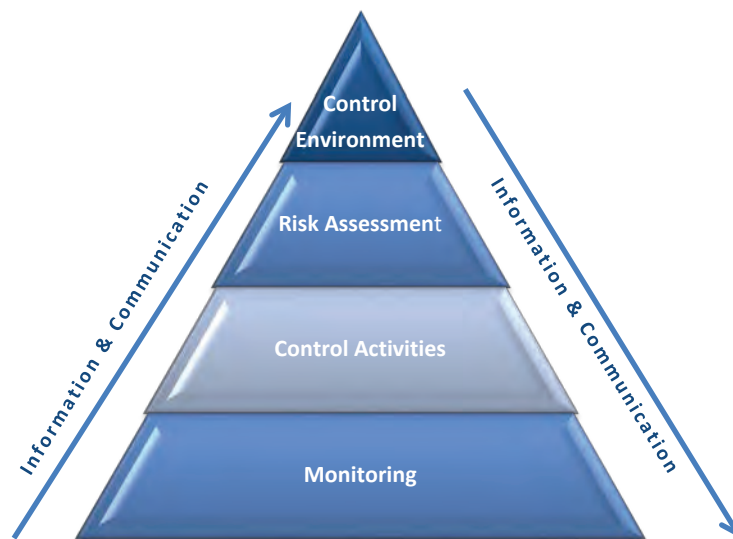
## Management Assurances

### Analysis of Systems, Controls, and Legal Compliance

#### Management Overview

The CFTC is committed to management excellence and recognizes the importance of strong financial systems and internal controls to ensure accountability, integrity, and reliability. This operating philosophy has permitted the Commission to make significant progress in documenting and testing its internal controls over reporting, as prescribed in OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. The graph below depicts all five components of the internal control process that must be present in an organization to ensure an effective internal control process.

- **Control Environment** is the foundation for an internal control system. It represents management's commitment to encourage the highest level of integrity and personal/professional standards, and promotes internal control through our leadership philosophy and operational style.
- **Risk Assessment** is the identification and analysis of risks associated with business processes, financial reporting, financial systems, controls and legal compliance in the pursuit of agency goals and objectives.
- **Control Activities** are the actions supported by management policies and procedures to address risk, e.g. performance reviews, status of funds reporting, and asset management reviews.
- **Information and Communication** ensure the agency's control environment, risks, control activities, and performance results are communicated throughout the agency.
- **Monitoring** is the assessment of internal control performance to ensure the internal control processes are properly executed and operating effectively in compliance with agency policies and procedures.



The Commission relies on its performance management and internal control framework to ensure:

- divisions and mission support offices achieve the intended strategic objectives and performance goals efficiently and effectively;
- maintenance and use of reliable, complete, and timely data for decision-making at all levels; and,
- compliance with applicable laws and regulations.

### **Statement of Assurance**

The Statement of Assurance is required by the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. The assurance is for internal controls over operational effectiveness (we do the right things to accomplish our mission) and operational efficiency (we do things right).

### Statement of Assurance

*“CFTC management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the Federal Managers’ Financial Integrity Act of 1982 (FMFIA). In accordance with OMB Circular A-123, Management’s Responsibility for Enterprise Risk Management and Internal Control, CFTC conducted an assessment of the effectiveness of its internal controls and financial management systems to support reliable financial reporting, effective and efficient programmatic operations, and compliance with applicable laws and regulations and financial management systems requirements. Based on the results of this assessment, the CFTC can provide reasonable assurance that its internal controls and financial management systems met the objectives of FMFIA and were operating effectively as of September 30, 2019. No material weaknesses were found in the design or operation of CFTC’s internal controls or financial management systems.*

*These reviews include an assessment of CFTC’s safeguarding of assets, the use of budget authority, and other laws and regulations that could have a material effect on the financial statements, in accordance with the requirements of Appendix A to OMB Circular A-123, Management of Reporting and Data Integrity Risk. Based on the results of these reviews, the CFTC can provide reasonable assurance that its internal controls over reporting were operating effectively as of September 30, 2019. No material weaknesses were found in the design or operation of internal controls over reporting.*

*The CFTC also reviews the United States Department of Transportation Quality Control Review of Controls Over the Enterprise Services Center Report conducted in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Attestation Engagements (SSAE 18) provided by the shared service provider maintaining our financial management system. The report addresses requirements outlined in Appendix D of OMB Circular A-123, Compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA) and OMB Circular A-136. Based on the results of these reviews, the CFTC elects to provide reasonable assurance that its financial management systems are in compliance with applicable provisions of the FFMIA as of September 30, 2019.”*



Heath P. Tarbert  
Chairman

November 7, 2019

## Management's Assessment of Internal Control

The objectives of the Commission's internal controls are to provide reasonable assurance that:

- Obligations and costs are in compliance with applicable laws;
- Assets are safeguarded against waste, loss, unauthorized use, or misappropriation;
- Revenues and expenditures applicable to Commission operations are properly recorded and accounted for to permit the preparation of accounts and reliable to financial and statistical reports and to maintain accountability over assets; and
- All programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

During FY 2019, the Commission reviewed key components of its internal controls and financial management systems, in accordance with FMFIA and OMB guidelines. As part of this review, the Commission evaluates information obtained from reviews conducted by the Government Accountability Office (GAO) and the Office of the Inspector General (OIG). These reviews are helpful in assessing whether the Commission's systems and controls comply with the standards established by FMFIA.

In addition, managers throughout the Commission are responsible for ensuring that effective controls are implemented in their areas of responsibility. Individual assurance statements from division and office heads serve as a primary basis for the Chairman's assurance that internal controls are adequate and operating effectively. The assurance statements are based upon each office's evaluation of progress made in correcting any previously reported problems, as well as new problems identified by the OIG, GAO, other management reports, and the management environment within each office. CFTC has worked vigorously to continually improve its controls program and assess its effectiveness at accomplishing the FMFIA requirements. Examples of some of the FY 2019 work performed to support the assessment of compliance with FMFIA and Internal Controls over Reporting (ICOR) include, but are not limited to, the following:

- Development of the Data Quality Plan (DQP) to ensure data quality, assessment and reconciliation of quarterly spending data submitted in compliance with the Digital Accountability and Transparency Act of 2014 (Data Act);
- Fraud risk assessments to identify and reduce the risk of fraud based on the Fraud Reduction and Data Analytics Act of 2015;
- Pay and benefits assessment based on the authority of Section 10702 of the Public Law 107-171, Farm Security and Rural Investment Act of 2002;
- Management and internal control reviews conducted with the express purpose of assessing internal controls;

- Management control reviews conducted with the express purpose of assessing compliance with applicable laws, regulations, and government-wide policies; and
- Information security compliance as required by the Federal Information Security Management Act (FISMA).

### **FMFIA Section 2, Management Control**

The Commission has no declared material weaknesses under FMFIA for FY 2019 in the area of reporting that hinders preparation of timely and accurate financial statements.

### **FMFIA Section 4, Financial Management Systems**

The Commission declared no nonconformance within our financial systems under FMFIA during FY 2019 and FY 2018. The independent auditors' reports for FY 2019 and 2018 disclosed no instances of noncompliance or other matters within our financial systems that were required to be reported under Generally Accepted Government Auditing Standards (GAGAS) and OMB Bulletin 19-03, *Audit Requirements for Federal Financial Statements*.

### **FFMIA, Financial Management Systems**

As an agency reporting under the Accountability of Tax Dollars Act of 2002, the Commission is not subject to the requirements of FFMIA. However, based on the robust assessments that the Commission has conducted to ensure compliance with FMFIA, CFTC is able to elect to provide reasonable assurance that its financial management systems comply with:

- Federal financial management system requirements;
- Applicable Federal accounting standards; and
- The U.S. Standard General Ledger (USSGL) at the transaction level.

### **Summary of Current Financial System and Future Strategies**

Since FY 2007, the CFTC has leveraged a financial management systems platform operated by the U.S. Department of Transportation's Enterprise Services Center (ESC), an OMB-designated financial management service provider. The Commission implemented an integrated end-to-end procurement management system through ESC, which provides a timely, efficient and consistent contract management process and facilitates required Data Act reporting. The Commission's financial management systems strategy for FY 2020 includes the continued monitoring, evaluation and oversight of the financial management system operated by its shared services provider. As a result, the CFTC is able to accumulate, analyze, and present reliable financial information, and provide timely information for managing current operations and reporting financial information to central agencies.



## **FINANCIAL SECTION**

Report of the Independent Auditor

Principal Financial Statements

Notes to the Financial Statements

Required Supplementary Information  
(Unaudited)



## Report of the Independent Auditor



ALLMOND & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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LANHAM, MARYLAND 20706

(301) 918-8200  
FACSIMILE (301) 918-8201

### Independent Auditors' Report

Chairman and Inspector General of  
U.S. Commodity Futures Trading Commission:

#### Report on the Financial Statements

We have audited the accompanying financial statements of the U. S. Commodity Futures Trading Commission (CFTC), which comprise the balance sheets as of September 30, 2019 and 2018; the related statements of net cost, changes in net position, custodial activity, and budgetary resources for the fiscal years then ended, and the related notes to the financial statements (hereinafter referred to as the financial statements).

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on the fiscal years 2019 and 2018 financial statements of CFTC based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Commodity Futures Trading Commission as of September 30, 2019 and 2018, and its net costs of operations, changes in net position, custodial activity, and budgetary resources for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

***Required Supplementary Information***

U.S. generally accepted accounting principles require that the information in the *Message from the Chairman, Management and Discussion Analysis* section, and *Other Accompanying Information* section of this report is presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of CFTC's financial statements. However, we did not audit this information and, accordingly, we express no opinion on it.

**Other Reporting Required by Government Auditing Standards**

***Internal Control over Financial Reporting***

In planning and performing our audit of CFTC's financial statements as of and for the year ended September 30, 2019, in accordance with generally accepted government auditing standards, we considered CFTC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CFTC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CFTC's internal control over financial reporting. We limited internal control testing to those necessary to achieve the objectives described in OMB Bulletin No. 19-03. We did not test all internal control relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose as described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during

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**Independent Auditors' Report**

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our fiscal year 2019 audit we did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether CFTC's fiscal year 2019 financial statements are free of material misstatements, we performed tests of CFTC's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements, which noncompliance could have a direct and material effect on the determination of material amounts and disclosures in CFTC's financial statements, and certain provisions of other laws specified in OMB Bulletin No. 19-03. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance as described in the preceding paragraph, disclosed an instance of noncompliance or other matters that is required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 19-03 and which is described in Exhibit I.

***Purpose of the Other Reporting Required by Government Auditing Standards***

The purpose of the communication described in the Other Reporting Required by Government Auditing Standards section is solely to describe the scope of our testing of internal control and compliance with selected provision of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on the effectiveness of CFTC's internal control or on compliance. This communication is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal controls and compliance with laws, regulations, contracts, and grant agreements which could have a material effect on CFTC's financial statements. Accordingly, this communication is not suitable for any other purpose.

*Allmond & Company, LLC*

November 7, 2019  
Lanham, MD

**Potential Anti-deficiency Act (ADA) violation**

One management review is ongoing within the agency, which has or may identify an ADA violation, as follows:

- In FY 2014, CFTC did not freeze the pay of certain senior official pursuant to an FY 2014 government wide appropriation provision that has remained in each subsequent appropriation including FY 2018 appropriation. This issue is under management review.

Title 31 U.S. Code (U.S.C.) Section 1517 *Prohibited Obligations and Expenditures* states:

- (a) An officer or employee of the United States Government or of the District of Columbia government may not make or authorize an expenditure or obligation exceeding –
  - (1) An apportionment; or
  - (2) The amount permitted by regulations prescribed under section 1514(a) of this title.
- (b) If an officer or employee of an executive agency or of the District of Columbia government violates subsection (a) of this section, the head of the executive agency or the Mayor of the District of Columbia, as the case may be, shall report immediately to the President and Congress all relevant facts and a statement of actions taken. A copy of each report shall also be transmitted to the Comptroller General on the same date the report is transmitted to the President and Congress.

*Recommendation:* We recommend that CFTC's management complete the investigation into the potential ADA violation noted and report to the appropriate parties, as necessary.

**MANAGEMENT'S RESPONSE**

Management concurs with the recommendation.

The following table provides the fiscal year (FY) 2019 status of all recommendations included in the Independent Auditors' Report on the Commodity Futures Trading Commission's FY 2018 Financial Statements (November 8, 2018).

FY 2018 Finding	FY 2018 Recommendation	FY 2019 Status
Potential Anti-Deficiency Act Violation	<p><b>Recommendation:</b></p> <p>Complete the investigation into the potential ADA violation noted and report to the appropriate parties, as necessary.</p>	Open

# Principal Financial Statements

## Commodity Futures Trading Commission

### BALANCE SHEETS

As of September 30, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 86,407,483	\$ 66,320,101
Investments (Note 3)	141,300,000	157,518,375
Accounts Receivable (Note 4)	1,167	3,692
Prepayments (Note 1H)	2,663,914	1,596,970
<b>Total Intragovernmental</b>	<b>230,372,564</b>	<b>225,439,138</b>
Custodial Receivables, Net (Note 4)	51,364,449	11,497,175
Accounts Receivable, Net (Note 4)	53,415	40,975
General Property, Plant and Equipment, Net (Note 5)	29,738,196	35,176,845
Prepayments (Note 1H)	3,029,381	2,548,456
<b>TOTAL ASSETS</b>	<b>\$ 314,558,005</b>	<b>\$ 274,702,589</b>
<b>LIABILITIES</b>		
Intragovernmental:		
Accounts Payable	\$ 436,014	\$ 454,015
Custodial Liabilities	51,364,449	11,497,175
Employer Contributions and Payroll Taxes Payable	1,432,636	1,171,806
FECA Liabilities (Note 1N)	85,660	84,533
<b>Total Intragovernmental</b>	<b>53,318,759</b>	<b>13,207,529</b>
Accounts Payable	20,983,576	10,121,627
Actuarial FECA Liabilities (Note 1N)	478,449	454,559
Accrued Payroll	5,779,774	4,901,912
Annual Leave	12,672,973	11,544,538
Deferred Lease Liabilities (Note 7)	21,494,054	23,970,026
Liability for Whistleblower Awards (Note 8)	20,280,146	4,913,875
Deposit Fund Liabilities	445,754	369,175
Contingent Liabilities (Note 9)	-	38,696
<b>Total Liabilities</b>	<b>\$ 135,453,485</b>	<b>\$ 69,521,937</b>
<b>NET POSITION</b>		
Unexpended Appropriations - All Other Funds	\$ 58,465,701	\$ 47,626,826
Cumulative Results of Operations - Funds from Dedicated Collections	125,439,162	158,337,598
Cumulative Results of Operations - All Other Funds	(4,800,343)	(783,772)
Total Net Position - Funds from Dedicated Collections (Note 12)	125,439,162	158,337,598
Total Net Position - All Other Funds	53,665,358	46,843,054
<b>Total Net Position</b>	<b>\$ 179,104,520</b>	<b>\$ 205,180,652</b>

The accompanying notes are an integral part of these financial statements.

**Commodity Futures Trading Commission**  
**STATEMENTS OF NET COST**  
**For the Years Ended September 30, 2019 and 2018**

	2019	2018
<b>NET COST BY GOAL</b>		
<b>GOAL ONE: MARKET INTEGRITY AND TRANSPARENCY</b>		
Gross Costs	\$ 67,538,202	\$ 65,362,175
Less: Earned Revenue	(62,079)	(10,334)
<b>NET COST OF OPERATIONS -- GOAL ONE</b>	<b>\$ 67,476,123</b>	<b>\$ 65,351,841</b>
<b>GOAL TWO: FINANCIAL INTEGRITY AND AVOIDANCE OF SYSTEMIC RISK</b>		
Gross Costs	\$ 90,448,114	\$ 89,447,245
Less: Earned Revenue	(83,138)	(14,142)
<b>NET COST OF OPERATIONS -- GOAL TWO</b>	<b>\$ 90,364,976</b>	<b>\$ 89,433,103</b>
<b>GOAL THREE: COMPREHENSIVE ENFORCEMENT</b>		
Gross Costs	\$ 129,945,977	\$ 136,303,063
Less: Earned Revenue	(91,178)	(16,019)
<b>NET COST OF OPERATIONS -- GOAL THREE</b>	<b>\$ 129,854,799</b>	<b>\$ 136,287,044</b>
<b>GOAL FOUR: DOMESTIC AND INTERNATIONAL COOPERATION AND COORDINATION</b>		
Gross Costs	\$ 13,621,378	\$ 14,191,540
Less: Earned Revenue	(12,520)	(2,244)
<b>NET COST OF OPERATIONS -- GOAL FOUR</b>	<b>\$ 13,608,858</b>	<b>\$ 14,189,296</b>
<b>GRAND TOTAL</b>		
Gross Costs	\$ 301,553,671	\$ 305,304,023
Less: Earned Revenue	(248,915)	(42,739)
<b>TOTAL NET COST OF OPERATIONS</b>	<b>\$ 301,304,756</b>	<b>\$ 305,261,284</b>

*The accompanying notes are an integral part of these financial statements.*

**Commodity Futures Trading Commission**  
**STATEMENTS OF CHANGES IN NET POSITION**  
**For the Years Ended September 30, 2019 and 2018**

2019	Dedicated Collections	All Other Funds	Consolidated Total
UNEXPENDED APPROPRIATIONS:			
BEGINNING BALANCES, OCTOBER 1	\$ -	\$ 47,626,826	\$ 47,626,826
BUDGETARY FINANCING SOURCES:			
Appropriations Received	-	268,000,000	268,000,000
Other Adjustments (+/-)	-	(4,032,357)	(4,032,357)
Appropriations Used	-	(253,128,768)	(253,128,768)
Total Budgetary Financing Sources	-	10,838,875	10,838,875
<b>TOTAL UNEXPENDED APPROPRIATIONS, SEPTEMBER 30</b>	<b>\$ -</b>	<b>\$ 58,465,701</b>	<b>\$ 58,465,701</b>
CUMULATIVE RESULTS OF OPERATIONS:			
BEGINNING BALANCES, OCTOBER 1	\$ 158,337,598	\$ (783,772)	\$ 157,553,826
BUDGETARY FINANCING SOURCES:			
Appropriations Used	-	253,128,768	253,128,768
Nonexchange Interest Revenue (Note 3)	3,206,457	-	3,206,457
OTHER FINANCING SOURCES:			
Imputed Financing Sources (Note 1M)	-	8,054,524	8,054,524
Total Financing Sources	3,206,457	261,183,292	264,389,749
Net Cost of Operations	(36,104,893)	(265,199,863)	(301,304,756)
Net Change	(32,898,436)	(4,016,571)	(36,915,007)
<b>TOTAL CUMULATIVE RESULTS OF OPERATIONS, SEPTEMBER 30</b>	<b>\$ 125,439,162</b>	<b>\$ (4,800,343)</b>	<b>\$ 120,638,819</b>
<b>NET POSITION</b>	<b>\$ 125,439,162</b>	<b>\$ 53,665,358</b>	<b>\$ 179,104,520</b>
2018	Dedicated Collections	All Other Funds	Consolidated Total
UNEXPENDED APPROPRIATIONS:			
BEGINNING BALANCES, OCTOBER 1	\$ -	\$ 50,591,522	\$ 50,591,522
BUDGETARY FINANCING SOURCES:			
Appropriations Received	-	249,000,000	249,000,000
Other Adjustments (+/-)	-	(454,135)	(454,135)
Appropriations Used	-	(251,510,561)	(251,510,561)
Total Budgetary Financing Sources	-	(2,964,696)	(2,964,696)
<b>TOTAL UNEXPENDED APPROPRIATIONS, SEPTEMBER 30</b>	<b>\$ -</b>	<b>\$ 47,626,826</b>	<b>\$ 47,626,826</b>
CUMULATIVE RESULTS OF OPERATIONS:			
BEGINNING BALANCES, OCTOBER 1	\$ 196,336,209	\$ 4,225,293	\$ 200,561,502
BUDGETARY FINANCING SOURCES:			
Appropriations Used	-	251,510,561	251,510,561
Nonexchange Interest Revenue (Note 3)	3,447,675	-	3,447,675
OTHER FINANCING SOURCES:			
Imputed Financing Sources (Note 1M)	-	7,295,372	7,295,372
Total Financing Sources	3,447,675	258,805,933	262,253,608
Net Cost of Operations	(41,446,286)	(263,814,998)	(305,261,284)
Net Change	(37,998,611)	(5,009,065)	(43,007,676)
<b>TOTAL CUMULATIVE RESULTS OF OPERATIONS, SEPTEMBER 30</b>	<b>\$ 158,337,598</b>	<b>\$ (783,772)</b>	<b>\$ 157,553,826</b>
<b>NET POSITION</b>	<b>\$ 158,337,598</b>	<b>\$ 46,843,054</b>	<b>\$ 205,180,652</b>

The accompanying notes are an integral part of these financial statements.



**Commodity Futures Trading Commission**  
**STATEMENTS OF BUDGETARY RESOURCES**  
**For the Years Ended September 30, 2019 and 2018**

	2019	2018
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance from Prior Year Budget Authority, Net (Note 10A)	\$ 23,928,531	\$ 80,863,263
Appropriations	268,000,000	249,000,000
Spending Authority from Offsetting Collections	3,216,362	3,251,946
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 295,144,893</b>	<b>\$ 333,115,209</b>
<b>STATUS OF BUDGETARY RESOURCES</b>		
New Obligations and Upward Adjustments	\$ 268,029,495	\$ 310,043,029
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	142,982,838	160,197,074
Unapportioned, Unexpired Accounts	(126,714,806)	(149,078,415)
Unexpired Unobligated Balance, End of Year	16,268,032	11,118,659
Expired Unobligated Balance, End of Year	10,847,366	11,953,521
Unobligated Balance, End of Year (Total)	27,115,398	23,072,180
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 295,144,893</b>	<b>\$ 333,115,209</b>
<b>OUTLAYS, NET</b>		
Outlays, Net	\$ 260,156,840	\$ 327,283,911
Distributed Offsetting Receipts	(14,569)	(1,939)
<b>AGENCY OUTLAYS, NET</b>	<b>\$ 260,142,271</b>	<b>\$ 327,281,972</b>

*The accompanying notes are an integral part of these financial statements.*

**Commodity Futures Trading Commission**  
**STATEMENTS OF CUSTODIAL ACTIVITY**  
**For the Years Ended September 30, 2019 and 2018**

	2019	2018
<b>TOTAL CUSTODIAL REVENUE</b>		
SOURCES OF CASH COLLECTIONS:		
Registration and Filing Fees	\$ 2,243,849	\$ 602,108
Fines, Penalties, and Forfeitures	47,229,052	856,913,686
General Proprietary Receipts	14,569	1,939
<b>Total Cash Collections</b>	<b>49,487,470</b>	<b>857,517,733</b>
Change in Custodial Receivables	39,867,274	6,214,855
<b>TOTAL CUSTODIAL REVENUE</b>	<b>\$ 89,354,744</b>	<b>\$ 863,732,588</b>
<b>DISPOSITION OF COLLECTIONS</b>		
AMOUNTS TRANSFERRED TO:		
Department of the Treasury	\$ (49,487,470)	\$ (857,517,733)
<b>Total Disposition of Collections</b>	<b>(49,487,470)</b>	<b>(857,517,733)</b>
Change in Custodial Liabilities	(39,867,274)	(6,214,855)
<b>NET CUSTODIAL ACTIVITY</b>	<b>\$ -</b>	<b>\$ -</b>

*The accompanying notes are an integral part of these financial statements.*

## Notes to the Financial Statements

As of and for the Fiscal Years Ended September 30, 2019 and 2018

### Note 1 Summary of Significant Accounting Policies

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#### A. Reporting Entity

The Commodity Futures Trading Commission (CFTC or Commission) is an independent agency of the executive branch of the Federal Government. Congress created the CFTC in 1974 under the authorization of the Commodity Exchange Act (CEA) with the mandate to regulate commodity futures and option markets in the United States. The agency's mandate was renewed and expanded under the Futures Trading Acts of 1978, 1982, and 1986; under the Futures Trading Practices Act of 1992; under the CFTC Reauthorization Act of 1995; under the Commodity Futures Modernization Act of 2000; and under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act, or the Act). Congress passed the Food, Conservation, and Energy Act of 2008, which reauthorized the Commission through FY 2013. In the absence of formal reauthorization, CFTC has continued to operate through annual appropriations.

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.

On July 21, 2010, the Dodd-Frank Act was signed into law, significantly expanding the powers and responsibilities of the CFTC. According to Section 748 of the Act, there is established in the U.S. Department of the Treasury (Treasury) a revolving fund known as the CFTC Customer Protection Fund. The Customer Protection Fund shall be available to the Commission, without further appropriation or fiscal year limitation, for a) the payment of awards to whistleblowers; and b) the funding of customer education initiatives designed to help customers protect themselves against fraud or other violations of this Act or the rules and regulations thereunder.

#### B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations for the CFTC, as required by the Accountability of Tax Dollars Act of 2002. They are presented in accordance with the form and content requirements contained in OMB Circular A-136, *Financial Reporting Requirements*, as amended.

The principal financial statements have been prepared in all material respects from the agency's books and records in conformity with U.S. generally accepted accounting principles (GAAP), as prescribed for the Federal government by the Federal Accounting Standards Advisory Board (FASAB). The application and methods for applying these principles are appropriate for presenting fairly the entity's assets, liabilities, financial position, net cost of operations, changes in net position, budgetary resources, and custodial activities. Accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

The books and records of the agency served as the source of information for preparing the financial statements in the prescribed formats. All agency financial statements and reports used to monitor and control budgetary resources are prepared from the same books and records. The statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.

The Balance Sheets present the financial position of the agency. The Statements of Net Cost present the agency's operating results; the Statements of Changes in Net Position display the changes in the agency's equity accounts. The Statements of Budgetary Resources present the sources, status, and uses of the agency's resources and follow the rules for the Budget of the U.S. Government. The Statements of Custodial Activity present the sources and disposition of collections for which the CFTC is the fiscal agent, or custodian, for the Treasury General Fund Miscellaneous Receipt accounts.

Throughout these financial statements, assets, liabilities, revenues and costs have been classified according to the type of entity with whom the transactions were made. Intragovernmental assets and liabilities are those from or to other federal entities. Intragovernmental earned revenues are collections or accruals of revenue from other federal entities, and intragovernmental costs are payments or accruals to other federal entities. The CFTC does not transact business among its own operating units, and therefore, intra-entity eliminations were not needed.

### **C. Budgetary Resources and Status**

The CFTC is funded through congressionally approved appropriations. The CFTC is responsible for administering the salaries and expenses of the agency through the execution of these appropriations.

Congress annually enacts appropriations that provide the CFTC with the authority to obligate funds within the respective fiscal year for necessary expenses to carry out mandated program activities. All appropriations are subject to quarterly apportionment as well as Congressional restrictions.

The CFTC's budgetary resources for FY 2019 consist of:

- Unobligated balances of resources brought forward from the prior year,
- Recoveries of obligations made in prior years, and
- New resources in the form of appropriations and spending authority from offsetting collections.

Unobligated balances associated with resources expiring at the end of the fiscal year remain available for five years after expiration only for upward adjustments of prior year obligations, after which they are canceled and may not be used. All unused monies related to canceled appropriations are returned to Treasury and the canceled authority is reported on the Statements of Budgetary Resources and the Statements of Changes in Net Position.

#### **D. Entity and Non-Entity Assets**

Assets consist of entity and non-entity assets. Entity assets are those assets that the CFTC has authority to use for its operations. Non-entity assets are those held by the CFTC that are not available for use in its operations. Non-entity assets held by the CFTC include deposit fund balances, custodial fines, interest, penalties, and administrative fees receivable.

#### **E. Fund Balance with Treasury**

Fund Balance with Treasury is the aggregate amount of the CFTC's funds with Treasury in general, receipt, revolving, and deposit fund accounts. Appropriated funds recorded in general fund expenditure accounts are available to pay current liabilities and finance authorized purchases. Revolving fund custodial collections recorded in the deposit fund and miscellaneous receipts accounts of the Treasury are not available for agency use. At fiscal year-end, receipt account balances are returned to Treasury or transferred to the Customer Protection Fund.

The CFTC does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the agency on demand.

Spending authority from offsetting collections is recorded in the agency's expenditure account and is available for agency use subject to certain limitations.

#### **F. Investments**

The CFTC has the authority to invest amounts deposited in the Customer Protection Fund in short-term market-based Treasury securities. Market-based Treasury securities are debt securities that the Treasury issues to Federal entities without statutorily determined interest rates. Although the securities are not marketable, the terms (prices and interest rates) mirror the terms of marketable Treasury securities. Investments are carried at their historical cost basis which approximates fair value due to their short-term nature.

Interest earned on the investments is a component of the Fund and is available to be used for expenses of the Customer Protection Fund. Additional details regarding Customer Protection Fund investments are provided in Note 3.

#### **G. Accounts Receivable, Net**

Accounts receivable consists of amounts owed by other federal agencies and the public to the CFTC and is valued net of an allowance for uncollectible amounts. The allowance is based on past experience in the collection of receivables and analysis of the outstanding balances. Accounts receivable arise from reimbursable operations, earned refunds or the Civil Monetary Sanctions program.

## **H. Prepayments**

Payments to federal and non-federal sources in advance of the receipt of goods and services are recorded as prepayments and recognized as expenses when the related goods and services are received. Intragovernmental prepayments reported on the Balance Sheet were made primarily to the U.S. Department of Interior for contract support. Prepayments to the public were primarily for software maintenance and subscription services.

## **I. General Property, Plant and Equipment, Net**

Furniture, fixtures, equipment, information technology hardware and software, and leasehold improvements are capitalized and depreciated or amortized over their useful lives.

The CFTC capitalizes assets annually if they have useful lives of at least two years and an individual value of \$25,000 or more. Bulk or aggregate purchases are capitalized when the individual useful lives are at least two years and the purchase is a value of \$25,000 or more. Property, plant and equipment that do not meet the capitalization criteria are expensed when acquired. Depreciation for equipment and amortization for software is computed on a straight-line basis using a 5-year life. Leasehold improvements are amortized over the remaining life of the lease. The Commission's assets are valued net of accumulated depreciation or amortization.

## **J. Liabilities**

The CFTC's liabilities consist of actual and estimated amounts that are likely to be paid as a result of transactions covered by budgetary resources for which Congress has appropriated funds or funding, or are otherwise available from reimbursable transactions to pay amounts due.

Liabilities include those covered by budgetary resources in existing legislation, those not requiring budgetary resources, and those not yet covered by budgetary resources. The CFTC liabilities not requiring budgetary resources include deferred lease liabilities, deposit funds, and custodial revenue deemed collectible but not yet collected at fiscal year-end. Liabilities that are not yet covered by budgetary resources but will require budgetary resources in the future include:

- Intragovernmental Federal Employees' Compensation Act (FECA) liabilities,
- Annual leave benefits that will be funded by annual appropriations as leave is taken,
- Actuarial FECA liabilities,
- Liability for whistleblower awards,
- Contingent liabilities, and
- Advances received for reimbursable services yet to be provided.

#### **K. Accounts Payable**

Accounts payable consists primarily of contracts for goods or services, such as operating leases, leasehold improvements, software development, information technology, telecommunications, and consulting and support services.

#### **L. Accrued Payroll and Benefits and Annual Leave Liability**

The accrued payroll liability represents amounts for salaries and benefits owed for the time since the payroll was last paid through the end of the reporting period. Total accrued payroll is composed of amounts to be paid to CFTC employees as well as the related intragovernmental payable for employer contributions and payroll taxes. The annual leave liability is the amount owed to employees for unused annual leave as of the end of the reporting period. At the end of each quarter, the balance in the accrued annual leave account is adjusted to reflect current balances and pay rates. Sick leave and other types of non-vested leave are expensed as taken.

The agency's employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS.

For employees under FERS, the CFTC contributes an amount equal to one percent of the employee's basic pay to the tax deferred Thrift Savings Plan and matches employee contributions up to an additional four percent of pay. FERS and CSRS employees can contribute a portion of their gross earnings to the plan up to Internal Revenue Service limits; however, CSRS employees receive no matching agency contribution.

#### **M. Retirement Plans and Other Employee Benefits**

The CFTC imputes costs and the related financing sources for its share of retirement benefits accruing to its past and present employees that are in excess of the amount of contributions from the CFTC and its employees, which are mandated by law. The Office of Personnel Management (OPM), which administers federal civilian retirement programs, provides the

cost information to the CFTC. The CFTC recognizes the full cost of providing future pension and Other Retirement Benefits (ORB) for current employees as required by Statement of Federal Financial Accounting Standards (SFFAS) 5, *Accounting for Liabilities of the Federal Government*.

Full costs include pension and ORB contributions paid out of the CFTC's appropriations and costs financed by OPM. The amount financed by OPM is recognized as an imputed financing source. Reporting amounts such as plan assets, accumulated plan benefits, or unfunded liabilities, if any, is the responsibility of OPM.

Liabilities for future pension payments and other future payments for retired employees who participate in the Federal Employees Health Benefits Program and the Federal Employees Group Life Insurance Program are reported by OPM rather than CFTC.

#### **N. FECA Liabilities**

FECA provides income and medical cost protections to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims against the CFTC and subsequently seeks reimbursement from the CFTC for these paid claims. Accrued FECA liabilities represent amounts due to DOL for claims paid on behalf of the agency.

In addition, the Commission's actuarial FECA liability represents the liability for future workers compensation benefits, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved cases. The Commission records an estimate for the FECA actuarial liability using the DOL's FECA model. The model considers the average amount of benefit payments incurred by the Commission for the past three fiscal years, multiplied by the medical and compensation liability to benefits paid ratio for the whole FECA program.

#### **O. Leases**

The CFTC does not have any capital lease liabilities. The operating leases consist of commercial property for the CFTC's headquarters and regional offices. Lease expenses are recognized on a straight-line basis.



**P. Deposit Funds**

Deposit funds are expenditure accounts used to record monies that do not belong to the Federal government. They are held awaiting distribution based on a legal determination or investigation. The CFTC Deposit Fund is used to collect and later distribute collections of monetary awards to the appropriate victims as restitution. The cash collections recorded in this fund are offset by a Deposit Fund liability. Activities in this fund are not fiduciary in nature because they are not legally enforceable against the government.

**Q. Net Position**

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations are appropriations that have not yet been used to acquire goods and services or provide benefits. Appropriations are considered expended, or used, when goods and services have been acquired by the CFTC or benefits have been provided using the appropriation authority, regardless of whether monies have been paid or payables for the goods, services, or benefits have been established.

Cumulative results of operations represent the excess of budgetary or other financing sources over expenses since inception. Cumulative results of operations are derived from the net effect of capitalized assets, expenses, exchange revenue, and unfunded liabilities.

**R. Revenues**

The CFTC receives reimbursement and earns revenue for the following activities:

- Reimbursement for travel, subsistence, and related expenses from non-federal sources for attendance at meetings or similar functions that an employee has been authorized to attend in an official capacity on behalf of the Commission;
- Reimbursement for Intergovernmental Personnel Act Mobility Program assignments from state and local governments, institutions of higher education, and other eligible organizations for basic pay, supplemental pay, fringe benefits, and travel and relocation expenses; and
- Reimbursement from non-federal sources for registration fees to cover the cost of expenses related to the CFTC's annual International Regulators Conference.

## S. Net Cost of Operations

Net cost of operations is the difference between the CFTC's expenses and its earned revenue. The presentation of program results by strategic goals is based on the CFTC's current Strategic Plan established pursuant to the Government Performance and Results Act of 1993 (GPRA).

The mission statement of the CFTC is to protect market users and the public from fraud, manipulation, and abusive practices related to the sale of commodity and financial futures and options, and to foster open, competitive, and financially sound futures and option markets. For FY 2019, the mission was accomplished through the following four strategic goals, each focusing on a vital area of regulatory responsibility:

- **Goal 1: Market Integrity and Transparency.** The focus of Market Integrity and Transparency is to recognize that derivatives markets provide a means for market users to offset price risks inherent in their businesses and to serve as a public price discovery mechanism.
- **Goal 2: Financial Integrity and Avoidance of Systemic Risk.** The focus of Financial Integrity and Avoidance of Systemic Risk is to strive to ensure that Commission-registered derivatives clearing organizations, swap dealers, major swap participants, and futures commission merchants have the financial resources, risk management systems and procedures, internal controls, customer protection systems, and other controls necessary to meet their obligations so as to minimize the risk that the financial difficulty of any of these registrants, or any of their customers has systemic implications.
- **Goal 3: Comprehensive Enforcement.** Through the goal of Comprehensive Enforcement, the CFTC enforces the CEA and Commission regulations, and works to promote awareness of and compliance with these laws.
- **Goal 4: Domestic and International Cooperation and Coordination.** Domestic and International Cooperation and Coordination focuses on how the Commission interacts with domestic and international regulatory authorities, market participants, and others affected by the Commission's regulatory policies and practices.

To advance its mission goals and objectives, the CFTC will achieve Commission-wide excellence by empowering strong, enterprise-focused leaders, maintaining a high-performing and engaged workforce, and ensuring effective stewardship of resources.

## T. Custodial Activity

The CFTC collects penalties and fines levied against firms for violation of laws as described in the CEA as codified at 7 U.S.C. § 1, *et seq.*, and the Commodities Futures Modernization Act of 2000, Appendix E of Public Law 106-554, 114 Stat. 2763. Unpaid fines, penalties and accrued interest are reported as custodial receivables, with an associated custodial liability. The receivables and the liability are reduced by amounts determined to be uncollectible. Revenues earned and the losses from bad debts are reported to Treasury.

Collections made by the CFTC during the year are deposited and reported into designated Treasury miscellaneous receipt accounts for:

- Registration and filing fees,
- Fines, penalties and forfeitures, and
- General proprietary receipts.

At fiscal year-end, custodial collections made by the CFTC are either returned to Treasury or when determined eligible, transferred to the Customer Protection Fund. The CFTC does not retain any amount for custodial activities including reimbursement of the cost of collection.

## U. Use of Management Estimates

The preparation of the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenues, expenses, and custodial activities. Actual results could differ from these estimates.

## V. Reconciliation of Net Outlays and Net Cost of Operations

In accordance with OMB Circular A-136, the Commission reconciles its budgetary outlays with its net cost of operations.

## W. Funds from Dedicated Collections

The Customer Protection Fund was established to operate a whistleblower program and support customer education initiatives. See Note 1A for a description of the purpose of the Customer Protection Fund and its authority to use revenues and other financing sources. Deposits into the Customer Protection Fund are credited from monetary sanctions collected by the Commission in a covered judicial or administrative action where the full judgment is in excess of \$1,000,000 and the collection is not otherwise distributed to victims

of a violation of the Dodd-Frank Act or the underlying rules and regulations, unless the balance of the Customer Protection Fund at the time the monetary judgment is collected exceeds \$100 million. No new legislation was enacted as of September 30, 2019, that significantly changed the purpose of the fund or redirected a material portion of the accumulated balance.

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**Note 2 Fund Balance with Treasury**

**A. Reconciliation to Treasury**

There are no differences between the fund balances reflected in the CFTC Balance Sheets and the balances in the Treasury accounts.

**B. Fund Balance with Treasury**

Fund Balance with Treasury as of September 30, 2019, and 2018, consisted of the following:

	2019	2018
Unobligated Fund Balance		
Available	\$ 2,299,197	\$ 3,426,145
Unavailable	10,821,543	11,871,422
Obligated Balance Not Yet Disbursed	72,840,989	50,653,359
Non-Budgetary Fund Balance with Treasury	445,754	369,175
<b>TOTAL FUND BALANCE WITH TREASURY</b>	<b>\$ 86,407,483</b>	<b>\$ 66,320,101</b>

Obligated and unobligated balances reported for the status of Fund Balance with Treasury differ from the amounts reported in the Statement of Budgetary Resources due to the fact that budgetary balances are supported by amounts other than Fund Balance with Treasury. These amounts include Customer Protection Fund investments, uncollected payments from Federal sources, and unfunded lease obligations.

**Note 3 Investments**

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The CFTC invests amounts deposited in the Customer Protection Funds in overnight short-term Treasury securities. Treasury overnight certificates of indebtedness are issued with a stated rate of interest to be applied to their par amount, mature on the business day immediately following their issue date, are redeemed at their par amount at maturity, and have interest payable at maturity.

The overnight certificates are Treasury securities whose interest rates or prices are determined based on the interest rates or prices of Treasury-related financial instruments issued or trading in the market, rather than on the interest rates or prices of outstanding

marketable Treasury securities. The Commission may invest in other short-term or long-term Treasury securities at management's discretion.

The Commission's investments as of September 30, 2019, and 2018, were \$141,300,000 and \$157,518,375, respectively. Related nonexchange interest revenue for the years ended September 30, 2019, and 2018, was \$3,206,457 and \$3,447,675, respectively.

#### *Intragovernmental Investments in Treasury Securities*

The Federal Government does not set aside assets to pay future claims or other expenditures associated with funds from dedicated collections deposited into the Customer Protection Fund. The dedicated cash receipts collected by the Commission as a result of monetary sanctions are deposited in the Treasury, which uses the cash for general Government purposes. As discussed above and in Note 1F, the Commission invests the majority of these funds in Treasury securities. These Treasury securities are an asset of the Commission and a liability of the Treasury. Because the Commission and the Treasury are both components of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, the investments presented by the Commission do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the Commission with authority to draw upon the Treasury to pay future claims or other expenditures. When the Commission requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same manner in which the Government finances all expenditures.

#### **Note 4 Accounts Receivable, Net**

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Accounts receivable consist of amounts owed the CFTC by other Federal agencies and the public. Accounts receivable are valued at their net collectible values. Non-custodial accounts receivable are primarily for overpayments of expenses to other agencies, or vendors, and repayment of employee benefits. Historical experience has indicated that most of the non-custodial receivables are collectible and that there are no material uncollectible amounts.

Custodial receivables (non-entity assets) are those for which fines and penalties have been assessed and levied against businesses or individuals for violations of the CEA or Commission regulations. Violators may be subject to a variety of sanctions including fines, injunctive orders, bars or suspensions, rescissions of illegal contracts, and disgorgements.

An allowance for uncollectible accounts has been established and included in accounts receivable on the balance sheets. Although historical experience has indicated that a high percentage of custodial receivables prove uncollectible, the Commission determines the collectability of each individual judgment based on knowledge of the financial profile of the debtor obtained through the course of the investigation and litigation of each case, including efforts to identify and freeze assets at the beginning of cases, when any remaining assets are most likely to be recoverable. Accounts are re-estimated quarterly based on account reviews and the agency's determination that changes to the net realizable value are needed.

Accounts receivable, net consisted of the following as of September 30, 2019, and 2018:

	2019	2018
Custodial Receivables, Net:		
Civil Monetary Penalties, Fines, and Administrative Fees	\$ 207,552,850	\$ 122,932,196
Civil Monetary Penalty Interest	1,942,550	852,587
Registration and Filing Fees	1,346,286	2,179,957
Less: Allowance for Loss on Penalties, Fines, and Administrative Fees	(157,522,132)	(113,605,126)
Less: Allowance for Loss on Interest	(1,932,727)	(840,061)
Less Allowance for Loss on Registration and Filing Fees	(22,378)	(22,378)
<b>TOTAL CUSTODIAL RECEIVABLES, NET</b>	<b>\$ 51,364,449</b>	<b>\$ 11,497,175</b>
Other Accounts Receivable	54,582	44,667
<b>TOTAL ACCOUNTS RECEIVABLE, NET</b>	<b>\$ 51,419,031</b>	<b>\$ 11,541,842</b>

**Note 5 General Property, Plant and Equipment, Net**

Property, Plant and Equipment as of September 30, 2019, and 2018, consisted of the following:

2019				
Major Class	Service Life and Method	Cost	Accumulated Amortization/Depreciation	Net Book Value
Equipment	5 Years/Straight Line	\$ 41,114,736	\$ (31,499,908)	\$ 9,614,828
IT Software	5 Years/Straight Line	29,684,602	(25,290,789)	4,393,813
Software in Development	Not Applicable	3,170,786	-	3,170,786
Leasehold Improvements	Remaining Life of Lease/Straight Line	31,292,870	(18,734,101)	12,558,769
<b>TOTAL GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET</b>		<b>\$ 105,262,994</b>	<b>\$ (75,524,798)</b>	<b>\$ 29,738,196</b>

2018				
Major Class	Service Life and Method	Cost	Accumulated Amortization/Depreciation	Net Book Value
Equipment	5 Years/Straight Line	\$ 39,362,988	\$ (27,848,249)	\$ 11,514,739
IT Software	5 Years/Straight Line	31,788,200	(25,752,071)	6,036,129
Software in Development	Not Applicable	2,732,083	-	2,732,083
Leasehold Improvements	Remaining Life of Lease/Straight Line	31,292,870	(16,398,976)	14,893,894
<b>TOTAL GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET</b>		<b>\$ 105,176,141</b>	<b>\$ (69,999,296)</b>	<b>\$ 35,176,845</b>

Depreciation and amortization expense for the years ended September 30, 2019, and 2018, totaled \$7,443,442 and \$7,741,131, respectively.

**Note 6 Liabilities not Covered by Budgetary Resources**

As of September 30, 2019, and 2018, the following liabilities were not covered by budgetary resources:

	2019	2018
<b>Liabilities Not Requiring Budgetary Resources:</b>		
Intragovernmental - Custodial Liabilities	\$ 51,364,449	\$ 11,497,175
Deferred Lease Liabilities	21,494,054	23,970,026
Deposit Fund Liabilities	445,754	369,175
<b>Total Liabilities Not Requiring Budgetary Resources</b>	<b>\$ 73,304,257</b>	<b>\$ 35,836,376</b>
<b>Other Liabilities Not Covered by Budgetary Resources:</b>		
Intragovernmental - FECA Liabilities	\$ 85,660	\$ 84,533
Annual Leave	12,672,973	11,544,538
Actuarial FECA Liabilities	478,449	454,559
Liability for Whistleblower Awards	20,280,146	4,913,875
Contingent Liabilities	-	38,696
<b>TOTAL LIABILITIES NOT COVERED BY BUDGETARY RESOURCES</b>	<b>\$ 106,821,485</b>	<b>\$ 52,872,577</b>

Liabilities not covered by budgetary resources of \$106,821,485 and \$52,872,577 represent 78.86 and 76.05 percent of the Commission's total liabilities of \$135,453,485 and \$69,521,937 as of September 30, 2019, and 2018, respectively.

## Note 7 Leases

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The CFTC has operating leases in privately-owned buildings for its locations in Washington D.C., Chicago, New York, and Kansas City. The CFTC has no real property. Future estimated minimum lease payments are not accrued as liabilities and are expensed on a straight-line basis.

As of September 30, 2019, future estimated minimum lease payments continue through FY 2025 and are as follows:

Fiscal Year	Dollars
2020	20,889,349
2021	21,312,686
2022	20,088,229
2023	17,880,606
2024	18,239,105
Thereafter	18,603,371
Total Future Scheduled Rent Payments	\$ 117,013,346
Future Lease-Related Operating Costs ( <i>Estimated</i> )	9,701,460
<b>TOTAL FUTURE MINIMUM LEASE PAYMENTS</b>	<b>\$ 126,714,806</b>

CFTC recognizes leases expenses on a straight-line basis because the Commission's lease payment amounts vary at negotiated times and reflect increases in rental costs, and in some cases, allowances or credits from landlords. Consistent with the utility of its office space, the Commission records deferred lease liabilities representing expense amounts in excess of payments to date. The deferred lease liabilities at September 30, 2019, and 2018, were \$21,494,054 and \$23,970,026, respectively.



The following table describes the Commission’s existing lease arrangements for buildings and multifunction devices, including major asset categories by location and associated lease terms.

BUILDINGS (NON-FEDERAL)	
<u>Location</u>	<u>Lease Terms</u>
Washington, D.C.	Lease of office space from October 5, 1995, through September 30, 2025, subject to annual escalation amounts <sup>1</sup> and including allowances for leasehold improvements and rent offsets.
New York	Lease of office space from November 16, 2001, through April 30, 2022, with no escalation clauses or option to renew.
Kansas City	Lease of office space from April 1, 2011, through April 14, 2021, including allowances for leasehold improvements and rent offsets.
Chicago	Lease of office space from March 10, 2002, through June 30, 2022, including proportionate share of operating expenses and taxes for premises and allowances for leasehold improvements and rent offsets.
<sup>1</sup> If market rent were \$100 per square foot with a 10 percent annual escalation and a \$10 operating expense base, then 98 percent of the applicable market rent would be \$98 per square foot with a 10 percent escalation and a \$10 operating base.	
MULTIFUNCTION DEVICES (FEDERAL)	
<u>Location</u>	<u>Lease Terms</u>
Washington, D.C., New York, and Kansas City	Two-year rental of multifunction printers through the U.S. Government Printing Office with three one-year options to renew.

**Note 8 Liability for Whistleblower Awards**

As mentioned in Note 1A, the Customer Protection Fund will be used to pay awards to whistleblowers if they voluntarily provide original information to the CFTC that leads to the successful enforcement by the CFTC of a covered judicial or administrative action in which monetary sanctions exceeding \$1 million are imposed. Whistleblowers are entitled to appeal any decisions by the Commission in regards to claims made against the Fund.

At the time the whistleblower voluntarily provides information to CFTC, they have no guarantee or promise that the Commission will exchange funds in return for that information. In accordance with federal accounting standards, the Commission records liabilities for these nonexchange transactions when they are due and payable. The Commission therefore records a liability for pending whistleblower payment after the whistleblower has been formally notified of an award and the related sanction, or some portion thereof, has been collected. The liability will be paid when the appeal period has ended and the whistleblower has provided necessary banking information. As of September 30, 2019, and September 30, 2018, the Commission recorded liabilities for pending

payments to whistleblowers of approximately \$20,280,146 and \$4,913,875, respectively. During FY 2019, the Commission disbursed \$8,384,664 in whistleblower awards, which included \$3,783,174 from pending payments at the end of FY 2018 and \$4,601,490 in new awards issued during the year. Accounts payable includes approximately \$7,000,000 for awards that have been finalized as of September 30, 2019.

In addition to the pending payments to whistleblowers, the Commission had 14 additional whistleblower claims currently under review as of September 30, 2019. These additional claims, depending on whether the whistleblowers are determined to be eligible for an award and the related sanctions have been collected, could result in total future payments ranging from \$0 to \$29,286,750.

#### **Note 9 Contingent Liabilities**

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The CFTC records contingent liabilities for legal cases in which payment has been deemed probable and for which the amount of potential liability has been estimated, including judgments that have been issued against the agency and which have been appealed. Additionally, the Commission discloses legal matters in which an unfavorable outcome is reasonably possible. There were no legal matters deemed reasonably possible as of September 30, 2019.

#### **Note 10 Statements of Budgetary Resources**

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The Commission corrected a violation of the recording statute in FY 2016 by recording its obligations for all future building lease payments in accordance with OMB Circular A-11. The recording of these previously unrecorded obligations resulted in negative unobligated balances in its salaries and expenses general expenditure funds because budgetary resources have not been made available to the Commission to fund these multi-year leases (see the Combining Statements of Budgetary Resources in the Required Supplementary Information section immediately following the notes). The effect on the status of the Commission's budgetary resources and reconciliation to the U.S. Budget is detailed in the note disclosures below.

**Note 10 Statements of Budgetary Resources (continued)**

**A. Net Adjustments to Unobligated Balance Brought Forward, October 1**

The Unobligated Balance Brought Forward from the prior fiscal year has been adjusted for recoveries of prior year paid and unpaid obligations and other changes such as canceled authority. The Adjustments to Unobligated Balance Brought Forward, October 1, as of September 30, 2019, and 2018, consisted of the following:

	2019	2018
Unobligated Balance Brought Forward, October 1	\$ 23,072,180	\$ 73,301,723
Recoveries of Prior Year Obligations	4,888,708	8,015,676
Other Changes in Unobligated Balance	(4,032,357)	(454,136)
<b>UNOBLIGATED BALANCE FROM PRIOR YEAR BUDGET AUTHORITY, NET</b>	<b>\$ 23,928,531</b>	<b>\$ 80,863,263</b>

**B. Undelivered Orders**

The amount of budgetary resources obligated for undelivered orders as of September 30, 2019, and 2018, consisted of the following:

	2019	2018
<b>Undelivered Orders - Federal</b>		
Paid	\$ 2,663,914	\$ 1,596,970
Unpaid	5,889,053	4,203,978
<b>Total Undelivered Orders - Federal</b>	<b>\$ 8,552,967</b>	<b>\$ 5,800,948</b>
<b>Undelivered Orders - Non-Federal</b>		
Paid	\$ 3,029,381	\$ 2,548,456
Unpaid	165,034,743	179,191,090
<b>Total Undelivered Orders - Non-Federal</b>	<b>\$ 168,064,124</b>	<b>\$ 181,739,546</b>
<b>TOTAL UNDELIVERED ORDERS</b>	<b>\$ 176,617,091</b>	<b>\$ 187,540,494</b>

The amount of undelivered orders represents the value of unpaid and paid obligations recorded during the fiscal year, and upward and downward adjustments of obligations that were originally recorded in a prior fiscal year. Non-federal unpaid undelivered orders include the Commission's unfunded future lease payments as of September 30, 2019, and 2018, as follows:

	2019	2018
Unfunded Lease Obligations Brought Forward, October 1	\$ 149,391,066	\$ 172,353,400
Change in Unfunded Lease Obligations	(22,676,260)	(22,962,334)
<b>TOTAL REMAINING UNFUNDED LEASE OBLIGATIONS</b>	<b>\$ 126,714,806</b>	<b>\$ 149,391,066</b>

### C. Explanations of Differences between the Statement of Budgetary Resources and Budget of the United States Government

The CFTC had material differences between the amounts reported in the Statement of Budgetary Resources and the actual amounts reported in the Budget of the U.S. Government for FY 2018 related to unfunded lease obligations that are being funded each fiscal year through annual appropriations (see table below). These unfunded obligations will cease to be a reconciling difference when the last unfunded lease ends in FY 2025.

	Budgetary
CFTC FY 2018 Statement of Budgetary Resources	\$ 333,115,209
Less Amounts in Customer Protection Fund	(239,490,096)
Less Amounts in Expired Accounts	(13,734,337)
Less New Budget Authority Used to Liquidate Deficiencies	(22,304,808)
Less Recovery of Prior Year Lease Obligations Due to Space Reduction	(657,526)
Plus Unfunded Lease Obligations Brought Forward, October 1	172,353,400
Plus Rounding to Nearest Million (+/-)	(281,842)
<b>BUDGET OF THE U.S. GOVERNMENT</b>	<b>\$ 229,000,000</b>

The Budget of the U.S. Government with actual numbers for FY 2019 has not yet been published. The expected publication date is February 2020. A copy of the Budget may be obtained from OMB's website.

**Note 11 Reconciliation of Total Net Cost of Operations to Net Outlays**

The schedule presented in this note reconciles the Total Net Cost of Operations reported in the Statements of Net Cost with Net Outlays reported in the Statements of Budgetary Resources. Differences between net costs and net outlays are primarily the result of timing differences and paying for assets that are used over more than one reporting period.

	2019	2018
<b>TOTAL NET COST OF OPERATIONS</b>	<b>\$ 301,304,756</b>	<b>\$ 305,261,284</b>
<b>Components of Net Cost That Are Not Part of Net Outlays:</b>		
Depreciation and Amortization	\$ (7,443,442)	\$ (7,741,131)
Gain/(Loss) on Disposal	(91,859)	(136,730)
<b>Increase/(Decrease) in Assets:</b>		
Accounts Receivable	9,915	33,442
Decrease in Prepayments	-	(2,720,618)
<b>(Increase)/Decrease in Liabilities:</b>		
Accounts Payable	(10,843,948)	(817,623)
Salaries and Benefits	(1,138,692)	813,485
Liability for Whistleblower Awards	(15,366,271)	40,586,125
Contingent liabilities	38,696	(38,696)
Other liabilities (Unfunded leave, Unfunded FECA, Actuarial FECA)	(1,153,452)	(789,315)
<b>Other Financing Sources:</b>		
Federal employee retirement benefit costs paid by OPM and imputed to CFTC	(8,054,524)	(7,295,372)
<b>Total Components of Net Cost That Are Not Part of Net Outlays</b>	<b>\$ (44,043,577)</b>	<b>\$ 21,893,567</b>
<b>Components of Net Outlays That Are Not Part of Net Cost:</b>		
Acquisition of capital assets	\$ 4,572,624	\$ 3,564,600
Increase in Prepayments	1,547,869	-
Nonexchange Interest Revenue (excluding interest receivable)	(3,224,832)	(3,435,540)
<b>Total Components of Net Outlays That Are Not Part of Net Cost</b>	<b>\$ 2,895,661</b>	<b>\$ 129,060</b>
<b>Outlays, Net</b>	<b>\$ 260,156,840</b>	<b>\$ 327,283,911</b>
Distributed Offsetting Receipts	(14,569)	(1,939)
<b>AGENCY OUTLAYS, NET</b>	<b>\$ 260,142,271</b>	<b>\$ 327,281,972</b>

## **Note 12 Funds from Dedicated Collections**

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Funds from dedicated collections arise from disgorgement and penalty collections and are transferred to the Customer Protection Fund, established by the Dodd-Frank Act. The collections are transferred from the custodial receipt account if they are found to be eligible before the end of each fiscal year. In cases where the collection has been returned to Treasury, the Commission can recover the funds directly from Treasury. The collections will fund the Commission's whistleblower awards program and customer education initiatives.

The Dodd-Frank Act provides that whistleblower awards shall be paid under regulations prescribed by the Commission. An important prerequisite to implementation of the whistleblower awards program is the issuance of rules and regulations describing its scope and procedures. The Commission issued revised rules effective July 31, 2017.

No eligible collections have been transferred into the fund since it reached its legislative maximum during FY 2014. The following chart presents the Fund's balance sheets, statements of net costs, and statements of changes in net position as of and for the years ended September 30, 2019, and 2018:

**Note 12 Funds from Dedicated Collections (continued)**

	2019	2018
<b>BALANCE SHEETS</b>		
Fund Balance with Treasury	\$ 13,148,336	\$ 7,293,399
Investments	141,300,000	157,518,375
Prepayments	221,818	-
General Property, Plant and Equipment, Net	50,126	93,090
<b>TOTAL ASSETS</b>	<b>\$ 154,720,280</b>	<b>\$ 164,904,864</b>
Accounts Payable	8,670,172	1,361,602
Accrued Payroll	141,492	111,631
Accrued Annual Leave	189,308	180,158
Liability for Whistleblower Awards	20,280,146	4,913,875
<b>Total Liabilities</b>	<b>\$ 29,281,118</b>	<b>\$ 6,567,266</b>
Cumulative Results of Operations - Funds from Dedicated Collections	125,439,162	158,337,598
<b>Total Net Position</b>	<b>\$ 125,439,162</b>	<b>\$ 158,337,598</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 154,720,280</b>	<b>\$ 164,904,864</b>
<b>STATEMENTS OF NET COST</b>		
Gross Costs	\$ 36,104,893	\$ 41,446,286
<b>TOTAL NET COST OF OPERATIONS</b>	<b>\$ 36,104,893</b>	<b>\$ 41,446,286</b>
<b>STATEMENTS OF CHANGES IN NET POSITION</b>		
Beginning Cumulative Results of Operations, October 1	\$ 158,337,598	\$ 196,336,209
Nonexchange Interest Revenue	3,206,457	3,447,675
Net Cost of Operations	(36,104,893)	(41,446,286)
Net Change	(32,898,436)	(37,998,611)
<b>TOTAL NET POSITION, SEPTEMBER 30</b>	<b>\$ 125,439,162</b>	<b>\$ 158,337,598</b>

## Required Supplementary Information (Unaudited)

### Commodity Futures Trading Commission

### COMBINING STATEMENTS OF BUDGETARY RESOURCES BY MAJOR ACCOUNT

For the Years Ended September 30, 2019 and 2018

2019	Customer Protection Fund	Salaries and Expense	Information Technology	Combined
<b>BUDGETARY RESOURCES</b>				
Unobligated Balance from Prior Year Budget Authority, Net (Note 10A)	\$ 159,272,922	\$ (143,858,784)	\$ 8,514,393	\$ 23,928,531
Appropriations	-	218,000,000	50,000,000	268,000,000
Spending Authority from Offsetting Collections	3,024,893	191,469	-	3,216,362
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 162,297,815</b>	<b>\$ 74,332,685</b>	<b>\$ 58,514,393</b>	<b>\$ 295,144,893</b>
<b>STATUS OF BUDGETARY RESOURCES</b>				
New Obligations and Upward Adjustments	\$ 20,862,226	\$ 195,322,004	51,845,265	\$ 268,029,495
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	141,435,589	1,288,578	258,671	142,982,838
Unapportioned, Unexpired Accounts	-	(126,714,806)	-	(126,714,806)
Unexpired Unobligated Balance, End of Year	141,435,589	(125,426,228)	258,671	16,268,032
Expired Unobligated Balance, End of Year	-	4,436,909	6,410,457	10,847,366
Total Unobligated Balance, End of Year	141,435,589	(120,989,319)	6,669,128	27,115,398
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 162,297,815</b>	<b>\$ 74,332,685</b>	<b>\$ 58,514,393</b>	<b>\$ 295,144,893</b>
<b>OUTLAYS, NET</b>				
Outlays, Net	\$ 10,345,063	\$ 204,714,251	\$ 45,097,526	\$ 260,156,840
Distributed Offsetting Receipts	-	(14,569)	-	(14,569)
<b>AGENCY OUTLAYS, NET</b>	<b>\$ 10,345,063</b>	<b>\$ 204,699,682</b>	<b>\$ 45,097,526</b>	<b>\$ 260,142,271</b>

2018	Customer Protection Fund	Salaries and Expense	Information Technology	Combined
<b>BUDGETARY RESOURCES</b>				
Unobligated Balance from Prior Year Budget Authority, Net (Note 10A)	\$ 236,280,890	\$ (163,971,689)	\$ 8,554,062	\$ 80,863,263
Appropriations	-	201,000,000	48,000,000	249,000,000
Spending Authority from Offsetting Collections	3,209,206	42,740	-	3,251,946
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 239,490,096</b>	<b>\$ 37,071,051</b>	<b>\$ 56,554,062</b>	<b>\$ 333,115,209</b>
<b>STATUS OF BUDGETARY RESOURCES</b>				
New Obligations and Upward Adjustments	\$ 80,540,550	\$ 179,500,940	\$ 50,001,539	\$ 310,043,029
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	158,636,895	1,014,937	545,242	160,197,074
Unapportioned, Unexpired Accounts	312,651	(149,391,066)	-	(149,078,415)
Unexpired Unobligated Balance, End of Year	158,949,546	(148,376,129)	545,242	11,118,659
Expired Unobligated Balance, End of Year	-	5,946,240	6,007,281	11,953,521
Total Unobligated Balance, End of Year	158,949,546	(142,429,889)	6,552,523	23,072,180
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 239,490,096</b>	<b>\$ 37,071,051</b>	<b>\$ 56,554,062</b>	<b>\$ 333,115,209</b>
<b>OUTLAYS, NET</b>				
Outlays, Net	\$ 76,767,593	\$ 201,170,882	\$ 49,345,436	\$ 327,283,911
Distributed Offsetting Receipts	-	(1,939)	-	(1,939)
<b>AGENCY OUTLAYS, NET</b>	<b>\$ 76,767,593</b>	<b>\$ 201,168,943</b>	<b>\$ 49,345,436</b>	<b>\$ 327,281,972</b>



## **OTHER INFORMATION**

INSPECTOR GENERAL'S FY 2019 ASSESSMENT

SUMMARY OF AUDIT AND MANAGEMENT ASSURANCES

PAYMENT INTEGRITY

FRAUD REDUCTION REPORT

REDUCE THE FOOTPRINT

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

## Inspector General's FY 2019 Assessment



### **U.S. COMMODITY FUTURES TRADING COMMISSION OFFICE OF INSPECTOR GENERAL**

Three Lafayette Centre  
1155 21st Street, NW, Washington, DC 20581

**TO:** Heath P. Tarbert, Chairman  
Brian D. Quintenz, Commissioner  
Rostin Behnam, Commissioner  
Dawn Stump, Commissioner  
Dan M. Berkovitz, Commissioner

**FROM:** A. Roy Lavik, Inspector General

**DATE:** August 19, 2019

**SUBJECT:** Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the Commodity Futures Trading Commission

The Reports Consolidation Act of 2000 (RCA) requires the Inspector General to summarize the “most serious management and performance challenges facing the agency” and briefly assess the Agency’s progress in addressing those challenges.<sup>1</sup> The Government Performance and Results Modernization Act of 2010 defines major management challenges as “programs or management functions, within or across agencies, that have greater vulnerability to waste, fraud, abuse, and mismanagement (such as issues identified by the Government Accountability Office as high risk or issues identified by an Inspector General) where failure to perform well could seriously affect the ability of an agency to achieve its mission or goals.”<sup>2</sup>

To complete our assessment we relied on data contained in the CFTC financial statement audit and Agency Financial Report, representations by agency management, and our knowledge of industry trends and CFTC operations. This memorandum fulfills our duties under the RCA.

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<sup>1</sup> [P.L. 106-531](#), § 3, 114 STAT. 2537 (Nov. 22, 2000), codified at 31 USC § 3516(a).

<sup>2</sup> [P.L. 111-352](#), § 3, 124 STAT. 3870 (Jan. 4, 2011), codified at 31 U.S.C. § 1115(h)(5).

## **CFTC's Progress on Last Year's Management and Performance Challenges**

For [FY2018](#), we identified management and performance challenges in the areas of cybersecurity, information technology (IT) modernization, stress-testing, and management's ability to enhance its business operations to lower cost. We acknowledge CFTC's efforts during FY 2019 to operate and enhance business practices within its appropriation, and acknowledge the Commission's leadership changes to improve industry oversight. In this regard, we recognize that CFTC has taken steps to sharpen market intelligence and risk surveillance through enhanced quantitative data analytical capabilities. Particularly noteworthy are CFTC's recent efforts to ingest order book data,<sup>3</sup> and its aspiration to use machine learning to monitor the market.<sup>4</sup>

## **Fiscal Year 2019 Management and Performance Challenges**

We reiterate our FY 2018 challenges for FY2019 and add data governance as an emerging challenge for FY 2019.<sup>5</sup> During this year, we issued [Review of CFTC's Data Governance Program: Integrated Surveillance System](#) (June 7, 2019), which reported that CFTC's Data Governance program could be improved, specifically with regard to confidential trade information. CFTC is already taking positive steps regarding data governance; we acknowledge the Commission's recently proposed [Data Protection Initiative](#) with approval. In addition, while we recognize that CFTC is migrating parts of its network to cloud-based solutions, it has yet to formalize a mature enterprise architecture project plan for capital investment planning and execution for IT transformation (as previously [recommended](#)). My office will continue to undertake work that addresses these challenges.

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<sup>3</sup> See, CFTC Market Intelligence Branch, Division of Market Oversight staff report, [Updated Report Agricultural Block Trade Analysis](#), October 2018.

<sup>4</sup> See, Keynote Address of Chairman Giancarlo, [Quantitative Regulation: Effective Market Regulation in a Digital Era](#), November 7, 2018; Remarks of Daniel Gorfine, Director of LABCFTC, [LABCFTC: Developments and Discoveries](#), June 11, 2019.

<sup>5</sup> With regard to IT modernization, [President Trump](#) has called for agencies, including CFTC, to modernize legacy technology infrastructures to reduce costs, mitigate cybersecurity risks, and deliver improved services to the American people. (May 15, 2018).

**Cc:** Anthony Thompson, Executive Director  
Jaime Klima, Chief of Staff  
Kevin S. Webb, Chief of Staff  
John Dunfee, Chief of Staff  
Daniel J. Bucsa, Chief of Staff  
Erik F. Remmler, Chief of Staff

## Summary of Audit and Management Assurances

### Summary of FY 2019 Financial Statement Audit

<b>Audit Opinion:</b>	<b>Unmodified</b>				
<b>Restatement:</b>	<b>No</b>				
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	ENDING BALANCE
Total Material Weaknesses	0				0

### Summary of Management Assurances

<b>EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)</b>						
<b>Statement of Assurance:</b>	<b>Unmodified</b>					
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
Total Material Weaknesses	0					0
<b>EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)</b>						
<b>Statement of Assurance:</b>	<b>Unmodified</b>					
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
Total Material Weaknesses	0					0
<b>CONFORMANCE WITH FEDERAL FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)</b>						
<b>Statement of Assurance:</b>	<b>Federal systems conform to financial management system requirements</b>					
NON-CONFORMANCES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
Total Non-Conformances	0					0
<b>COMPLIANCE WITH SECTION 803(A) OF THE FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)</b>						
	Agency		Auditor			
1. Federal Financial Management System Requirements	No lack of compliance noted					
2. Applicable Federal Accounting Standards	No lack of compliance noted					
3. USSGL at Transaction Level	No lack of compliance noted					

### DEFINITION OF TERMS

**Beginning Balance:** The beginning balance must agree with the ending balance from the prior year.

**New:** The total number of material weaknesses/non-conformances identified during the current year.

**Resolved:** The total number of material weaknesses/non-conformances that dropped below the level of materiality in the current year.

**Consolidated:** The combining of two or more findings.

**Reassessed:** The removal of any finding not attributable to corrective actions (e.g., management has reevaluated and determined that a finding does not meet the criteria for materiality or is redefined as more correctly classified under another heading (e.g., Section 2 to a Section 4 and vice versa)).

**Ending Balance:** The year-end balance that will be the beginning balance of next year.

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## Payment Integrity

The Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 and the Improper Payments Elimination and Recovery Improvement Act of 2012, requires agencies review all programs and activities they administer and identify those which may be susceptible to significant improper payments. The OMB guidance provided in Circular A-136, *Financial Reporting Requirements*, and Appendix C, *Requirements for Payment Integrity Improvement*, of Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, require agencies to report detailed information related to the Commission's efforts to eliminate improper payments, which is outlined below.

### Payment Reporting

The Commission does not administer grant, benefit or loan programs. CFTC's most significant expenses are payroll and benefits for its employees, which are administered by the U.S. Department of Agriculture's National Finance Center (NFC) and the OPM. CFTC's most significant non-payroll expenses are its payments to vendors for goods and services used during the course of normal operations and monetary awards to eligible whistleblowers who voluntarily provide the CFTC with original information about violations of the CEA that leads the CFTC to bring enforcement actions that result in monetary sanctions exceeding \$1 million.

Based on the results of transaction testing applied to a sample of FY 2019 vendor payments, consideration of risk factors, and reliance on the internal controls in place over the payment and disbursement processes, the Commission has determined that none of its programs and activities carried out in the normal course of business are susceptible to significant improper payments at or above the threshold levels set by OMB. In addition, while the Commission disbursed \$8.4 million in whistleblower payments during FY 2019, the review of each individual award by the Commission's Claims Review Staff limits the likelihood that the whistleblower award program would be susceptible to significant improper payments.

Significant erroneous payments are defined as annual erroneous payments in the program exceeding both \$10 million and 1.5 percent, or \$100 million of total annual program payments. In accordance with Appendix C of Circular A-123, the Commission is not required to determine a statistically valid estimate of erroneous payments or develop a corrective action plan if the program is not susceptible to significant improper payments.

### **Recapture of Improper Payments**

The Commission does not administer grant, benefit or loan programs. Implementation of recapture auditing, if determined to be cost-effective, would apply to the Commission's contract payments because payments to vendors total more than \$1 million annually. The Commission determined that implementing a payment recapture audit program for contract payments is not cost-effective. In making this determination, the Commission considered its low improper payment rate based on testing conducted over the previous three years and determined that benefits or recaptured amounts associated with implementing and overseeing the program would not exceed the costs of a payment recapture audit program, including staff time and payments to contractors.

The Commission utilizes cost-efficient matching techniques to review all vendor payments to identify significant overpayments at a low cost per overpayment. The Commission has not identified a significant number or amount of improper payments since it began its analysis.

In addition to contract payments, recapture auditing may also be considered for the Commission's monetary awards to whistleblowers, if determined to be cost-effective, when payments to whistleblowers total more than \$1 million annually. The amount of whistleblower awards will vary depending on the number and amount of covered enforcement actions in a given year, as well as the extent of original information provided by whistleblowers that led to the actions. However, the Commission has determined that

implementing a payment recapture audit program for monetary awards to whistleblowers would not be cost-effective due to the effective design and operation of the internal controls in place for the program. As noted above, the review of each individual award by the Commission’s Claims Review Staff limits the likelihood that the whistleblower award program would be susceptible to significant improper payments or that payment recapture audits would be beneficial.

The Commission will continue to monitor the potential for improper payments across all programs and activities it administers and assess whether implementing payment recapture audits for each program would be cost-effective.

**Government wide Do Not Pay Initiative**

The Do Not Pay (DNP) solution is a government wide initiative mandated by the Improper Payments Elimination and Recovery Improvement Act of 2012 to screen payment recipients before a contract award or payment is made in order to eliminate payment errors before they occur. The Commission has integrated the solution into its existing processes as part of efforts to identify and prevent improper payments. The Commission’s shared services provider utilizes the DNP Business Center, on the Commission’s behalf, to perform online searches and screen payments against the DNP databases to augment data analytics capabilities. Based on the results of the reviews to date, the DNP initiative has not identified any improper payments.

Table 1. Results of the Do Not Pay Initiative in Preventing Improper Payments (\$ in thousands)					
NUMBER (#) OF PAYMENTS REVIEWED FOR POSSIBLE IMPROPER PAYMENTS	DOLLARS (\$) OF PAYMENTS REVIEWED FOR POSSIBLE IMPROPER PAYMENTS	NUMBER (#) OF PAYMENTS STOPPED	DOLLARS (\$) OF PAYMENTS STOPPED	NUMBER (#) OF POTENTIAL IMPROPER PAYMENTS REVIEWED AND DETERMINED ACCURATE	DOLLARS (\$) OF POTENTIAL IMPROPER PAYMENTS REVIEWED AND DETERMINED ACCURATE
4,515	\$90,388	0	\$0	0	\$0



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## Fraud Reduction Report

### Background

The Fraud Reduction and Data Analytics Act of 2015 requires agencies to annually report on the progress of the agency in implementing financial and administrative controls to identify and assess fraud risks and design and implement control activities in order to prevent, detect, and respond to fraud, including improper payments.

OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, states that management has overall responsibility for establishing internal controls to manage the risk of fraud. *The Standards for Internal Control in the Federal Government* issued by the Government Accountability Office (the Green Book, GAO-14-704G, September 2014) sets internal control standards for federal entities. The Commission uses the framework established in the Green Book as the foundation of its internal controls program to design, implement, operate, and assess internal controls to achieve operational, reporting, and compliance objectives.

As defined in the Green Book, fraud involves obtaining something of value through willful misrepresentation. Types of fraud include fraudulent financial reporting, misappropriation of assets, and corruption. Whether an act is fraud is a determination to be made through the judicial or other adjudicative system and is beyond management's professional responsibility for assessing risk. Waste is the act of using or expending resources carelessly, extravagantly, or to no purpose. Abuse involves behavior that is deficient or improper when compared with behavior that a prudent person considers reasonable and necessary in operational practice given the facts and circumstances. This includes the misuse of authority or position for personal gain or for the benefit of another. Waste and abuse do not necessarily involve fraud or illegal acts. Under Principle 8—Assess Fraud Risk (one of the 17 principles of internal control), the Green Book states that management should consider the potential for fraud when identifying, analyzing, and responding to risks.

## Fraud Risk Management

In July 2015, GAO issued *A Framework for Managing Fraud Risks in Federal Programs* (the Framework, GAO-15-593SP) to aid program managers in managing fraud risks. This risk-based framework consists of the following four components:

1. **Commit**—Commit to combating fraud by creating an organizational culture and structure conducive to fraud risk management.
2. **Assess**—Plan regular fraud risk assessments and assess risks to determine a fraud risk profile.
3. **Design and Implement**—Design and implement a strategy with specific control activities to mitigate assessed fraud risks and collaborate to help ensure effective implementation.
4. **Evaluate and Adapt**—Evaluate outcomes using a risk-based approach and adapt activities to improve fraud risk management.

In addition, the Framework reflects activities related to monitoring and feedback mechanisms, which include ongoing practices that apply to all four concepts above.

In FY 2019 and 2018, the Commission performed a qualitative risk assessment to assess fraud risk for each transaction cycle and sub-process within the cycle as part of our annual FMFIA internal control testing. The basis for this qualitative risk assessment is the GAO Green Book's Principle 8 and the Framework. The fraud risk was assessed as low for both years.

In addition to assessing fraud risk, the Commission also conducted tests of transactions in FY 2019 and FY 2018 to detect fraudulent activity, such as:

- Performed testing for various control activities in the Travel Management transaction cycle to include reasonableness of estimated travel costs, questionable travel purchases, and duplicate payments;
- Selected purchase cards samples based on unusual merchant names and performed testing to assess the existence of fraud;

- Performed testing for various control activities in the Human Resource transaction cycle to include Time and Attendance records and Special Payment Processing System (SPPS) transactions; and,
- Performed testing for various control activities in the Procurement transaction cycle to include completeness, accuracy and validity of contract awards, invoices, and contract closeouts.

**Results**

The Commission did not detect any fraudulent activity. In FY 2020, the Commission will respond to the related recommendations that arose from its testing and continue to strengthen its internal controls posture to ensure the risk of fraud remains at the lowest level possible. The Commission remains committed to maintaining an environment that is conducive to fraud risk management and keeping fraud risk at a minimum.

## Reduce the Footprint

There are no plans for expanding CFTC space in the near term, and we are continuing our efforts to increase utilization of existing space. In FY 2019, the CFTC engaged with the General Services Administration (GSA) to provide real estate support and solutions for continuing requirements of the Commission's three regional offices in FY 2021 and FY 2022; and headquarters in FY 2025. The New York Regional Office and the Chicago Regional Office space will both occupy federal office space and leased space was selected for the Kansas City Regional Office (KCRO). The new space aligns with the CFTC's commitment to reduce its footprint to 180 usable square feet (USF) per person.

### Operation and Maintenance Costs – Direct Lease Buildings (Including Pass-Through and Utilities Where Applicable)<sup>1</sup>

*\$ in thousands*

Facility	FY 2015 Baseline	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual
Washington, DC	\$15,319	\$9,610 <sup>2</sup>	\$17,350	\$17,854	\$18,260
Chicago	2,370	2,389	2,386	2,479	\$2,644
New York	2,300	2,478	2,512	2,613	\$2,663
Kansas City	578	581	578	811 <sup>3</sup>	\$432
COOP Site	93	94	99	111	\$165
<b>Total</b>	<b>\$20,660</b>	<b>\$15,152</b>	<b>\$22,925</b>	<b>\$23,868</b>	<b>\$24,164</b>
Change from FY 2015 Baseline		-\$5,508	\$2,265	\$3,208	\$3,504

### Rentable Square Feet

*In square feet*

Facility	FY 2015 Baseline	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual
Washington, DC	289,295	289,295	289,295	289,295	289,295
Chicago	60,412	60,412	60,412	60,412	60,412
New York	61,510	61,510	61,510	61,510	61,510
Kansas City	24,362	24,362	24,362	16,440	16,440
<b>Total</b>	<b>435,579</b>	<b>435,579</b>	<b>435,579</b>	<b>427,657</b>	<b>427,657</b>
Change from FY 2015 Baseline		0	0	-7,922	-7,922

<sup>1</sup> In addition to the base rent, the tenant also pays a proportionate share of building operating costs incurred by the landlord, which may not be billed for two years past the fiscal year reported.

<sup>2</sup> Actual rent for 2016 was \$15,966,288. Three rental credits totaling \$6,355,815 were applied resulting in a one-time reduction in costs.

<sup>3</sup> Includes \$360K buyout to eliminate 6<sup>th</sup> floor space at KCRO.



### Civil Monetary Penalty Adjustment for Inflation

The Federal Civil Penalties Inflation Adjustment Act of 1990 (FCPIA) requires agencies to periodically adjust civil penalties for inflation if either the amount of the penalty or the maximum penalty is set by law. The Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (2015 Act) amended the FCPIA and required the Commission to: make an initial “catch-up” inflation adjustment in FY 2016, and make adjustments for inflation going forward under guidance of the OMB, potentially on an annual basis.

The Commission administers the following sections of the CEA that provide for civil monetary penalties:

- Section 6(c) of the CEA, 7 U.S.C. 9—*Prohibition Regarding Manipulation and False Information;*
- Section 6b of the CEA, 7 U.S.C. 13a—*Non-Enforcement of Rules of Government or Other Violations; Cease and Desist Orders, Fines and Penalties, Imprisonment, Misdemeanor, Separate Offenses;* and
- Section 6c of the CEA, 7 U.S.C. 13a-1—*Enjoining or Restraining Violations.*

Details about the current penalty level and the date of the most recent inflationary adjustment for each civil monetary penalty within the jurisdiction of the Commission are reflected in the table below<sup>1</sup>.

Penalty (Name of Penalty)	Authority (Statute)	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Level (\$ Amount)	Location for Penalty Update Details
<b>CIVIL MONETARY PENALTIES IMPOSED BY THE COMMISSION IN AN ADMINISTRATIVE ENFORCEMENT ACTION</b>					
For a civil penalty against any person (other than a registered entity, as that term is defined in Section 1a(4) of the CEA)	Section 6(c) of the Commodity Exchange Act (7 U.S.C. 9)	3/6/2018	2/11/2019	For penalties imposed by the Commission in administrative enforcement proceedings for violations from November 2015 to present, not more than the greater of \$165,227 (for non-manipulation violations) or \$1,191,842 (for manipulation or attempted manipulation violations) or triple the monetary gain to such person for each such violation.	Federal Register Vol. 84, Page 3103 (February 11, 2019) <a href="https://www.cftc.gov/sites/default/files/2019-02/2019-01852a.pdf">https://www.cftc.gov/sites/default/files/2019-02/2019-01852a.pdf</a>
For a civil monetary penalty against any registered entity or any director, officer, agent, or employee of any registered entity, as that term is defined in Section 1a(40) of the CEA	Section 6b of the Commodity Exchange Act (7 U.S.C. 13a)	3/6/2018	2/11/2019	For penalties imposed by the Commission in administrative enforcement proceedings for violations from November 2015 to present, not more than the greater of \$910,158 (for non-manipulation violations) or \$1,191,842 (for manipulation or attempted manipulation violations) or triple the monetary gain to such person for each such violation.	Federal Register Vol. 84, Page 3103 (February 11, 2019) <sup>2</sup> <a href="https://www.cftc.gov/sites/default/files/2019-02/2019-01852a.pdf">https://www.cftc.gov/sites/default/files/2019-02/2019-01852a.pdf</a>

<sup>1</sup> Criminal authorities may also seek fines for criminal violations of the CEA (See Sections 6(d), 9, 7 U.S.C. 13, 13(c), 13 (d), 13 (e), and 13b. The FCPIA does not affect criminal penalties.

<sup>2</sup> These adjusted penalties apply only with respect to violations occurring on or after November 2, 2015, the effective date of the 2015 Act.

Penalty (Name of Penalty)	Authority (Statute)	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Level (\$ Amount)	Location for Penalty Update Details
<b>CIVIL MONETARY PENALTIES IMPOSED BY A DISTRICT COURT IN A CIVIL INJUNCTIVE ENFORCEMENT ACTION</b>					
For a civil monetary penalty assessed against any person	Section 6c of the Commodity Exchange Act (7 U.S.C. 13a-1)	3/6/2018	2/11/2019	For penalties imposed by a District Court in civil injunctive enforcement proceedings for violations from November 2015 to present, not more than the greater of \$182,031 (for non-manipulation violations) or \$1,191,842 (for manipulation or attempted manipulation violations) or triple the monetary gain to such person for each such violation.	Federal Register Vol. 84, Page 3103 (February 11, 2019) <sup>3</sup> <a href="https://www.cftc.gov/sites/default/files/2019-02/2019-01852a.pdf">https://www.cftc.gov/sites/default/files/2019-02/2019-01852a.pdf</a>

See also the Commission’s website, [Inflation Adjusted Civil Monetary Penalties](https://www.cftc.gov/LawRegulation/Enforcement/InflationAdjustedCivilMonetaryPenalties/index.htm) (https://www.cftc.gov/LawRegulation/Enforcement/InflationAdjustedCivilMonetaryPenalties/index.htm)

<sup>3</sup> These adjusted penalties apply only with respect to violations occurring on or after November 2, 2015, the effective date of the 2015 Act.

## **APPENDIX**

CFTC CUSTOMER PROTECTION FUND

WHY ARE THE MARKETS IMPORTANT TO ME?

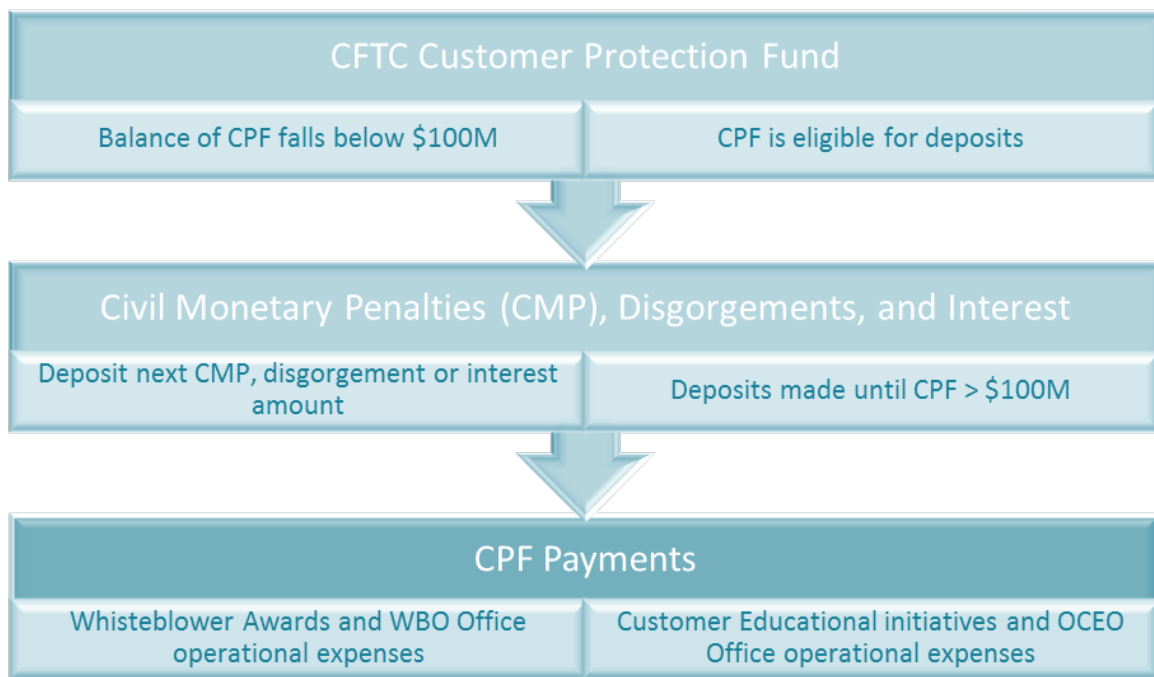
CFTC OVERSIGHT OF REGULATED ENTITIES

CFTC GLOSSARY



## CFTC Customer Protection Fund

Section 748 of the Dodd-Frank Act established the CFTC Customer Protection Fund (CPF). The CPF is a permanent appropriation, but must be apportioned annually by OMB. Customer Protection Funds are available for the payment of whistleblower awards and education efforts that focus on helping the public to protect themselves against fraud and other violations of the CEA. The CFTC is authorized to deposit civil monetary penalties, disgorgements, and interest it collects in covered administrative or judicial enforcement actions into the CPF, whenever the balance in the fund at the time of the deposit is less than or equal to \$100 million.



In 2012, the Commission established the WBO and the Office of Customer Education and Outreach (OCEO) to administer the Whistleblower and Customer Education Programs.

## **FY 2019 Highlights of the Whistleblower Program**

The WBO raises awareness and increases the public's understanding of the Whistleblower Program through outreach to various stakeholders—such as industry and professional groups, other government agencies, SROs, academia, and potential whistleblowers—who may be traders as well as hedgers, farmers, ranchers, producers, and commercial end users. WBO staff exhibit or speak at industry conferences, answer questions about the program posed directly to the WBO by whistleblowers or their counsel, and distribute written materials in person at conferences or through the [Whistleblower Program website](#).

In particular, during FY 2019, WBO staff coordinated with Division of Enforcement staff assigned to particular task forces to prepare public “alerts” on key substantive areas: virtual currencies, foreign corrupt practices, insider trading, and violations of the Bank Secrecy Act, including failures in anti-money laundering or suspicious activity reporting programs. The goal of these alerts is to help market participants better understand what information would make a helpful whistleblower tip in those substantive areas.

In FY 2019, the CFTC issued five orders granting awards to whistleblowers for providing valuable information about violations of the CEA. That total of five awards equals the highest number of awards issued in a single year in the Whistleblower Program's history. Those awards amounted to more than \$15 million.

## **Management of the Office of Customer Education and Outreach**

The OCEO administers the Customer Education Program with public education initiatives designed to help customers protect themselves against fraud and other violations of the CEA.

OCEO serves as the focal point for customer dialogue by working to initiate and maintain ongoing conversations with various customer groups, including producers and end-user customers, who use futures, options, and swaps to manage risk; financial customers such as associations, pension funds, and municipalities; and retail customers who historically have been most at-risk for fraud. CFTC utilizes a multimedia approach that includes customer advisories, digital engagement, press engagement, brochures, in-person engagements, and strategic partnerships to inform customers and identify emerging issues or learning needs.

The Commission utilizes an alliance-based outreach strategy that involves partnerships with Federal and state agencies as well as nonprofit and industry groups. In addition, OCEO provides new and engaging educational content for CFTC.gov and contributes to improving the Commission’s overall online presence through the use of better technology, increased emphasis on search engine optimization, and smarter use of social media.

In FY 2019, OCEO completed its reorganization, becoming a sub-office of the Office of Public Affairs. During this interim period, OCEO conducted a macro literature review of fraud and victimization research as well as in-depth demographic research to identify customer needs and media preferences. The goal of the report was to identify possible new initiatives and promising practices for the office. Effectively communicating fraud avoidance information and warnings about developing fraud threats requires approaches that cut through the noise, reach at-risk customers, and clearly provides available protections and actionable solutions.

OCEO also continued to educate the public about virtual currencies, teaming with LabCFTC in the presentation of the first FinTech Forward conference in October 2018 and the second in October 2019. OCEO drafted and published customer advisories on virtual currency related topics and conducted public presentations—both in-person and online—about avoiding virtual-currency related fraud. These efforts were part of an ongoing effort to educate customers about fraud and violations that have been identified in connection with the purchase and trading of virtual currencies. This effort will continue through FY 2020 and beyond, using digital outreach to provide just-in-time education to help customers make more informed decisions, print materials that will be distributed through direct engagements or through stakeholder groups, and in-person events designed to reach customers who are most interested in virtual currencies or commonly targeted by fraud. OCEO will also extend this work through engagements with international financial educators as well as by partnering with other federal agencies.



## Why Are the Markets Important to Me?

### A Primer in Futures Markets

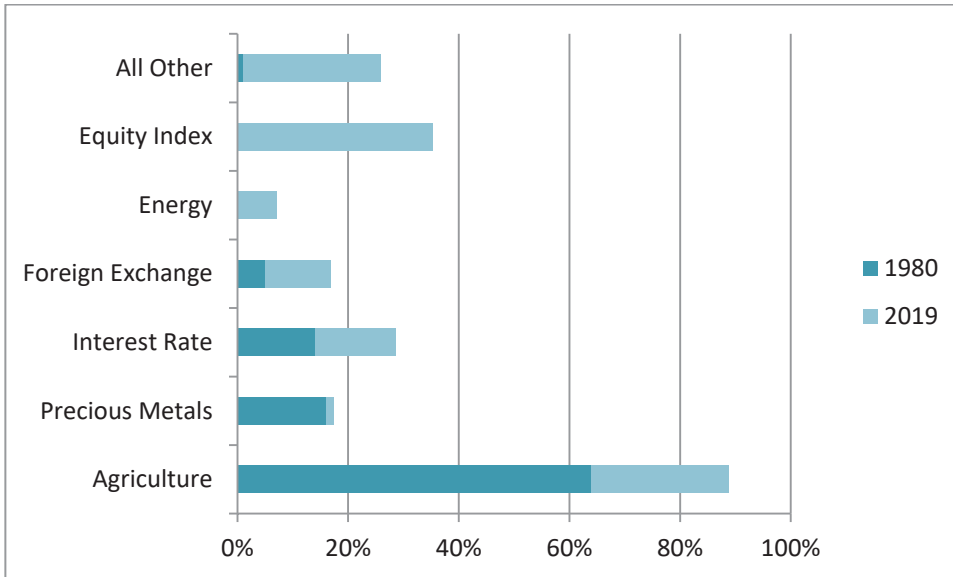
A futures contract is an agreement to purchase or sell a commodity for delivery in the future: 1) at a price that is determined at initiation of the contract; 2) that obligates each party to the contract to fulfill the contract at the specified price; 3) that is used to assume or shift price risk; and 4) that may be satisfied by delivery or offset. The CEA generally requires futures contracts to be traded on regulated exchanges, with futures trades cleared and settled through clearinghouses, referred to as DCOs. To that end, futures contracts are standardized to facilitate exchange trading and clearing.

Although a futures contract agreement is set today, the person selling (for example, a farmer marketing bushels of wheat) will not receive payment and the buyer (in this case, a bakery) will not receive goods purchased until the predetermined delivery date agreed to in the contract, which in this example, is December 1. The farmer benefits from this agreement because he is certain as to the amount of money he will earn from the farming operation, even if the price of wheat changes between today and December 1. Similarly, the bakery buying the wheat also benefits by knowing how much the wheat will cost on December 1 and it will be better positioned to estimate its baking costs and set prices for its products. Finally, even though the actual price of wheat on December 1 (when the contract is fulfilled) may be greater or less than the price agreed upon in the December 1 contract, the contract price is fixed and both the farmer and the bakery are bound by their agreement. Most futures contracts are not settled with the actual physical delivery of the commodity, but by entering into opposite (offsetting) futures contracts, which serve to close out the original positions, with profits or losses dependent on the direction in which the price of the contracts have moved relative to those positions.

Speculators may also buy or sell such futures contracts. The speculator buying a futures contract for December wheat believes the value of the wheat in December will be higher than the price he or she is paying for the contract today. As time passes, and December draws closer, traders may try to predict whether the cost of December wheat will rise or fall, and this may cause the value of that futures contract to fluctuate. For example, if traders expect an especially bad harvest, then the price of December wheat will rise, and the speculator can sell that futures contract for December wheat for more than he or she paid.

Over the years, the futures markets have become increasingly diversified from their agricultural beginnings. Futures based on other physical commodities, such as metals, beginning in the 1970s, and energy products, during the 1980s, were developed. Since being introduced in the 1970s, financial futures contracts based on interest rates, foreign currencies, Treasury bonds, security indexes, and other products have far outgrown the agricultural contracts in trading volume.

**Share of Futures Trading Activity by Sector**



Source: *Futures Industry Association; 2019 data as of July 25, 2019*

*Since 1980, the share of on-exchange commodity futures trading activity in the agricultural sector decreased from 64 percent of trading activity to 4.9 percent of activity. The share of the equity index, energy, foreign exchange and other contract activity increased from less than 6 percent of trading activity in 1980 to 46 percent activity in 2019.*

## A Primer in Swaps Markets

Generally speaking, a swap is an exchange of one set of cash flows for another, typically netted. Swaps can be used to hedge risks arising from changing commodity prices, interest rates, credit spreads, foreign exchange rates, and other economic quantities.

For example, a company that manufactures metal bottles plans to buy 50 metric tons of aluminum from its regular suppliers in six months, but wants to hedge against the risk of rising aluminum prices. It can enter into a one-year swap, agreeing in six months to pay \$2,000 per metric ton for 50 tons of aluminum, or \$100,000, in exchange for receiving the price of 50 metric tons of aluminum that prevails in 6 months. This swap, which is separate from the purchase of aluminum, locks in a cost of \$100,000 for the aluminum needs of this manufacturer in six months.

If the price of aluminum at the end of the six months happens to be \$2,500 per ton, the manufacturer will buy the 50 tons from its suppliers at that prevailing price, for a total of \$125,000. At the same time, as specified by the swap, the manufacturer will pay the agreed upon \$100,000 and receive the price of 50 tons at the prevailing price, that is, \$125,000. Because the swap payments are netted, the manufacturer receives \$25,000. The \$25,000 proceeds from the swap offset the price increase in aluminum, so the manufacturer's total cost of obtaining the aluminum is \$100,000.

If, on the other hand, the price of aluminum at the end of the six months happened to fall to \$1,500 per ton, then the manufacturer buys 50 tons from its suppliers at that price, for a total of \$75,000. The manufacturer then settles the swap by paying \$25,000, which is the difference between \$100,000 (fixed by the terms of the swap) and receiving the market price of \$1,500 on 50 tons, or \$75,000. Once again, the total cost of obtaining the aluminum is \$100,000. Hence, because of the swap, whether the price of aluminum rises or falls, the manufacturer's realized cost is \$100,000. Note that, in the case when the price turns out to be \$1,500 per ton, it appears that the manufacturer loses money on the swap—it pays the difference between \$100,000 and \$75,000—but that is just part of the hedging strategy that locks in a cost of \$100,000.

	<b>Terms of the Swap Contract</b>	<b>Two Possible Outcomes of the Swap Transaction</b>	
	<hr/>	<hr/>	<hr/>
<b>Tons of Aluminum:</b>	50	50	50
<b>Price/ Metric Ton:</b>	\$2,000	\$2,500	\$1,500
<b>Contract Price:</b>	\$100,000		
<b>Manufacturer Pays Fixed Price:</b>		\$100,000	\$100,000
<b>Manufacturer Receives Floating Price:</b>		\$125,000	\$75,000
		<hr/>	<hr/>
<b>Manufacturer’s Net Receipt or Payment Depending on Prevailing Price on Agreed    Upon Date of Swap:</b>		<b>\$25,000</b>	<b>(\$25,000)</b>

Before the Dodd-Frank Act, swaps were traded over-the-counter and were mostly bilateral, that is, strictly between the two counterparties to the swap. Since then, as envisioned by the Dodd-Frank Act, much of the swaps market trades on regulated execution facilities; is reported to regulators; and—particularly in the case of interest rate swaps and credit default swaps—is centrally cleared, that is, the two counterparties to a swap legally face a clearinghouse. These changes have greatly enhanced the Commission’s ability to monitor trading activity and risk in swap markets. Considerable effort is expended at the CFTC to improve its ability to process, understand, and analyze the swaps market data it receives.

## CFTC Oversight of Regulated Entities

### Which Entities does CFTC regulate?

<b>Associated Person</b>	The term associated person of a swap dealer or major swap participant means a person who is associated with a swap dealer or major swap participant as a partner, officer, employee, or agent (or any person occupying a similar status or performing similar functions), in any capacity that involves the solicitation or acceptance of swaps; or the supervision of any person or persons so engaged.
<b>Commodity Pool Operator</b>	A person engaged in a business similar to an investment trust or a syndicate and who solicits or accepts funds, securities, or property for the purpose of trading commodity futures contracts or commodity options. The commodity pool operator either itself makes trading decisions on behalf of the pool or engages a commodity trading advisor to do so.
<b>Commodity Trading Advisor</b>	A person who, for pay, regularly engages in the business of advising others as to the value of commodity futures or options or the advisability of trading in commodity futures or options, or issues analyses or reports concerning commodity futures or options.



<p><b>Derivatives Clearing Organization</b></p>	<p>A clearing organization or similar entity that, in respect to a contract (1) enables each party to the contract to substitute, through novation or otherwise, the credit of the derivatives clearing organization for the credit of the parties; (2) arranges or provides, on a multilateral basis, for the settlement or netting of obligations resulting from such contracts; or (3) otherwise provides clearing services or arrangements that mutualize or transfer among participants in the derivatives clearing organization the credit risk arising from such contracts.</p>
<p><b>Designated Contract Market</b></p>	<p>A board of trade or exchange designated by the CFTC to trade futures or options under the CEA.</p>
<p><b>Exempt Derivatives Clearing Organization</b></p>	<p>The CEA also permits the Commission to conditionally or unconditionally exempt a clearing organization from registration for the clearing of swaps if the Commission determines that the clearing organization is subject to comparable, comprehensive supervision and regulation by appropriate government authorities in the clearing organization's home country</p>

<b>Floor Broker</b>	A person with exchange trading privileges, who, in any pit, ring, post, or other place provided by an exchange for the meeting of persons similarly engaged, executes for another person any orders for the purchase or sale of any commodity for future delivery.
<b>Floor Trader</b>	A person with exchange trading privileges who executes his own trades by being personally present in the pit or ring for futures trading.
<b>Foreign Board of Trade</b>	A foreign board of trade means a board of trade, exchange or market located outside the U.S., its territories or possessions, whether incorporated or unincorporated, where foreign futures or foreign options transactions are entered into.
<b>Futures Commission Merchant</b>	Individuals, associations, partnerships, corporations, and trusts that solicit or accept orders for the purchase or sale of any commodity for future delivery on or subject to the rules of any exchange and that accept payment from or extend credit to those whose orders are accepted.
<b>Introducing Broker</b>	A person (other than a person registered as an associated person of a futures commission merchant) engaged in soliciting or accepting orders for the purchase or sale of any commodity for future delivery on an exchange who does not accept any money, securities, or property to margin, guarantee, or secure any trades or contracts that result.

<p><b>Major Swap Participant</b></p>	<p>An Major Swap Participant is a person who maintains a substantial position in any of the major swap categories, excluding positions held for hedging or mitigating commercial risk and positions maintained by certain employee benefit plans for hedging or mitigating risks in the operation of the plan, or whose outstanding swaps create substantial counterparty exposure that could have serious adverse effects on the financial stability of the U.S. banking system or financial markets, or any financial entity that is highly leveraged relative to the amount of capital such entity holds and that is not subject to capital requirements established by an appropriate Federal banking agency and that maintains a "substantial position" in any of the major swap categories.</p>
<p><b>Retail Foreign Exchange Dealer</b></p>	<p>A retail foreign exchange dealer is an entity that acts, or offers to act, as a counterparty to an off-exchange foreign currency transaction with a person who is not an eligible contract participant and the transaction is either: a futures contract, an option on a futures contract or an option contract (except options traded on a securities exchange); or offered or entered into, on a leveraged or margined basis, or financed by the offeror, counterparty or person acting in concert with the offeror or counterparty on a similar basis.</p>

<b>Swap Data Repository</b>	Swap data repositories are entities created by the Dodd-Frank Wall Street Reform and Consumer Protection Act to provide a central facility for swap data reporting and recordkeeping.
<b>Swap Dealer</b>	An entity such as a bank or investment bank that markets swaps to end users. Swap dealers often hedge their swap positions in futures markets.
<b>Swap Execution Facility</b>	A trading facility that operates under the regulatory oversight of the CFTC for the trading and processing of swaps.
<b>Systemically Important DCO</b>	A Systematically Important DCO is a DCO registered with the CFTC that has been designated as systematically important by the Financial Stability Oversight Council.



## Entities Under CFTC Regulation

Trading Entities	<ul style="list-style-type: none"> <li>• Designated Contract Market (DCM)-Exchanges designated to trade futures or options.</li> <li>• <i>Number of DCMs as of 9/2019: 15</i></li> <li>• Swap Execution Facility (SEF)-A trading facility that trades and processes swaps.</li> <li>• <i>Number of SEFs as of 9/2019: 20</i></li> <li>• Foreign Board of Trade (FBOT)-any board of trade, exchange or market located outside of the U.S. where foreign futures or foreign options transactions are entered.</li> <li>• <i>Number of FBOTs as of 9/2019: 21</i></li> </ul>	<ul style="list-style-type: none"> <li>• <b>CFTC Role:</b> CFTC registers new exchanges and foreign boards of trade, conducts examinations of exchange compliance programs, including system safeguards, reviews products listed by exchanges and rules and rule amendments submitted by exchanges. CFTC shares regulatory authority with the FBOT's home regulator authority regarding oversight over direct access trading.</li> </ul>
Clearing Entities	<ul style="list-style-type: none"> <li>• Derivatives Clearing Organization (DCO)-Enables parties to a contract to substitute the credit of the derivatives clearing organization for the credit of the parties, arranges for the settlement or netting of obligations, or provides clearing services.</li> <li>• <i>Number of DCOs as of 9/2019: 16</i></li> <li>• Exempt Derivatives Clearing Organization-A non-U.S. clearing organization clearing proprietary positions of U.S. persons may be exempt DCO from registration, subject to conditions established by the CFTC.</li> <li>• <i>Number of Exempt DCOs as of 9/2019: 4</i></li> <li>• Systemically Important DCOs (SDCO)-A DCO that has been designated by the Financial Stability Oversight Council to be systemically important.</li> <li>• <i>Number of SDCOs as of 9/2019: 2</i></li> </ul>	<ul style="list-style-type: none"> <li>• <b>CFTC Role:</b> CFTC prepares regulations, orders, guidance regarding DCOs, reviews applications for DCO registration and DCO rule submissions, and conducts examinations to ensure compliance by DCOs with the Commodity Exchange Act and Commission regulations.</li> </ul>
Data Repositories	<ul style="list-style-type: none"> <li>• Swap Data Repository (SDR)-Any person who collects and maintains information or records of transactions or positions or the terms and conditions of swaps entered into by third parties.</li> <li>• <i>Number of SDRs as of 9/2019: 3</i></li> </ul>	<ul style="list-style-type: none"> <li>• <b>CFTC Role:</b> Registers SDRs, conducts rule enforcement reviews to ensure compliance with real-time public reporting of swap transaction and pricing data and compliance with core principles.</li> </ul>
Registered Futures Association	<ul style="list-style-type: none"> <li>• National Futures Association (NFA)-an independent self-regulatory organization for U.S. futures and derivatives markets</li> <li>• <i>Number of Registered Futures Associations as of 9/2019: 1</i></li> </ul>	<ul style="list-style-type: none"> <li>• <b>CFTC Role:</b> Oversees and examines the NFA and other self-regulatory organizations.</li> </ul>
Registrants: Intermediaries	<ul style="list-style-type: none"> <li>• An intermediary-A person or organization who acts on behalf of another in connection with futures, swaps, or options trading. The CFTC registration process is handled through the National Futures Association.</li> <li>• <i>Number of Futures Commission Merchants as of 9/2019: 65</i></li> <li>• <i>Number of Major Swap Participants as of 9/2019: 0</i></li> <li>• <i>Number of Retail Foreign Exchange Dealers as of 9/2019: 3</i></li> <li>• <i>Number of Swap Dealers as of 9/2019: 107 (provisionally registered)</i></li> <li>• <i>Number of Commodity Pool Operators as of 9/2019: 1,475</i></li> <li>• <i>Number of Commodity Trading Advisors as of 9/2019: 1,996</i></li> <li>• <i>Number of Associated Persons as of 9/2019: 47,842</i></li> <li>• <i>Number of Introducing Brokers as of 9/2019: 1,129</i></li> <li>• <i>Number of Floor Brokers as of 9/2019: 2,724</i></li> <li>• <i>Number of Floor Traders as of 9/2019: 485</i></li> </ul>	<ul style="list-style-type: none"> <li>• <b>CFTC Role:</b> Develops regulations, orders, and interpretive statements to swap dealers, futures commission merchants and other intermediaries. With respect to registered intermediaries, the CFTC conducts varying levels of review of regulatory applications, financial and other business data, and examinations to determine compliance with the CEA and Commission regulations. The NFA, an SRO, conducts a direct examination program for swap dealers and intermediaries. By virtue of this, the Commission leverages the significant resources of the NFA to meet examination workload demands, while preserving and focusing finite CFTC resources. Through its direct oversight of NFA, the CFTC receives the results of NFA examinations of swap dealers and intermediaries.</li> </ul>

## CFTC Glossary

Because the acronyms of many words and phrases used throughout the futures and swaps industries are not readily available in standard references, the Commission's Office of Public Affairs compiled a glossary to assist members of the public. A guide to the language of the futures and swaps industry is located online at:

[https://www.cftc.gov/ConsumerProtection/EducationCenter/CFTCGlossary/glossary\\_uv.html](https://www.cftc.gov/ConsumerProtection/EducationCenter/CFTCGlossary/glossary_uv.html)

This and the online glossary is not all-inclusive, nor are general definitions intended to state or suggest the views of the Commission concerning the legal significance, or meaning of any word or term. Moreover, no definition is intended to state or suggest the Commission's views concerning any trading strategy or economic theory.

### U.S. Federal Laws

CEA .....	Commodity Exchange Act
Dodd-Frank.....	Dodd-Frank Wall Street Reform and Consumer Protection Act
FCPIA.....	Federal Civil Penalties Inflation Adjustment Act
FECA .....	Federal Employees' Compensation Act
FISMA .....	Federal Information Security Management Act
FFMIA.....	Federal Financial Management Improvement Act
FMFIA.....	Federal Managers' Financial Integrity Act
GPRA.....	Government Performance and Results Act

### CFTC Divisions and Offices

DCR.....	Division of Clearing and Risk
DMO .....	Division of Market Oversight
DOE .....	Division of Enforcement
DSIO .....	Division of Swap Dealer and Intermediary Oversight
OCE.....	Office of the Chief Economist
OCEO .....	Office of Customer Education and Outreach
ODT .....	Office of Data and Technology
OED .....	Office of the Executive Director
OGC.....	Office of the General Counsel
OIA.....	Office of International Affairs
OIG.....	Office of the Inspector General
WBO .....	Whistleblower Office

**U.S. Federal Departments and Agencies**

CFTC .....U.S. Commodity Futures Trading Commission

DHS .....U.S. Department of Homeland Security

FDIC .....Federal Deposit Insurance Corporation

GAO .....U.S. Government Accountability Office

GSA .....U.S. General Services Administration

NFC .....U.S. Department of Agriculture’s National Finance Center

OMB .....Office of Management and Budget

OPM .....Office of Personnel Management

SEC .....U.S. Securities and Exchange Commission

Treasury .....U.S. Department of the Treasury

USDA .....U.S. Department of Agriculture

CSRS..... Civil Service Retirement System

CTA..... Commodity Trading Advisor

DCM ..... Designated Contract Market

DCO ..... Derivatives Clearing Organization

DNP ..... Do Not Pay

DSRO ..... Designated Self-Regulatory Organization

ENN ..... Entity-Netted Notional

EMMoU ..... Enhanced Multilateral MOU Concerning Consultation and Cooperation and the Exchange of Information

EU ..... European Union

FASAB ..... Federal Accounting Standards Advisory Board

FBOT..... Foreign Board of Trade

FCM ..... Futures Commission Merchant

FERS..... Federal Employees Retirement System

**Other Abbreviations and Industry Terms**

AP .....Associated Person

CME.....Chicago Mercantile Exchange Inc.

CMIO .....Chief Market Intelligence Officer, CFTC

COTS.....Commercial Off-the-Shelf

CPMI .....Committee on Payments and Market Infrastructures

CPO .....Commodity Pool Operator

FinTech..... Financial Technology

FSB ..... Financial Stability Board

FSOC..... Financial Stability Oversight Council

FTE..... Full-time Equivalent

FY ..... Fiscal Year

GAAP ..... U.S. Generally Accepted Accounting Principles

GAGAS..... Generally Accepted Government Auditing Standards

GUUG .....	FSB’s Working Group on UTI/UPI Governance	RFED.....	Retail Foreign Exchange Dealer
IB.....	Introducing Broker	SBR.....	Statement of Budgetary Resources
ICE.....	Intercontinental Exchange	SD .....	Swap Dealer
IOSCO.....	International Organization of Securities Commissions	SDR .....	Swap Data Repository
ISDA .....	International Swaps and Derivatives Association	SEF.....	Swap Execution Facility
IT.....	Information Technology	SFFAS.....	Statement of Federal Financial Accounting Standards
IT-IRB .....	Information Technology Investment Review Board	SIDCO .....	Systemically Important DCO
MOU.....	Memorandum of Understanding	SOS.....	Schedule of Spending
MSP .....	Major Swap Participant	SRO .....	Self-Regulatory Organization
NFA .....	National Futures Association	SSE.....	System Safeguards Examination
NFC .....	National Finance Center	TCR.....	Tip, Complaint, or Referral Form
OTC.....	Over-the-Counter	UK .....	United Kingdom
RegTech.....	Regulatory Technology	UPI .....	Unique product identifiers
ReSG .....	FSB’s Resolution Steering Group	UTI .....	Unique transaction identifiers
		WBO APP .....	Whistleblower Application Form





### **We Welcome Your Comments**

**Thank you for your interest in the CFTC's FY 2019 Agency Financial Report. We welcome your comments on how we can make the report more informative for our readers. Please send feedback to [chibberd@cftc.gov](mailto:chibberd@cftc.gov) or to:**

**CFTC  
Financial Management Branch  
1155 21<sup>st</sup> Street NW  
Room 4406  
Washington, DC 20581**

**This FY 2019 Agency Financial Report and prior year documents are available on the CFTC website at:**

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

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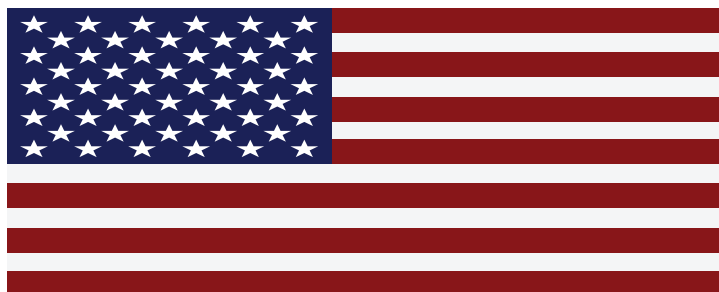
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