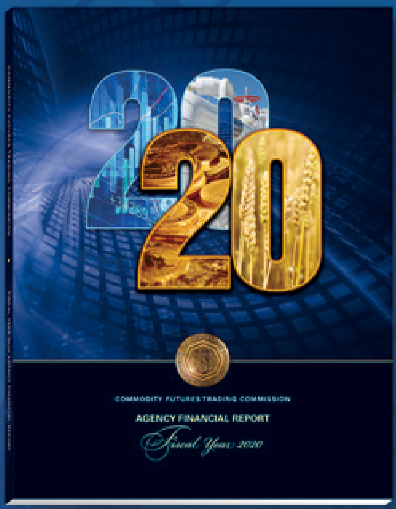
COMMODITY FUTURES TRADING COMMISSION

AGENCY FINANCIAL REPORT

Fiscal Year 2020



ABOUT THIS REPORT

The 2020 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 13, 2020, and covers the period October 1, 2019 to September 30, 2020.

The report may be electronically accessed at:
https://www.cftc.gov/About/CFTCReports/index.htm

COMMODITY FUTURES TRADING COMMISSION

AGENCY FINANCIAL REPORT

FISCAL YEAR 2020

Heath P. Tarbert
Chairman and Chief Executive
and
Anthony C. Thompson
Executive Director and Chief Administrative Officer

November 13, 2020

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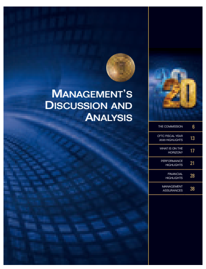
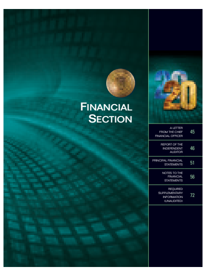
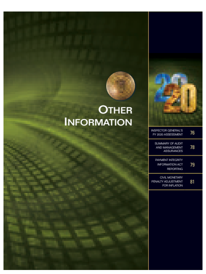


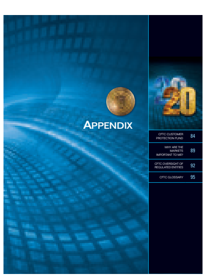
MANAGEMENT'S DISCUSSION AND ANALYSIS



FINANCIAL SECTION



OTHER INFORMATION



APPENDIX

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 2020. Providing this information to the public is an important part of good governance. Clarity is one of the CFTC's Core Values, and we take it seriously.

This past year has been unique in many ways. We have had a historically productive year advancing rules that benefit our markets and the people they serve. We have also encountered—and successfully adapted to—challenges posed by the COVID-19 (coronavirus) pandemic. I thank CFTC staff and my fellow Commissioners for their commitment to our mission throughout this past year.

U.S. Derivatives Markets

The U.S. derivatives markets are the most vibrant, developed, and influential in the world. The estimated 2020 notional value of U.S. derivative markets was $22.7 trillion for U.S. futures and $310 trillion for U.S. swaps. These figures underscore the importance of our mission.

The success of our derivatives markets is vital to the real economy. Derivatives give farmers, ranchers, manufacturers, and others the tools they need to manage risks associated with changing prices, crop yield fluctuations, interest rate movements, and other variable costs. The U.S. derivatives markets are also important to setting the prices of countless goods and services we all rely on—including groceries, gasoline, and

home mortgage interest. As this past year has reminded us, sometimes the unexpected happens—and our derivatives markets stand ready to provide risk-management solutions for those situations.

Role of the CFTC

The CFTC plays a unique role as the regulator of the U.S. derivatives markets. The agency has a rich history of principles-based regulation that allows us to nurture innovation and adapt to changes in our markets. Our Mission, Vision, and Core Values are designed to ensure the CFTC continues to promote sound derivatives regulation over the long run.

FY 2020 Highlights

This past fiscal year has been extraordinarily busy. While these pages cannot provide a full description of the FY 2020 accomplishments of the CFTC and its staff, I would like to highlight a few areas of particular importance.

COVID-19 Response

The COVID-19 pandemic has changed how we work and how our market participants conduct their businesses. The CFTC has responded in numerous ways, including by expanding telework for our employees, by providing market participants with critical, time-limited regulatory relief, and by performing customer outreach to help prevent pandemic-related fraud. We have continued to operate at a very high level during the pandemic, holding 14 open Commission meetings and finalizing major rulemakings during FY 2020.

Strategic Plan

During FY 2020 we implemented a Strategic Plan to guide our efforts through 2024. At the heart of the Strategic Plan are five Strategic Goals that drive the CFTC's policymaking and internal management efforts. In broad terms, the Strategic Goals are designed to help us fulfill our mission of promoting the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation. The Strategic Plan creates discrete policymaking and administrative objectives based around the Strategic Goals, keeping us focused on what really matters.

Enforcement

One of our Strategic Goals is to be tough on those who break the rules. We more than met this goal in FY 2020 by filing 113 enforcement actions—more than any other year in CFTC history. We also obtained the highest monetary relief in a single case in the agency's history—$920 million—for market manipulation and spoofing. We also greatly expanded our parallel enforcement efforts with federal and state authorities, and we have acted swiftly to address retail fraud and other misconduct relating to the COVID-19 pandemic.

Agency Financials

The Financial Section in this report includes the results of the independent audit of our FY 2020 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 Office of Management and Budget guidance. Key management assurances and further details about internal controls are provided in the Management's Discussion and Analysis section.

Conclusion

This report provides an overview of the CFTC's work over this past fiscal year. Despite the challenges posed by the COVID-19 pandemic, our dedicated staff has worked tirelessly to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation. We will continue to meet challenges as they arise, ensuring the CFTC remains the world's premier derivatives regulator and a guardian of the American free-enterprise system.

Heath P. Tarbert
Chairman
November 13, 2020

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Management's Discussion and Analysis

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 95).

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.

To learn more about the regulatory history of the U.S. futures industry – both before and after the CFTC was established, please visit the CFTC's website at:
https://www.cftc.gov/About/AboutTheCommission

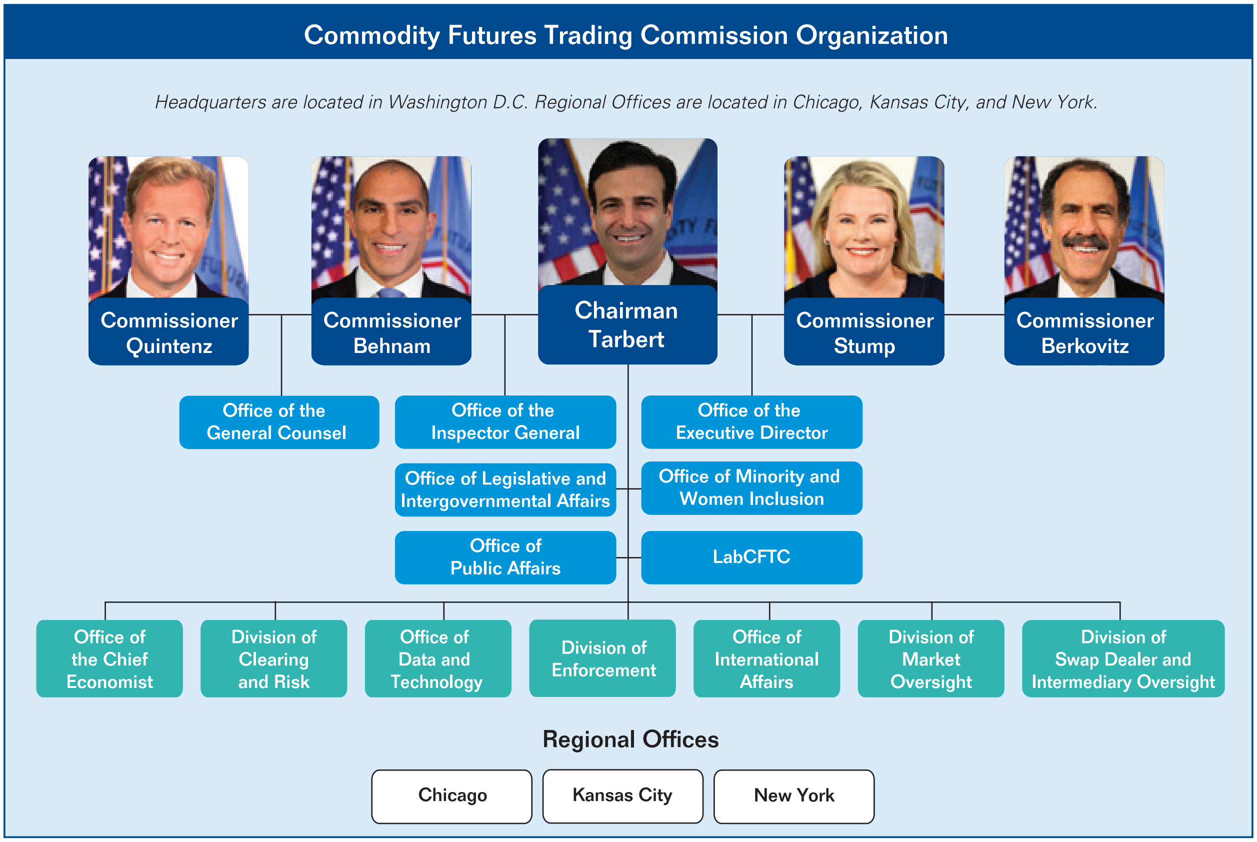
Why Are Derivatives Important to Me?

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. Please see the Appendix on page 89 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. During FY 2020, the Commission was structured as shown in the organizational chart below and described in the sections that follow. The Office of the Chairman included: The Office of Public Affairs (OPA), the Office of Legislative and Intergovernmental Affairs (OLIA), LabCFTC, and the Office of Minority and Women Inclusion (OMWI).



During FY 2020, the four programmatic divisions were the Division of Clearing and Risk (DCR), Division of Enforcement (DOE), Division of Market Oversight (DMO), and Division of Swap Dealer and Intermediary Oversight (DSIO). This divisions were 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. A brief summary of each CFTC division and office as they operated in FY 2020 follows.

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 SDRs to ensure their compliance with regulatory requirements, including system safeguards. DMO also evaluates new platform-traded products to determine whether they are 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 Office 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.

LabCFTC

In service to the CFTC's goal of encouraging innovation and enhancing the regulatory experience for market participants at home and abroad, LabCFTC's mission is to promote responsible innovation among financial industry, stakeholders, and policymakers by being the FACE of innovation for the Commission in:

- Facilitating dialogue between innovators and those within the CFTC on financial and technological innovations;
- Advancing policy and regulation in financial innovation;
- Coordinating internally and externally with International, Federal, and State regulators, organizations, and associations; and
- Educating internal and external stakeholders on financial technology and innovation in the financial markets to identify how innovations are being used.

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 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.

Preview of the Commission's Future Structure

Although the Commission operated effectively under this legacy structure in FY 2020, significant efforts were undertaken over the course of the fiscal year to evaluate the agency's evolving mission and associated mission challenges. These efforts resulted in an improved organization structure that, when implemented in the first quarter of FY 2021, will better position the CFTC to meet the regulatory and enforcement challenges of today's markets.

The new organizational structure will realign key functions within the agency. A new Division of Data (DOD) will be formed from the data-centric components in the Division of Market Oversight (DMO) and the Office of Data and Technology (ODT) to address the Commission's growing data needs. This Division will be headed by the Chief Data Officer and have two branches, focused on Data Policy and Standards and Data Operations, respectively. The Data Operations Branch will include the data ingest, data integration, data operations and support, data usability, and high-performance computing functions. The Data Policy and Standards Branch will include the data architecture and development, data requirements collection and analysis, data standards development, data strategy development, information classification and management, and data policy functions.

To enhance structural and operational efficiency, the technology support functions in ODT will be incorporated into OED, renamed and realigned as the Division of Administration. An integrated technology function mirrors other FIRREA Agencies to provide consistent, customer-focused support.

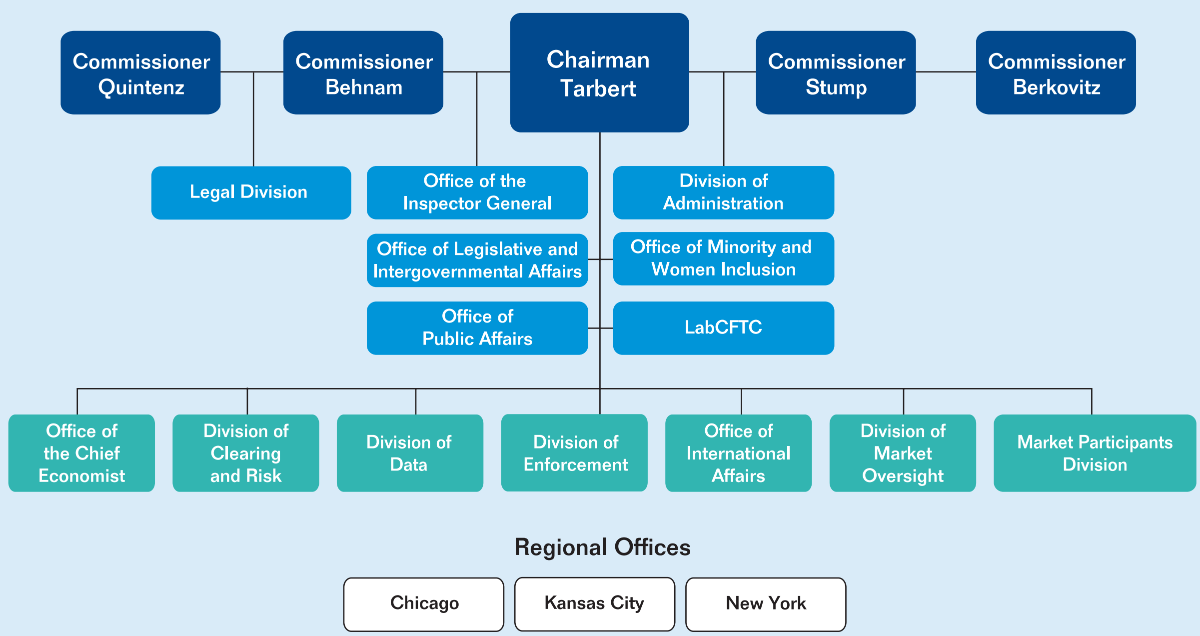
The Executive Secretariat Branch will transition from OED to the Office of General Counsel (OGC) renamed as the Legal Division (LD); however, the Proceedings Sections will remain in OED. This realignment will result in the privacy information, records management, and library functions to the Office of Privacy and Information Management being housed in LD.

The Division of Swap Dealer and Intermediary Oversight (DSIO) will be renamed the Market Participants Division (MPD) and will absorb the Office of Customer Education and Outreach (OCEO) from the Office of Public Affairs (OPA). This will align all of the content and audio-visual functions in OPA and capture all of the end users with the outward facing education aspects with market participants under MPD.

Lastly, realigning the Division of Clearing and Risk (DCR) and one of the examination sections of DSIO will provide a clearing examinations presence in the New York Regional Office.

Future Agency Structure *(To Be Implemented in FY 2021)*

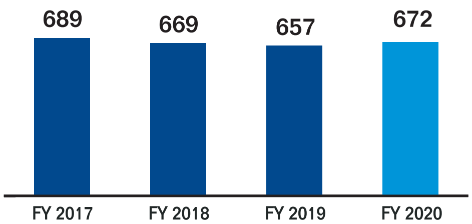
Headquarters are located in Washington D.C. Regional Offices are located in Chicago, Kansas City, and New York.



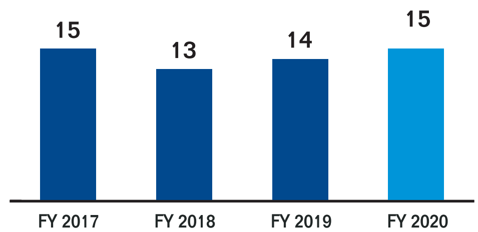
CFTC Staffing and Funding Resources

The CFTC is funded through the Salaries 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 taxpayer money is included in the Fund. The CPF is a permanent appropriation, but must be apportioned annually by OMB (See the Appendix for more information on the CPF).

Salaries and Expenses Full Time Equivalents (FTE) by Fiscal Year

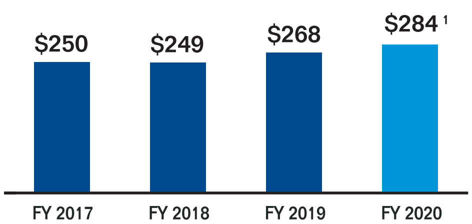


Customer Protection Fund Full Time Equivalents (FTE) by Fiscal Year



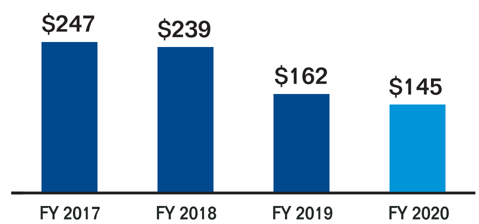
Salaries and Expenses Appropriations by Fiscal Year

($ in millions)



Customer Protection Fund Budgetary Resources by Fiscal Year

($ 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 92-94.

[1] *In addition to the $284 million annual budget, the CFTC received a one-time, no-year appropriation of $31 million in FY 2020 to cover the move, replication, and related costs associated with the replacement leases for CFTC facilities, resulting in a grand total of $315 million. The $31 million has been omitted from the FY 2020 S&E amount in the chart above to provide a more consistent comparison with the appropriations of past fiscal years that did not contain such major, one-time investments.*

CFTC Fiscal Year 2020 Highlights

- Issued 21 Proposed Rulemakings and 16 Final Rulemakings including:
  - Adopted three (3) amendments to the rules for Real-Time Public Reporting, Swap Data Recordkeeping and Reporting, and Regulations Relating to Certain Swap Data Repository and Data Reporting Requirements (Parts 43, 45 and 49, respectively).
  - Adopted final rule for the Registration with Alternative Compliance for Non-U.S. Derivatives Clearing Organizations.
  - Adopted final rule for Cross-Border Application of the Registration Thresholds and Certain Requirements Applicable to Swap Dealers and Major Swap Participants.
  - Adopted final rule for Capital Requirements of Swap Dealers and Major Swap Participants. Of special note, adoption of this rule completes the Commission's responsibility for all required rulemakings under Section 731 of the Dodd-Frank Act.
  - Adopted two (2) amendments to the Volcker Rule 1) modify the rule's prohibition on banking entities investing in or sponsoring hedge funds or private equity funds—known as covered funds and 2) simplify and streamline compliance for firms that do not have significant trading activity.
  - Adopted final rule for Post-Trade Name Give-Up on Swap Execution Facilities.

- Adopted final rule for the Exemption from the Swap Clearing Requirement for Certain Affiliated Entities – Alternative Compliance Frameworks for Anti-Evasionary Measures (Inter-Affiliate Exemption 50.52).
- Adopted amendments to Part 4 Prohibiting Exemptions on Behalf of Persons Subject to Certain Statutory Disqualifications.
- Adopted amendment to Part 23 Margin Requirements for the European Stability Mechanism.
- Adopted amendment to Part 160 Consumer Financial Information Privacy Regulation.
- Adopted amendments to Part 4: Registration and Compliance Requirements for Commodity Pool Operators and Commodity Trading Advisors.
- Adopted amendments to Derivatives Clearing Organization General Provisions and Core Principles.
- Adopted amendments to Part 13 of the Commission's Regulations (Public Rulemaking Procedures).

■ Took swift action in response to the COVID-19 pandemic to adapt CFTC operations to function effectively within new and evolving public health constraints.

From a mission perspective, key examples include:

- issuing more than a dozen targeted, temporary no-action relief letters to market participants;
- working closely with and monitoring DCOs during periods of historic market volatility;
- actively pursuing enforcement actions involving pandemic-related fraud;
- expanding customer outreach and education regarding pandemic-related fraud;
- extending comment periods for rulemakings; and
- ensuring close coordination with other regulators, both foreign and domestic, including the Financial Stability Oversight Council, Financial Stability Board, and International Organization of Securities Commissions.

From an operational and workforce perspective, actions include:

- implementing maximum telework and associated modifications to workforce IT support;

- providing employees with additional support in the form of full pay for COVID-19 related illness, a modest award to offset the cost of extended virtual work, and a temporary increase to the employee annual leave carryover ceiling; and

- conducting continuous organizational pandemic planning efforts to cover an array of new procedures and response programs such as remote on/off-boarding of CFTC staff, virus contact tracing, office cleaning, and safety measures.

■ Filed more enforcement actions (113) than any other year in the agency's history, imposing over a billion dollars of total monetary relief, including a case imposing the largest monetary relief in the agency's history ($920 million); an action in coordination with more state authorities (30) than ever, alleging more than $180 million defrauded from elderly victims; and a continued emphasis on coordination and parallel actions with criminal authorities and other regulatory partners.

■ Coordinated with both US and foreign regulatory authorities on DCO and related issues, including preserving the CFTC's primary jurisdiction in the implementation of the European Union's European Market Infrastructure Regulation (EMIR) 2.2 framework.

■ Formally implemented a new strategic plan (in July 2020) that will guide and prioritize future efforts to achieve the CFTC's mission.

■ Planned, carried out, and comprehensively supported a total of 23 Commission meetings (14 open / 9 closed) during FY 2020, including 12 in a virtual environment. That constitutes more meetings than the Commission held in the preceding three fiscal years combined. The 14 open meetings represent the greatest number of such meetings held by the Commission in a single fiscal year since FY 2011.

■ Installed CFTC Chairman as Vice Chair of the International Organization of Securities Commissions (IOSCO).

■ Established and co-chaired the IOSCO Financial Stability Engagement Group to coordinate between IOSCO and the Financial Stability Board.

■ Worked cooperatively with other Federal regulators and key industry stakeholders to support benchmark reform efforts to transition from LIBOR to SOFR and other reference rates.

■ Finalized guidance on the CFTC's jurisdiction over commodity transactions in crypto assets where there is leverage, margin, or financing present.

■ Completed examinations for the CME Group (CMEG) (for 2019 system safeguards and risk management) and Ice Clear Credit LLC (ICC) (for 2019 system safeguards and risk management), and completed fieldwork for four new systematically important derivatives clearing organizations (SIDCO) examinations.

■ Conducted seven (7) examination reviews of self-regulatory organizations (SROs) and a thematic review to assess Futures Commission Merchant (FCM) compliance with residual interest withdrawal regulations and develop recommendations for providing greater clarity and reduced regulatory burden on these registrants without compromising customer protections.

■ Implemented an additional type of examination of the cybersecurity and system safeguards of Designated Contract Markets (DCMs), Swap Execution Facilities (SEFs), and Swap Data Repositories (SDRs) called a Targeted Maturity Assessment (TMA). A TMA examination involves in-depth review of the relative maturity of a selected aspect of the entity's system safeguards program (using a maturity model drawn from best practice sources) to compare the maturity of the chosen aspect of the program with parallel programs of other regulated entities, financial sector entities in general, and (where relevant) industry in general. The Commission initiated 9 and completed 8 TMAs in FY 2020.

■ Created new examination programs for a DCO's third line of defense, internal audit, and third-party risk management and performed extensive research to identify best practices and risks on the following topics: cloud computing, insurance for crypto assets, blockchain mining for Ethereum, SOC1, SOC2, and SOC3 reports and related requirements, and accounting for crypto assets on the financial statements of DCOs.

- Worked to provide regulatory certainty to UK entities and maintain the status quo by permitting the United Kingdom to rely on CFTC comparability determinations and no-action letters to the same extent as EU entities.
- Published 14 new or revised research working papers on derivatives market activity and three peer reviewed journal articles on derivatives markets.
- Established the CFTC's first enterprise risk management (ERM) program to identify, assess, and prepare for threats (both physical and figurative) and opportunities that could hinder the achievement of agency goals and increase costs of operation.
- Elevated LabCFTC to a formal operating office reporting directly to the Chairman, with projects such as: creating an internal working group to enhance coordination among Commission staff on issues of financial innovation; conducting an internal agency training initiative for agency employees (over 60 trainings on technology and innovation topics); establishing an inaugural fintech competition; and hosting annual Fintech Forward conferences, including reimagining the fall 2020 events for a virtual environment.
- Won reversal of a district court judgment (CFTC v. Monex, 931 F.3d 966 (9th Cir. 2019)) that would have restricted the Commission's antifraud authority under 7 U.S.C. § 9(1) and authority over leveraged retail commodity transactions under 7 U.S.C. § 2(c)(2)(D).
- Issued new guidance outlining factors DOE considers in recommending civil monetary penalties (CMP), which is the first CMP guidance issued publicly since the Commission published its penalty guidelines in 1994.
- Issued a record number of orders granting whistleblower awards (11) to a record number of individuals (16) and received record numbers of Form TCR Tips, Complaint and Referrals (1,030) and Form WB-APP whistle blower application for awards (140).
- Worked with foreign authorities to harmonize and standardize the derivatives data elements reported to trade repositories in Financial Stability Board (FSB) member jurisdictions.
- Completed a major planning effort to meet government-wide facility footprint reduction mandates by partnering with the General Services Administration to relocate to new facilities as its leases expire over the next several years. Upon completion of all relocations over the next 4 years, the Commission expects to decrease square footage by 37 percent in the regions and 42 percent for Headquarters.
- Implemented the ability to store, process, and analyze order book data across all market segments in a cloud environment. The CFTC has stored over 2 trillion records using this innovative technology and is actively using this data to identify, evaluate, and target market manipulation in fundamentally new ways.
- Successfully completed a readiness assessment to position the agency to continue migration of both systems and IT infrastructure capabilities such as computing and data storage to the cloud.
- Joined the Global Financial Innovation Network (GFIN) to further enhance regulatory clarity and understanding for all stakeholders and promote early identification of emerging regulatory opportunities, challenges, and risks.
- Became the first Federal agency to adopt the National Institute of Standards and Technology (NIST) Privacy Framework, a voluntary tool designed to improve privacy through enterprise risk management.

What is on the Horizon?

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

The Commission works in support of five Strategic Goals[2]:

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.

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

Strong and resilient central counterparties (CCPs) 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 heightened volatility experienced in the financial markets under the CFTC's jurisdiction during the COVID-19 crisis, coupled with the unprecedented shift to remote work environments brought about by the pandemic underscore the need for heightened quantitative risk oversight of CCPs, their members, and clients. A resilient central clearing system is critical to the robust functioning of the derivatives and related markets, as well as to ensure stability of the global financial system.

The CFTC collaborates closely with foreign and domestic regulators. Such cooperation, for instance, advances effective margin and capital requirements for CCPs. The CFTC also participates (and in some cases occupies leadership roles) in standard setting bodies such as the International Organization of Securities Commission's Committee on Payments and Market Infrastructures and the Financial Stability Board to achieve international standards that are strong and effective, but also practicable, proportionate, and efficient.

The CFTC has partnered 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. Accordingly, DSIO has provided regulatory certainty to UK entities pursuant to CFTC Staff Letters 19-08 and 19-09, which maintain the status quo by permitting UK entities to rely on CFTC comparability determinations and DSIO no-action letters to the same extent as EU entities. Such no action relief may be extended or adjusted as necessary following the end of the Brexit transition period.

[2] *Per CFTC 2020 – 2024 Strategic Plan adopted in July 2020.*

Another key point of engagement with international counterparts involves discussions regarding the European Union's (EU) proposed European Market Infrastructure Regulation known as "EMIR 2.2" legislation. As entered into force at the start of 2020, this legislation could direct EU regulators to exercise direct supervision over U.S. CCPs. The CFTC continues to engage with the European Securities and Markets Authority, and other stakeholders to take implementation steps built on an understanding 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 and 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 markets, 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, where appropriate. The CFTC will continue these efforts to improve market accessibility to end users by taking actions to right-size regulations for Main Street financial institutions as well as smaller futures commission merchants.

To inform policymaking and decision-making, DMO's Market Intelligence Branch (MIB) analyzes current and emerging market dynamics, developments, and trends. MIB's focus includes automated trading in derivatives and cash markets, the changing landscape of commodity markets and the effect on derivatives markets, and the level of market liquidity.

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 is the clearing and deposit of digital 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 digital assets and related technologies to identify unique risks while balancing the need to allow for innovation with maintaining resilience and integrity of the markets. The Commission will also continue to evaluate whether there is a need for any rulemaking or other CFTC action to help ensure that, as innovations develop in the derivatives markets, they 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 inform the Commission's understanding of emerging technologies, and to operates 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. 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 and think tanks).

In FY 2020, the CFTC adopted numerous rulemakings that enhanced the regulatory experience for swap dealers, commodity pool operators, commodity trading advisors, and designated self-regulatory organizations. These rulemakings included final rules imposing capital and financial reporting for swap dealers, which completes the suite of regulatory obligations for such registrants contemplated by the Dodd-Frank Act, as well as final rules to provide legal certainty with respect to the cross-border application of the swap dealer registration and compliance regulatory regime. The CFTC also finalized amendments to various exemptions and exclusions related to commodity pool operators and commodity trading advisors codifying relief consistent with longstanding staff letter relief. The Commission expects to devote resources to the implementation of these rules, and others discussed herein, going forward as registrants come into compliance.

Be Tough on Those Who Break the Rules

The CFTC remains vigilant against those who violate the Commodity Exchange Act or CFTC regulations. The CFTC's strong enforcement program emphasizes being tough on those who break the rules, but also being fair and consistent. We recognize that one of the best ways to preserve market integrity is by deterring potential bad actors from engaging in misconduct in the first place.

In FY 2020, the CFTC continued to focus enforcement efforts on the following priorities:

(1) preserving market integrity; (2) protecting customers; (3) promoting individual accountability; and (4) increasing coordination with other regulators and criminal authorities.

Misconduct like fraud, manipulation, spoofing, and disruptive trading undermine the integrity of the markets. 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 CFTC has been entrusted with a critical mission and the resources to carry it out. Delivering operational effectiveness is a fundamental priority that we will pursue by leveraging technology, enhancing agency stewardship of taxpayer dollars, and actively managing and evolving the organization to address mission challenges.

Responding to the COVID-19 pandemic has been a historic mission challenge, but one where the Commission and our dedicated workforce rose to the challenge in a number of impactful ways. We developed a communication strategy to address emerging issues and keep agency leadership abreast of new pandemic developments. The Commission also engaged directly with 1) management working groups to incorporate the perspective of component divisions/offices and ; 2) the CFTC workforce, using an agency-wide survey to obtain meaningful feedback for guiding our pandemic response and recovery planning efforts. The CFTC also evaluated and redesigned processes and functions to sustain operational effectiveness and workforce safety in the pandemic climate that included initiatives such as maximum telework for CFTC staff, remote on and off-boarding of agency personnel, managing supply, contracts management, and facilities challenges, and creating a new COVID-19 contact tracing program.

The CFTC also established our first-ever enterprise risk management (ERM) program. The ERM program was a top agency priority that succeeded in meeting all FY 2020 year one objectives to include:

- identifying key risks through interviews with key stake-holders in the Commission;
- interviewing previous Chairmen and Chairwomen to identify risks unique to their tenures;
- establishing a general framework for what an ERM program would look like at the CFTC;
- benchmarking for best practices in government; and
- completing an initial risk matrix/profile

The CFTC will also continue to sustain, optimize, and protect core IT infrastructure while leveraging cloud services to create the next generation of tools, systems, and services necessary to meet mission objectives. The CFTC must guard against emerging threats, especially cyber risks, and is actively engaged in efforts to do so. 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 maintain efforts to work closely with the U.S. Department of Homeland Security on government-wide security initiatives while implementing, maintaining, and continuously evaluating protections to guard against growing and evolving cyber threats.

The Commission remains committed to our on-going efforts to apply emerging technologies, such as machine learning, to oversee the increasingly diverse and challenging 21st Century markets. The Commission is already experiencing the benefits of cloud services across a diverse group of mission critical activities that include the *https://www.cftc.gov* website and the CFTC portal. This year, we implemented the Commission's Order Book on Demand program, an initiative that leverages cloud technology to access large amounts of market data to support the agency's enforcement and surveillance functions. Looking forward, the Commission plans to increase the types and volumes of information that are housed in the cloud environment and continue migrating high performance computing capabilities.

Performance Highlights

In July 2020 the Commission formally adopted its 2020 – 2024 Strategic Plan (please see summary overview on page 27). However, because 75 percent (9 months) of FY 2020 was covered by the CFTC's legacy plan, the below uses the former plan as the basis for FY 2020 performance reporting. The goal structure of the legacy plan is provided below.

STRATEGIC 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.

STRATEGIC 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.

STRATEGIC 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.

STRATEGIC 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 derivatives markets.

Verification and Validation of Performance Data

The completeness and reliability of performance indicators are important to the Commission. The CFTC works to ensure performance indicators for public reporting demonstrate progress toward achieving the strategic objectives they support.

Strategic Goals and Key Results

The following are results with selected representative indicators from each Strategic Goal.

Strategic Goal 1: 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 2020, the Commission invested $71.3 million and 167 FTE.

Strategic Goal 1 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.

Why this is relevant: This indicator captures the efficiency with which staff can receive and process exchange submissions related to contracts and rules. Through the 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 (FILAC) database indicates whether a filing was made via email or the 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 2017	FY 2018	FY 2019	FY 2020
99%	100%	100%	99.88%

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.

Why this is relevant: Utilizing both risk-based and Core Principles-based approaches, the Commission conducts comprehensive examinations of system safeguards and cybersecurity programs at exchanges and SDRs, and prepares examinations reports when deficiencies are identified. Exchanges and SDRs are notified, and staff monitor their remediation efforts. A system safeguards examination (SSEs) has four main stages: 1) Initiating letter; 2) On-site exam, includes data review and interviews with both senior staff and technical expert staff; 3) Review of initial observations, follow up questions, followed by development of examination report with findings and recommendations and an overall rating (Adequate/Needs Improvement/Inadequate); and 4) Presentation of findings/recommendations to Commission for Commission "acceptance," followed by transmittal of report to entity.

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

Verification and Validation: Management record keeping.

FY 2017	FY 2018	FY 2019	FY 2020
5 on-site reviews for SSEs conducted	7 on-site reviews for SSEs conducted	8 on-site reviews for SSEs conducted	2 SSEs initiated and on-site interviews conducted; 1 additional SSE initiated; 4 additional SSEs issued*

* *DCR also conducts comprehensive SSEs for clearing houses ("CCPs"). During FY 2020 DCR initiated 2 SSEs for systemically important CCPs, 2 additional examinations of CCPs, and issued 3 examination reports in total.*

Strategic Goal 2: Financial Integrity and Avoidance of Systemic Risk

Public Benefit

In fostering financially sound markets, the Commission's main priorities 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 (FCMs) 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 2020, the Commission invested $96 million and 224 FTE.

Strategic Goal 2 Key Indicator Performance Results

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

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

Why this is relevant: 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, swaps, and options and conduct risk surveillance for that aggregate portfolio.

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.

Verification and Validation: The Standard Portfolio Analysis of Risk application can stress test futures position positions.

Target: DCR will aggregate risk of market participants' interest rate swap (IRS) & interest rate (IR) futures to get full IR exposure.

FY 2017	FY 2018	FY 2019	FY 2020
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	Aggregated the risk of 100 IRS and IR futures accounts*

* *The Risk Surveillance Branch conducts stress tests of all material futures, options and swaps accounts on a regular basis. These stress tests are aggregated by market participate across DCO. Market participant risk is then monitored across asset classes and DCOs.*

Strategic Goal 3: 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 2020, the Commission invested $119.2 million and 266 FTE.

Strategic Goal 3 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 WBO.

Why this is relevant: 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: *https://www.whistleblower.gov/news/events*
https://www.whistleblower.gov/whistleblower-alerts

Verification and Validation: Management record keeping

FY 2017	FY 2018	FY 2019	FY 2020
Participated in 16 public forums and trade shows	Participated in 19 public forums and trade shows	Participated in 15 public forums and trade shows Posted three "trending topic" alerts to Whistleblower Office website	Participated in 5 public forums and trade shows Posted one new "trending topic" alert to Whistleblower Office website

Strategic Goal 4: 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 2020, the Commission invested $14.7 million and 34 FTE.

Strategic Goal 4 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 SROs and active participation in domestic and international cooperative enforcement efforts.

Why this is relevant: 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 2017	FY 2018	FY 2019	FY 2020
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.	Participated in 81 domestic and international cooperative enforcement meetings, task forces, etc.

Summary Overview of CFTC's 2020 – 2024 Strategic Plan

Hallmarks of successful organizations include a clear mission and the ability for employees to understand how their daily work contributes or achieving that mission. Under the guidance of CFTC Chairman Heath P. Tarbert, every CFTC staff member had the opportunity to help shape our future by crafting a new mission, and for the first time we established a vision statement and a set of agency core values.

The CFTC Mission: To promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation.

Vision Statement: To be the global standard for sound derivatives regulation.

Core Values: **CFTC:** **C**ommitment; **F**orward-thinking; **T**eamwork; **C**larity

With the mission, vision, and core values in place, the Commission set about developing five Strategic Goals to serve as a solid foundation for our work and specify how we will achieve our mission in the upcoming years. These goals are:

1. **Strengthening the resilience and integrity of our derivatives markets while fostering their vibrancy;**
2. **Regulating the derivatives markets to promote the interests of all Americans;**
3. **Encouraging innovation and enhancing the regulatory experience for market participants at home and abroad;**
4. **Being tough on those who break the rules; and**
5. **Focusing on our unique mission and improving our operational effectiveness.**

While the Strategic Goals focus our work, the clearly defined objectives that underpin each goal further refine our efforts and help us to gauge our progress accomplishing them.

As a testament to the bipartisan nature of the CFTC 2020 – 2024 Strategic Plan,[3] it was unanimously approved by the Commission, and after a Federal Register announcement and 30-day comment period the plan was adopted in July 2020.[4]

Chairman Tarbert said of this Strategic Plan, "I am proud of the hard work that went into developing the plan and the unanimous support it ultimately received. It will guide the last of the CFTC's unfinished business to completion and better position the agency to tackle the unwritten future."

CFTC
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[3] *The CFTC 2020 – 2024 Strategic Plan is available at https://www.cftc.gov/About/CFTCReports/index.htm.*

[4] *As the CFTC 2020 – 2024 Strategic Plan was not formally adopted until nine months into Fiscal Year 2020, performance results presented in the 2020 Agency Financial Report are a representative selection from the previous CFTC strategic plan.*

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, 2020, and September 30, 2019.

Highlights	2020	2019
Condensed Balance Sheets		
Fund Balance with Treasury	$ 103,929,404	$ 86,407,483
Investments	117,000,000	141,300,000
Accounts Receivable	52,632	54,582
Prepayments	5,347,975	5,693,295
Custodial Receivables, Net	623,333,958	51,364,449
General Property, Plant and Equipment, Net	25,096,671	29,738,196
TOTAL ASSETS	**$ 874,760,640**	**$ 314,558,005**
Accounts Payable	$ 8,202,137	$ 21,419,590
FECA Liabilities	597,032	564,109
Accrued Payroll and Annual Leave	26,182,754	19,885,383
Custodial Liabilities	623,333,958	51,364,449
Deposit Fund Liabilities	514,025	445,754
Deferred Lease Liabilities	18,650,707	21,494,054
Liability for Whistleblower Awards	3,627,027	20,280,146
Total Liabilities	**$ 681,107,640**	**$ 135,453,485**
Unexpended Appropriations – All Other Funds	$ 86,262,124	$ 58,465,701
Cumulative Results of Operations – Funds from Dedicated Collections	117,027,972	125,439,162
Cumulative Results of Operations – All Other Funds	(9,637,096)	(4,800,343)
Total Net Position	**193,653,000**	**179,104,520**
TOTAL LIABILITIES AND NET POSITION	**$ 874,760,640**	**$ 314,558,005**
Condensed Statements of Net Cost		
Gross Costs	$ 301,322,839	$ 301,553,671
Earned Revenue	(37,373)	(248,915)
TOTAL NET COST OF OPERATIONS	**$ 301,285,466**	**$ 301,304,756**
Net Cost by Strategic Goal		
Strategic Goal 1 – Market Integrity and Transparency	$ 71,313,241	$ 67,476,123
Strategic Goal 2 – Financial Integrity and Avoidance of Systemic Risk	96,045,472	90,364,976
Strategic Goal 3 – Comprehensive Enforcement	119,182,541	129,854,799
Strategic Goal 4 – Domestic and International Cooperation and Coordination	14,744,212	13,608,858
TOTAL NET COST OF OPERATIONS	**$ 301,285,466**	**$ 301,304,756**

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.

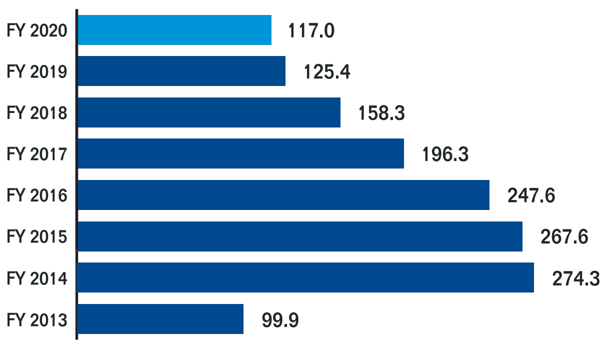
The CFTC's current year and prior year financial statements and notes are presented in a comparative format. The table below presents changes in key financial statement line items, as of and for, the fiscal year ended September 30, 2020, compared to September 30, 2019.

Key Financial Statement Line Items	2020	2019	$ Change	% Change
Total Assets	$ 874,760,640	$ 314,558,005	$ 560,202,635	178.09%
Total Liabilities	$ 681,107,640	$ 135,453,485	$ 545,654,155	402.84%
Total Net Position	$ 193,653,000	$ 179,104,520	$ 14,548,480	8.12%
Total Net Cost of Operations	$ 301,285,466	$ 301,304,756	$ (19,290)	(0.01%)
Total Budgetary Resources	$ 344,175,768	$ 295,144,893	$ 49,030,875	16.61%
New Obligations and Upward Adjustments	$ 296,591,524	$ 268,029,495	$ 28,562,029	10.66%
Apportioned	$ 143,318,572	$ 142,982,838	$ 335,734	0.23%
Unapportioned	$ (103,626,536)	$ (126,714,806)	$ 23,088,270	18.22%
Agency Outlays, Net	$ 315,928,900	$ 260,142,271	$ 55,786,629	21.44%
Custodial Receivables/Liabilities	$ 623,333,958	$ 51,364,449	$ 571,969,509	1,113.55%

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 chart to the right, 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.

Customer Protection Fund Net Position

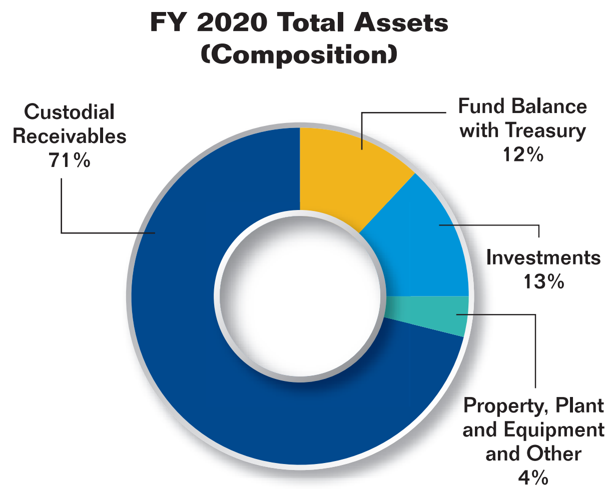
($ in millions)



The $8.4 million decrease in the net position of the Customer Protection Fund in FY 2020 was due to $4.0 million in new whistleblower awards pending or due and payable as of September 30, 2020 (disclosed in Note 8—Liability for Whistleblower Awards), administrative expenses of $3.7 million, and costs for customer education initiatives of $1.8 million, offset by $1.1 million in interest earned on investments.[5] Pending awards increase liabilities and decrease net position as of September 30, 2020, but will not result in the obligation of resources and redemption of investments until the awards are issued.

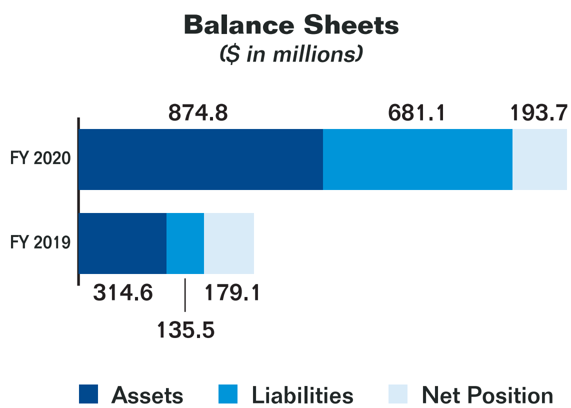
[5] *$27.3 million was disbursed from the Customer Protection Fund for whistleblower awards during FY 2020. The cash disbursed included $27.3 million in awards that were previously reported as pending claims or accounts payable as of September 30, 2019, and an additional $2.2 thousand in new amounts awarded and disbursed during FY 2020. The amount of unpaid claims of $4.0 million consists of final whistleblower awards due and payable of $413.3 thousand plus $3.6 million in new awards preliminarily determined by the Commission as of September 30, 2020, but not issued as final awards during FY 2020. Of the $413.3 thousand in final awards due and payable, $22.5 thousand is for awards previously included in the FY 2019 Liability for Whistleblower Awards but not yet disbursed as a result of requests for reconsideration by the whistleblowers and other elements of due process.*

When the balance in the fund falls below $100 million, as it did in FY 2013, the Customer Protection Fund is replenished by eligible sanctions 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.



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, 2020, the Balance Sheet reflects total assets of $874.8 million. This is an increase of $560.2 million, or 178.1 percent, over FY 2019. The increase was primarily due to increases of $572.0 million in Custodial Receivables and $17.5 million in Fund Balance with Treasury, offset by decreases of $24.3 million in Investments and $4.6 million in Property, Plant and Equipment.

The $572.0 million, or 1,113.6 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, 2020. 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. Of the $623.3 million in outstanding Custodial Receivables as of September 30, 2020, $608.5 million, or 97.6 percent, is due from JPMorgan for disgorgement and civil monetary penalties related to spoofing and manipulation that resulted from a Commission order dated September 29, 2020.[6]

The $17.5 million, or 20.3 percent, increase in Fund Balance with Treasury is the net of a $25.3 million increase in the non-Customer Protection Fund balance offset by a $7.8 million decrease in the Customer Protection Fund balance. The non-Customer Protection Fund balance primarily increased due to $31.2 million more in appropriations plus offsetting collections during the year than outlays, primarily the result of a $47.0 million increase in FY 2020 appropriations received and the timing of cash payments.[7] In addition, $9.0 million in cancelled funds were returned to the U.S. Department of the Treasury and the $3.0 million deficient fund balance in the 2013/2014 fund was removed when the

[6] *The order ("CFTC Orders JPMorgan to Pay Record $920 Million for Spoofing and Manipulation") required JPMorgan to pay a total of $920.2 million—the largest amount of monetary relief ever imposed by the CFTC—including the highest restitution ($311.7 million), disgorgement ($172.0 million), and civil monetary penalty ($436.4) amounts in any spoofing case.*

[7] *The Commission received a $47.0 million increase in appropriations for FY 2020 in P.L. 116-94, including $31.0 million in no-year funding for facility relocation expenses, but the majority of the obligations resulting from the increase will not be disbursed until FY 2021 or later due to the timing of cash payments.*

fund was cancelled (see Note 1X).[8] The Customer Protection Fund balance primarily decreased by the $7.0 million whistleblower award obligated in FY 2019 (increasing fund balance at the end of FY 2019 as investments were redeemed to cover obligations) and disbursed in FY 2020 (decreasing fund balance in FY 2020).

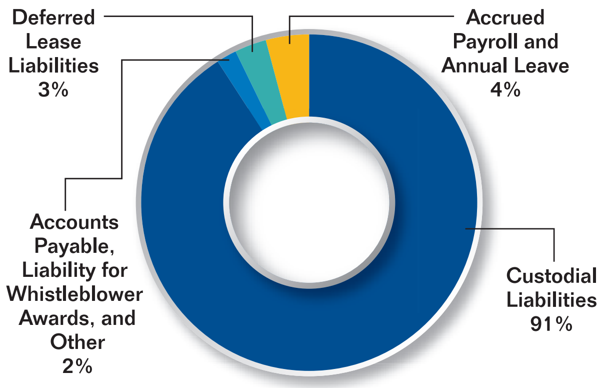
Excluding Custodial Receivables, Investments of $117.0 million comprise approximately 46.5 percent of the Commission's total assets as of September 30, 2020. This significant asset represents the balance of the Customer Protection Fund that is not needed to pay whistleblower awards or fund customer education initiatives and operating expenses of the fund. The $24.3 million, or 17.2 percent, decrease in Investments was due to the redemption of investments to cover eligible expenses and obligations of the Customer Protection Fund during FY 2020, including $20.7 million for FY 2019 and FY 2020 final whistleblower awards ($20.3 million disbursed plus an additional $413.3 thousand accrued).[9]

The $4.6 million, or 15.6 percent, decrease in Property, Plant and Equipment was the result of depreciation and disposals exceeding new asset purchases.

Total Liabilities: As of September 30, 2020, the Balance Sheet reflects total liabilities of $681.1 million. This is an increase of $545.7 million, or 402.8 percent, over FY 2019. The increase was primarily due to increases of $572.0 million in Custodial Liabilities and $6.3 million in Accrued Payroll and Annual Leave, offset by decreases of $16.7 million in Liability for Whistleblower Awards, $13.2 million in Accounts Payable, and $2.8 million in Deferred Lease Liabilities.

The $572.0 million, or 1,113.6 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.

FY 2020 Total Liabilities (Composition)



The $6.3 million, or 31.7 percent, increase in Accrued Payroll and Annual Leave is due to several factors. The increase in Accrued Payroll of $3.2 million, or 44.1 percent, was primarily due to accruals for retroactive merit pay and cash awards, two additional days accrued in FY 2020 over FY 2019, and increases of approximately 2.4 percent in salary and 0.3 percent in number of employees. The increase in Accrued Annual Leave of $3.1 million, or 24.6 percent, was primarily due to increases of 19.5 percent in the average number of annual leave hours accrued per employee and 2.4 percent in average salary. The large increase in annual leave hours is primarily due to the effects of the COVID-19 pandemic, such as additional leave granted by the Chairman to provide for flexibility and relief, and a temporary leave ceiling raise of 80 hours for FY 2020 and FY 2021 (employees can carryover up to 80 hours more than their previous individual leave ceiling).

The $16.7 million, or 82.1 percent, decrease in Liability for Whistleblower Awards was due to a decrease 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

[8] *The deficient balance in the 2013/2014 fund was due to a transfer error that occurred in FY 2015. At the end of FY 2020, the Commission returned $5.1 million to the U.S. Department of the Treasury from the 2013/2015 fund that remained unobligated in order to avoid obligating more than its total FY 2013 appropriation. As a result, total funds returned to Treasury from the funds received in FY 2013 totaled $2.1 million.*

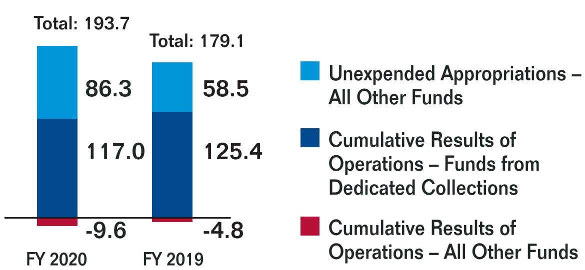
[9] *The Commission disbursed $27.3 million during FY 2020, but $7.0 million of the amount disbursed was already obligated as of September 30, 2019; therefore, investments were redeemed in FY 2019 to cover that amount.*

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 *https://www.whistleblower.gov/reports*.

The $13.2 million, or 61.7 percent, decrease in Accounts Payable is due to the payment of the $7.0 million final whistleblower award issued just prior to FY 2019 year-end and part of the Accounts Payable balance as of September 30, 2019, as well as timelier billings received from the Commission's vendors due to new automated processes. 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.

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 $2.8 million, or 13.2 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
($ in millions)



Total Net Position: As of September 30, 2020, the Balance Sheet reflects a total net position of $193.7 million, an increase of $14.5 million, or 8.1 percent, over FY 2019. 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 $8.4 million, or 6.7 percent, due to Customer Protection Fund expenses of $9.5 million offset by interest revenue of $1.1 million. As discussed above, Customer Protection Fund expenses consisted of new whistleblower awards of $4.0 million paid or accrued as of September 30, 2020, administrative expenses of $3.7 million, and costs for customer education initiatives of $1.8 million.

Cumulative Results of Operations—All Other Funds decreased by $4.8 million, or 100.8 percent, due to the net cost of operations exceeding total financing sources. Depreciation of $6.0 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 $27.8 million, or 47.5 percent, due primarily to FY 2020 appropriations received of $315.0 million in excess of appropriations used of $281.3 million as a result of a $47.0 million increase in FY 2020 appropriations received and the timing of actual cash payments. In addition, approximately $9.0 million in cancelled funds were returned to Treasury on September 30, 2020, and, as explained above in the Fund Balance with Treasury discussion, the $3.0 million deficient fund balance in the 2013/2014 fund was removed when the fund was cancelled (see Note 1X).

Statement 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 $230.8 thousand, or 0.01 percent, decrease in the total net cost of operations during FY 2020. In line with the Strategic Plan in effect for the majority of FY 2020, the Commission's Statement of Net Cost is categorized by the following four Strategic Goals:[10]

[10] *The Commission's legacy plan was used as the basis for net cost reporting because it covered 75 percent (9 months) of FY 2020. Beginning in FY 2021, the CFTC's Statement of Net Cost Reporting will be based on the 2020-2024 Strategic Plan.*

- The focus of **Strategic Goal 1**, *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 2020, excluding the $4.0 million net expense for whistleblower awards that is fully allocated to Strategic Goal 3, the Commission committed 24.0 percent of its resources to this goal, a decrease of 0.9 percent over FY 2019.

- The focus of **Strategic Goal 2**, *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 2020, excluding the $4.0 million net expense for whistleblower awards that is fully allocated to Strategic Goal 3, the Commission committed 32.3 percent of its resources to this goal, a decrease of 1.1 percent over FY 2019.

- Through **Strategic Goal 3**, *Comprehensive Enforcement*, the CFTC enforces the CEA and Commission regulations, and works to promote awareness of and compliance with these laws. In FY 2020, excluding the $4.0 million net expense for whistleblower awards that is fully allocated to Strategic Goal 3, the Commission committed 38.7 percent of its resources to this goal, an increase of 2.1 percent over FY 2019.

- The focus of **Strategic Goal 4**, *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 2020, excluding the $4.0 million net expense for whistleblower awards that is fully allocated to Strategic Goal 3, the Commission committed 5.0 percent of its resources to this goal, the same percentage as in FY 2019.

As reflected under each Strategic Goal above, the Commission's strategic focus remained relatively stable from FY 2019 to FY 2020. Excluding the $26.7 million decrease in whistleblower awards paid or accrued by the Customer Protection Fund, total net costs of operations actually increased by approximately $26.5 million, or 9.8 percent. This overall increase was the result of increases of $15.7 million in contracts for goods and services and leases, $13.6 million in payroll, and $2.0 million in annual leave, offset by decreases of $2.4 million in imputed costs, $1.4 million in depreciation expense and $985.8 thousand in travel.

Gross Costs by Strategic Goal	2020	2019	2020 %	2019 %	% Change	$ Change
Strategic Goal 1 – *Market Integrity and Transparency*	$ 71,322,207	$ 67,538,202	24.0%	24.9%	(0.9%)	$ 3,784,005
Strategic Goal 2 – *Financial Integrity and Avoidance of Systemic Risk*	$ 96,057,547	$ 90,448,114	32.3%	33.4%	(1.1%)	$ 5,609,433
Strategic Goal 3 – *Comprehensive Enforcement* (excluding Whistleblower Awards)	$ 115,173,918	$ 99,195,042	38.7%	36.6%	2.1%	$ 15,978,876
Strategic Goal 4 – *Domestic and International Cooperation and Coordination*	$ 14,746,066	$ 13,621,378	5.0%	5.0%	0.0%	$ 1,124,688
Gross Costs Excluding Whistleblower Awards	**$ 297,299,738**	**$ 270,802,736**	**100.0%**	**100.0%**		**$26,497,002**
Whistleblower Awards	$ 4,023,101	$ 30,750,935				$ (26,727,834)
GROSS COSTS	**$ 301,322,839**	**$ 301,553,671**				**$ (230,832)**

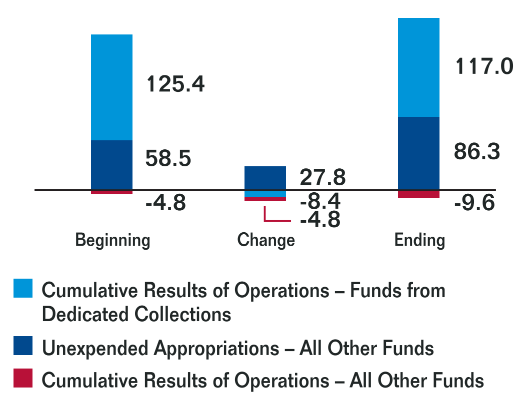
Despite receiving an additional $47.0 million and $19.0 million in appropriations in FY 2020 and FY 2019, respectively, the $26.5 million increase in expenses is deemed reasonable because $31.0 million of the $47.0 million increase in FY 2020 are no-year funds for facility relocation that will take place through FY 2025 when the last Commission office relocates (only $165.8 thousand of the $31.0 million received in FY 2020 for facility relocation was expensed as of September 30, 2020). The impact of the increase in appropriations is evident in increased obligations on the Statement of Budgetary Resources, and will be reflected in the Statement of Net Cost in FY 2021 and future years as related goods and services are received and amounts are disbursed.[11]

To aid the financial statement reader in fully understanding the Commission's strategic focus and how it changed from FY 2019 to FY 2020, the table above presents the gross costs by Strategic Goal excluding whistleblower awards. After adding back the whistleblower awards, the total gross costs in the table above ties to the total gross costs on the Commission's Statements of Net Cost for FY 2020 and FY 2019.

Statement 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.

Statements of Changes in Net Position
($ in millions)



Statement 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 2020.

The changes in the Commission's total budgetary resources from September 30, 2019, to September 30, 2020, can mostly be explained by the following three events:

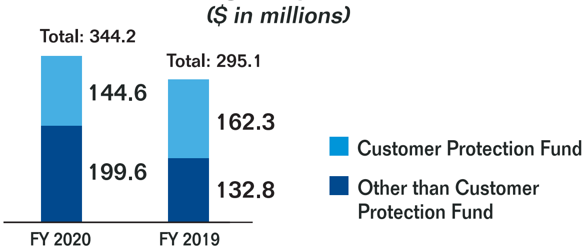
[11] *As of September 30, 2020, approximately $10.4 million, or 33.5 percent, of the $31.0 million no-year funds received for facility relocation expenses has been obligated.*

- The Commission obligated $15.4 million from the Customer Protection Fund for payments to whistleblowers in FY 2019, reducing the Unobligated Balance from Prior Year Budget Authority, Net. 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 $23.1 million in FY 2020 and $22.7 million in FY 2019 (see Note 10 for additional information). As lease payments are funded through annual appropriations and subsequently paid, the negative Unapportioned, Unexpired Accounts amounts are reduced and the Unobligated Balance from Prior Year Budget Authority, Net increases.

- The Commission received $47.0 million more in appropriations in FY 2020 over FY 2019. This $47.0 million increase includes $31.0 million in no-year funds for move, replication, and related costs associated with replacement leases for the Commission's facilities to enable the Commission to plan for and relocate to new facilities as its leases expire over the next several years. New leases will be executed by the General Services Administration on behalf of the Commission.

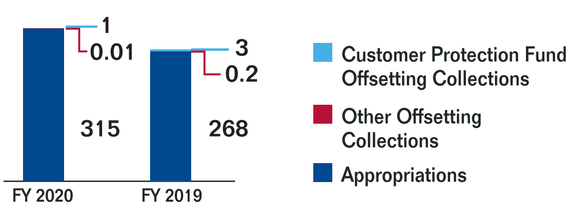
Total Budgetary Resources
($ in millions)



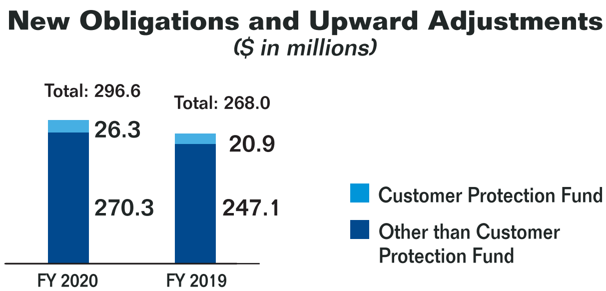
For the year ending September 30, 2020, the Commission's Total Budgetary Resources increased by $49.0 million, or 16.6 percent. This increase is due to a $44.8 million, or 16.5 percent, net increase in new budget authority and a $4.2 million, or 17.6 percent, increase in Unobligated Balance from Prior Year Budget Authority, Net.

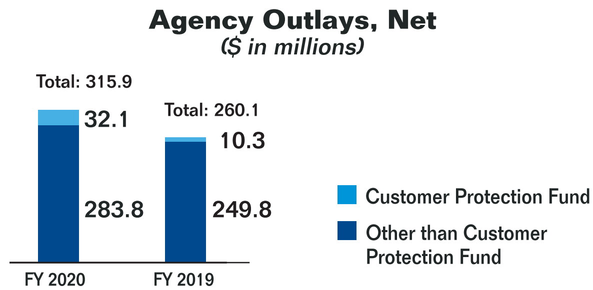
The $4.2 million, or 17.6 percent, increase in the Unobligated Balance from Prior Year Budget Authority, Net (beginning unobligated balance plus adjustments made during FY 2020) was primarily due to a $22.7 million reduction in negative unapportioned amounts for outstanding lease obligations funded in the prior year (FY 2019) plus $6.9 million in recoveries of prior year obligations and cancellation of the $3.0 million deficient fund balance in the 2013/2014 fund (see Note 1X). These increases are mostly offset by a $17.5 million, or 11.0 percent, reduction in available authority in the Customer Protection Fund as a result of amounts expended in the prior year (FY 2019) and $9.0 million in cancelled funds returned to the U.S. Department of the Treasury.

New Budget Authority
($ in millions)



For the year ending September 30, 2020, the Commission's new budget authority increased by $44.8 million, or 16.5 percent, primarily due to the $47.0 million increase in annual appropriations received ($31.0 million of the $47.0 million increase in appropriations are no year-funds for facility relocation expenses). This increase was partially offset by a $2.0 million, or 66.3 percent, decrease in Customer Protection Fund Offsetting Collections primarily as a result of significantly lower average Treasury interest rates paid on Customer Protection Fund investments in overnight Treasury securities (0.8 percent in FY 2020 versus 2.3 percent in FY 2019) and a $24.3 million reduction in the investment balance in order to fund outlays.





New Obligations and Upward Adjustments increased by $28.6 million, or 10.7 percent, primarily due to increases of $14.1 million for salaries and benefits, $10.3 million for leases and other contracts, and $5.3 million in whistleblower awards, offset by a decrease of $1.1 million in travel due to the COVID-19 pandemic. Excluding the $10.4 million obligated from the $31.0 million no-year appropriation received for facility relocation expenses, new obligations for leases and other contracts actually decreased by $142.9 thousand. The overall increase in new obligations in the current annual fund of approximately $12.7 million is reasonable given the $17.0 million increase in appropriations received in FY 2020 ($31.0 million of the $47.0 million increase in appropriations are no year-funds for facility relocation expenses and $20.0 million of the total appropriation received is available for obligation until September 30, 2021).

Apportioned, Unexpired Accounts increased by only $335.7 thousand, or 0.2 percent. While the balance appears relatively stable, the $335.7 thousand net increase is actually made up of an increase of $23.4 million in unapportioned amounts in non-Customer Protection Fund balances (primarily in the no-year fund for future facility relocation expenses and the two-year fund for amounts available for obligation until September 30, 2021), offset by a $23.1 million decrease in amounts available for apportionment in the Customer Protection Fund due to amounts expended by the fund.

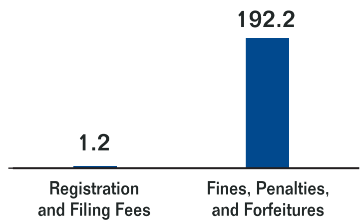
The $23.1 million, or 18.2 percent, increase in Unapportioned, Unexpired Accounts was the result of the $23.1 million reduction in unfunded lease obligations. As noted above, the Commission reduced its outstanding unfunded lease deficiency through funding from current year appropriations of $23.1 million. 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, 2020, and 2019, are $103.6 million and $126.7 million, respectively.

Agency Outlays, Net increased by approximately $55.8 million, or 21.4 percent, primarily due to increases in outlays for leases and other contracts, whistleblower awards, and salaries and benefits of $23.8 million, $18.9 million, and $11.7 million, respectively, and decreases in interest collected and travel of $2.1 million and $740.2 thousand, respectively. Interest collected offsets outlays so a decrease in interest collected results in higher net outlays. 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.

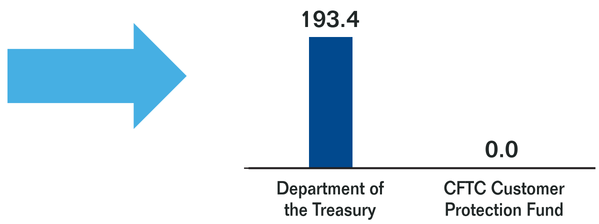
Statement of Custodial Activity

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 2020 in the amount of $193.4 million, an increase of $143.9 million, or 290.8 percent, over FY 2019. These custodial collections are driven by enforcement actions in any given fiscal year as well as the violators' ability to pay. Of the $193.4 million in FY 2020 cash collections, all $193.4 million was transferred to the Treasury because the Customer Protection Fund balance exceeded $100 million so no collections were eligible to be transferred to it.

FY 2020 Total Cash Collections[12]
($ in millions)



FY 2020 Total Disposition of Collections
($ in millions)



As discussed in the Balance Sheets section, the $572.0 million, or 1,113.6 percent, change 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, 2020. Of the $623.3 million in outstanding Custodial Receivables as of September 30, 2020, $608.5 million, or 97.6 percent, is due from JPMorgan for disgorgement and civil monetary penalties related to spoofing and manipulation that resulted from a Commission order dated September 29, 2020.

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

With the increase in payments to whistleblowers, the Commission 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. However, given the current requirement for the Commission to make whistleblower payments on related matters for which another agency collected the sanctions, there is a risk that the Customer Protection Fund would have to cease normal operations until such time that funds are made available to continue.

There were no unanticipated financial risks occurring during the reporting period. While unanticipated, the financial impact resulting from the COVID-19 pandemic was minimal, primarily relating to the acquisition of additional cleaning supplies, touchless fixtures, physical barriers, masks, and other standard protective materials.

Limitations of Financial Statements

Management has prepared the accompanying financial statements to report the financial position and operational results for the CFTC for FY 2020 and FY 2019 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.

[12] *Total cash collections include $5.1 thousand, or <$0.1, in general proprietary receipts.*

MANAGEMENT ASSURANCES

ANALYSIS OF CFTC'S 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 on right 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.

Internal Control Process

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 assessed 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, 2020. 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, 2020. 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, 2020."

Heath P. Tarbert
Chairman
November 13, 2020

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 2020, 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 2020 work performed to support the assessment of compliance with FMFIA and Internal Controls over Reporting (ICOR) include, but are not limited to, the following:

- Implementation 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 Payment Integrity Information Act of 2019;
- 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 2020 and FY 2019 in the administrative controls and internal controls over reporting that prevented reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations.

FMFIA Section 4, Financial Management Systems

The Commission declared no nonconformance within our financial systems under FMFIA during FY 2020 and FY 2019. The independent auditors' reports for FY 2020 and 2019 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 2021 includes the continued monitoring, evaluation and oversight of the financial management system operated by its shared services provider. This will include ensuring that the Commission will comply with the Treasury mandate to use the new G-Invoicing solution for buy/sell activity with other federal entities beginning in FY 2023. As a result, the CFTC is able to accumulate, analyze, and present reliable financial information, provide timely information for managing current operations and reporting financial information to central agencies, and comply with governmentwide requirements.

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FINANCIAL SECTION


COMMODITY FUTURES TRADING COMMISSION
1975

A Letter from the Chief Financial Officer

On behalf of the CFTC, it is an honor to present the Commission's FY 2020 Agency Financial Report (AFR). The AFR provides essential financial, organizational, and performance information to the Congress and the American public about the CFTC's stewardship responsibilities to use, track, and manage public funds.

As in years past, the performance of these fiduciary responsibilities did not come without challenges. The ability to authorize spending, oversee the execution of the budget, and ensure timely and accurate recording of financial events required strict adherence to policy and application of procedures. However, FY 2020 presented a unique challenge that tested the execution of the Commission's public service responsibilities. The emergence of the COVID-19 pandemic impacted the life of every American and presented unique challenges to our agency. I am proud to serve beside the CFTC staff that met these challenges head-on. Their efforts to review every policy, cycle, and procedure while innovating new processes where needed led the agency to a place of improved financial management and greater accountability.


AGA

Certificate of Excellence in Accountability Reporting®

presented to the

U.S. Commodity Futures Trading Commission

in recognition of outstanding effort in preparing the Agency Financial Report for fiscal year 2019


AGA

Certificate of Excellence in Accountability Reporting®

BEST-IN-CLASS AWARD

presented to the

U.S. Commodity Futures Trading Commission

in recognition of

description of what the agency does and how it operates

in the Agency Financial Report for fiscal year 2019

As a result, I am pleased to report that the Office of the Inspector General's independent auditor has issued an unmodified opinion on our FY 2020 financial statements. The audit result represents the Commission's fourteenth unmodified opinion. I am also pleased to announce that the auditor's review of our internal controls revealed no material weaknesses or significant deficiencies in our controls' design or operations.

In FY 2020, the Commission was recognized by the Association of Government Accountants with the distinguished Certificate of Excellence in Accountability Reporting (CEAR) for its FY 2019 AFR. Additionally, the CFTC received a "Best in Class" award from the CEAR committee for its section of "What the Agency Does and How it Operates."[13]

In closing, I would like to thank the Commission's Leadership, the Financial Management team, and key staff across the agency for their diligence and dedication to public service.

Joel Mattingley
Chief Financial Officer
November 13, 2020

[13] *Additional information regarding the CEAR program may be found on the AGA's website at https://www.agacgfm.org/Standards-Guidance/CEAR/Home.aspx*

REPORT OF THE INDEPENDENT AUDITOR

A/C

ALLMOND & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

7501 FORBES BOULEVARD, SUITE 200
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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, 2020 and 2019; 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 2020 and 2019 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, 2020 and 2019, 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, 2020, 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 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 our fiscal year 2020 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 2020 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 are 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 6, 2020
Lanham, MD

Independent Auditors' Report

Exhibit I
Compliance and Other Matters

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 officials pursuant to an FY 2014 government wide appropriation provision that has remained in each subsequent appropriation through 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.

Independent Auditors' Report

Exhibit I
Status of Prior Year Findings and Recommendations

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 2019 Financial Statements (November 7, 2019).

FY 2020 Finding	FY 2020 Recommendation	FY 2020 Status
Potential Anti-Deficiency Act Violation	**Recommendation:** Complete the investigation into the potential ADA violation noted and report to the appropriate parties, as necessary.	Open

Principal Financial Statements

Commodity Futures Trading Commission

Balance Sheets

As of September 30, 2020 and 2019

	2020	2019
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 103,929,404	$ 86,407,483
Investments (Note 3)	117,000,000	141,300,000
Accounts Receivable, Net (Note 4)	–	1,167
Prepayments (Note 1H)	3,150,153	2,663,914
Total Intragovernmental	**224,079,557**	**230,372,564**
Custodial Receivables, Net (Note 4)	623,333,958	51,364,449
Accounts Receivable, Net (Note 4)	52,632	53,415
General Property, Plant and Equipment, Net (Note 5)	25,096,671	29,738,196
Prepayments (Note 1H)	2,197,822	3,029,381
TOTAL ASSETS	**$ 874,760,640**	**$ 314,558,005**
LIABILITIES		
Intragovernmental:		
Accounts Payable	$ 532,641	$ 436,014
Custodial Liabilities	623,333,958	51,364,449
Employer Contributions and Payroll Taxes Payable	2,091,621	1,432,636
FECA Liabilities (Note 1N)	88,501	85,660
Total Intragovernmental	**626,046,721**	**53,318,759**
Accounts Payable	7,669,496	20,983,576
Actuarial FECA Liabilities (Note 1N)	508,531	478,449
Accrued Payroll	8,299,576	5,779,774
Annual Leave	15,791,557	12,672,973
Deferred Lease Liabilities (Note 7)	18,650,707	21,494,054
Liability for Whistleblower Awards (Note 8)	3,627,027	20,280,146
Deposit Fund Liabilities	514,025	445,754
Total Liabilities	**$ 681,107,640**	**$ 135,453,485**
Contingent Liabilities (Note 9)		
NET POSITION		
Unexpended Appropriations – All Other Funds	$ 86,262,124	$ 58,465,701
Cumulative Results of Operations – Funds from Dedicated Collections	117,027,972	125,439,162
Cumulative Results of Operations – All Other Funds	(9,637,096)	(4,800,343)
Total Net Position – Funds from Dedicated Collections (Note 12)	117,027,972	125,439,162
Total Net Position – All Other Funds	76,625,028	53,665,358
Total Net Position	**193,653,000**	**179,104,520**
TOTAL LIABILITIES AND NET POSITION	**$ 874,760,640**	**$ 314,558,005**

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, 2020 and 2019

	2020	2019
NET COST BY GOAL		
GOAL 1: MARKET INTEGRITY AND TRANSPARENCY		
Gross Costs	$ 71,322,207	$ 67,538,202
Less: Earned Revenue	(8,966)	(62,079)
NET COST OF OPERATIONS – GOAL 1	**$ 71,313,241**	**$ 67,476,123**
GOAL 2: FINANCIAL INTEGRITY AND AVOIDANCE OF SYSTEMIC RISK		
Gross Costs	$ 96,057,547	$ 90,448,114
Less: Earned Revenue	(12,075)	(83,138)
NET COST OF OPERATIONS – GOAL 2	**$ 96,045,472**	**$ 90,364,976**
GOAL 3: COMPREHENSIVE ENFORCEMENT		
Gross Costs	$119,197,019	$129,945,977
Less: Earned Revenue	(14,478)	(91,178)
NET COST OF OPERATIONS – GOAL 3	**$119,182,541**	**$129,854,799**
GOAL 4: DOMESTIC AND INTERNATIONAL COOPERATION AND COORDINATION		
Gross Costs	$ 14,746,066	$ 13,621,378
Less: Earned Revenue	(1,854)	(12,520)
NET COST OF OPERATIONS – GOAL 4	**$ 14,744,212**	**$ 13,608,858**
GRAND TOTAL		
Gross Costs	$301,322,839	$301,553,671
Less: Earned Revenue	(37,373)	(248,915)
TOTAL NET COST OF OPERATIONS	**$301,285,466**	**$301,304,756**

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, 2020 and 2019

2020	DEDICATED COLLECTIONS	ALL OTHER FUNDS	CONSOLIDATED TOTAL
UNEXPENDED APPROPRIATIONS:			
BEGINNING BALANCES, OCTOBER 1 (NOTE 1X)	**$ –**	**$ 61,509,442**	**$ 61,509,442**
BUDGETARY FINANCING SOURCES:			
Appropriations Received	–	315,000,000	315,000,000
Other Adjustments (+/-)	–	(8,956,084)	(8,956,084)
Appropriations Used	–	(281,291,234)	(281,291,234)
Total Budgetary Financing Sources	–	24,752,682	24,752,682
TOTAL UNEXPENDED APPROPRIATIONS, SEPTEMBER 30	**$ –**	**$ 86,262,124**	**$ 86,262,124**
CUMULATIVE RESULTS OF OPERATIONS:			
BEGINNING BALANCES, OCTOBER 1	**$ 125,439,162**	**$ (4,800,343)**	**$ 120,638,819**
BUDGETARY FINANCING SOURCES:			
Appropriations Used	–	281,291,234	281,291,234
Nonexchange Interest Revenue (Note 3)	1,082,980	–	1,082,980
OTHER FINANCING SOURCES:			
Imputed Financing Sources (Note 1M)	–	5,663,309	5,663,309
Total Financing Sources	1,082,980	286,954,543	288,037,523
Net Cost of Operations	**(9,494,170)**	**(291,791,296)**	**(301,285,466)**
Net Change	**(8,411,190)**	**(4,836,753)**	**(13,247,943)**
TOTAL CUMULATIVE RESULTS OF OPERATIONS, SEPTEMBER 30	**$ 117,027,972**	**$ (9,637,096)**	**$ 107,390,876**
NET POSITION	**$ 117,027,972**	**$ 76,625,028**	**$ 193,653,000**

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
TOTAL UNEXPENDED APPROPRIATIONS, SEPTEMBER 30	**$ –**	**$ 58,465,701**	**$ 58,465,701**
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)**
TOTAL CUMULATIVE RESULTS OF OPERATIONS, SEPTEMBER 30	**$ 125,439,162**	**$ (4,800,343)**	**$ 120,638,819**
NET POSITION	**$ 125,439,162**	**$ 53,665,358**	**$ 179,104,520**

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, 2020 and 2019

	2020	2019
BUDGETARY RESOURCES		
Unobligated Balance from Prior Year Budget Authority, Net (Note 10A)	$ 28,143,967	$ 23,928,531
Appropriations	315,000,000	268,000,000
Spending Authority from Offsetting Collections	1,031,801	3,216,362
TOTAL BUDGETARY RESOURCES	**$ 344,175,768**	**$ 295,144,893**
STATUS OF BUDGETARY RESOURCES		
New Obligations and Upward Adjustments	$ 296,591,524	$ 268,029,495
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	143,318,572	142,982,838
Unapportioned, Unexpired Accounts	(103,626,536)	(126,714,806)
Unexpired Unobligated Balance, End of Year	39,692,036	16,268,032
Expired Unobligated Balance, End of Year	7,892,208	10,847,366
Unobligated Balance, End of Year (Total)	47,584,244	27,115,398
TOTAL BUDGETARY RESOURCES	**$ 344,175,768**	**$ 295,144,893**
OUTLAYS, NET		
Outlays, Net	$ 315,934,006	$ 260,156,840
Distributed Offsetting Receipts	(5,106)	(14,569)
AGENCY OUTLAYS, NET	**$ 315,928,900**	**$ 260,142,271**

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, 2020 and 2019

	2020	2019
TOTAL CUSTODIAL REVENUE		
SOURCES OF CASH COLLECTIONS:		
Registration and Filing Fees	$ 1,165,011	$ 2,243,849
Fines, Penalties, and Forfeitures	192,204,742	47,229,052
General Proprietary Receipts	5,106	14,569
Total Cash Collections	**193,374,859**	**49,487,470**
Change in Custodial Receivables	**571,969,509**	**39,867,274**
TOTAL CUSTODIAL REVENUE	**$ 765,344,368**	**$ 89,354,744**
DISPOSITION OF COLLECTIONS		
AMOUNTS TRANSFERRED TO:		
Department of the Treasury	$ (193,374,859)	$ (49,487,470)
Total Disposition of Collections	**(193,374,859)**	**(49,487,470)**
Change in Custodial Liabilities	(571,969,509)	(39,867,274)
NET CUSTODIAL ACTIVITY	$ –	$ –

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, 2020 and 2019

Note 1. Summary of Significant Accounting Policies

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, the 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 fairly presenting 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 2020 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. 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 primarily arise from the Civil Monetary Sanctions program, reimbursable operations, and earned refunds.

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 Commission 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 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 2020, 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, 2020, that significantly changed the purpose of the fund or redirected a material portion of the accumulated balance.

X. Cancellation of Deficient Fund Balance

Following guidance from the U.S. Office of Management and Budget and the U.S. Department of the Treasury, the beginning balances of Unexpended Appropriations and Unobligated Balances differ from the prior year ending balance by $3,043,741 due to the cancellation of the 2013/2014 salaries and expenses fund with a deficient fund balance as of September 30, 2019. This fund was deficient due to a transfer error that occurred in FY 2015.

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, 2020, and 2019, consisted of the following:

	2020	2019
Unobligated Fund Balance		
Available	$ 26,998,826	$ 2,299,197
Unavailable	7,904,486	10,821,543
Obligated Balance Not Yet Disbursed	68,512,067	72,840,989
Non-Budgetary Fund Balance with Treasury	514,025	445,754
TOTAL FUND BALANCE WITH TREASURY	**$ 103,929,404**	**$ 86,407,483**

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

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, 2020, and 2019, were $117,000,000 and $141,300,000, respectively. Related nonexchange interest revenue for the years ended September 30, 2020, and 2019, was $1,082,980 and $3,206,457, 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

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, 2020, and 2019:

	2020	2019
Custodial Receivables, Net:		
Civil Monetary Penalties, Fines, and Administrative Fees	$ 770,558,920	$ 207,552,850
Civil Monetary Penalty Interest	1,683,400	1,942,550
Registration and Filing Fees	1,539,855	1,346,286
Less: Allowance for Loss on Penalties, Fines, and Administrative Fees	(148,609,005)	(157,522,132)
Less: Allowance for Loss on Interest	(1,676,140)	(1,932,727)
Less Allowance for Loss on Registration and Filing Fees	(163,072)	(22,378)
TOTAL CUSTODIAL RECEIVABLES, NET	**$ 623,333,958**	**$ 51,364,449**
Other Accounts Receivable	52,632	54,582
TOTAL ACCOUNTS RECEIVABLE, NET	**$ 623,386,590**	**$ 51,419,031**

Note 5. General Property, Plant and Equipment, Net

Property, Plant and Equipment as of September 30, 2020, and 2019, consisted of the following:

2020 Major Class	Service Life and Method	Cost	Accumulated Amortization/ Depreciation	Net Book Value
Equipment	5 Years/Straight Line	$ 42,630,427	$ (35,707,899)	$ 6,922,528
IT Software	5 Years/Straight Line	29,742,235	(27,158,953)	2,583,282
Software in Development	Not Applicable	5,370,715	–	5,370,715
Leasehold Improvements	Remaining Life of Lease/Straight Line	31,292,870	(21,072,724)	10,220,146
TOTAL GENERAL PROPERTY, PLANT AND EQUIPMENT, NET		**$109,036,247**	**$ (83,939,576)**	**$ 25,096,671**

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
TOTAL GENERAL PROPERTY, PLANT AND EQUIPMENT, NET		**$105,262,994**	**$ (75,524,798)**	**$ 29,738,196**

Note 6. Liabilities Not Covered by Budgetary Resources

As of September 30, 2020, and 2019, the following liabilities were not covered by budgetary resources:

	2020	2019
Liabilities Not Requiring Budgetary Resources:		
Intragovernmental – Custodial Liabilities	$623,333,958	$ 51,364,449
Deferred Lease Liabilities	18,650,707	21,494,054
Deposit Fund Liabilities	514,025	445,754
Total Liabilities Not Requiring Budgetary Resources	$642,498,690	$ 73,304,257
Other Liabilities Not Covered by Budgetary Resources:		
Intragovernmental – FECA Liabilities	$ 88,501	$ 85,660
Annual Leave	15,791,557	12,672,973
Actuarial FECA Liabilities	508,531	478,449
Liability for Whistleblower Awards	3,627,027	20,280,146
TOTAL LIABILITIES NOT COVERED BY BUDGETARY RESOURCES	**$662,514,306**	**$106,821,485**

Liabilities not covered by budgetary resources of $662,514,306 and $106,821,485 represent 97.27 and 78.86 percent of the Commission's total liabilities of $681,107,640 and $135,453,485 as of September 30, 2020, and 2019, respectively.

Note 7. Leases

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, 2020, future estimated minimum lease payments continue through FY 2025 and are as follows:

Fiscal Year	Dollars
2021	$ 21,312,686
2022	20,088,229
2023	17,880,606
2024	18,239,105
2025	18,603,371
Total Future Scheduled Rent Payments	$ 96,123,997
Future Lease-Related Operating Costs *(Estimated)*	7,502,539
TOTAL FUTURE MINIMUM LEASE PAYMENTS	**$ 103,626,536**

The amounts in the table above include the future minimum lease payments for the Commission's existing lease arrangements with non-federal parties described by location in the table below. In 2016, the Commission executed a memorandum of understanding with the General Services Administration (GSA) to address all of CFTC's future space needs. In its FY 2020 appropriation, the Commission received an additional $31,000,000 for move, replication, and related costs associated with replacement leases for the Commission's facilities. As these new leases are executed by GSA, the Commission will incorporate these new intragovernmental leases into its future estimated lease payments.

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, 2020, and 2019, were $18,650,707 and $21,494,054, 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)	
LOCATION	**LEASE TERMS**
Washington, D.C.	Lease of office space from October 5, 1995, through September 30, 2025, subject to annual escalation amounts[1] 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.

[1] *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)	
LOCATION	**LEASE TERMS**
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, 2020, and September 30, 2019, the Commission recorded liabilities for pending payments to whistleblowers of approximately $3,627,027 and $20,280,146, respectively. During FY 2020, the Commission disbursed $27,262,890 in whistleblower awards, which primarily consisted of approximately $20,261,000 from pending payments and $7,000,000 from accounts payable at the end of FY 2019. Accounts payable as of September 30, 2020, includes approximately $413,000 for awards that have been finalized as of the end of FY 2020.

In addition to the pending payments to whistleblowers, the Commission had 18 additional whistleblower claims currently under review as of September 30, 2020. 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 $43,152,147.

Note 9. Contingent Liabilities

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. In FY 2020, the Commission was involved in one case where an unfavorable outcome is reasonably possible if the complainant proceeds to litigate. The potential loss in this case is estimated to be in excess of $63.0 thousand.

Note 10. Statements of Budgetary Resources

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 on the following pages.

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, 2020, and 2019, consisted of the following:

	2020	2019
Unobligated Balance Brought Forward, October 1	$ 27,115,398	$ 23,072,180
Cancellation of Deficient Fund Balance (Note 1X)	3,043,741	–
Recoveries of Prior Year Obligations	6,940,912	4,888,708
Other Changes in Unobligated Balance	(8,956,084)	(4,032,357)
UNOBLIGATED BALANCE FROM PRIOR YEAR BUDGET AUTHORITY, NET	**$ 28,143,967**	**$ 23,928,531**

B. Undelivered Orders

The amount of budgetary resources obligated for undelivered orders as of September 30, 2020, and 2019, consisted of the following:

	2020	2019
Undelivered Orders – Federal		
Paid	$ 3,150,153	$ 2,663,914
Unpaid	12,922,345	5,889,053
Total Undelivered Orders – Federal	$ 16,072,498	$ 8,552,967
Undelivered Orders – Non-Federal		
Paid	$ 2,197,822	$ 3,029,381
Unpaid	140,635,202	165,034,743
Total Undelivered Orders – Non-Federal	$ 142,833,024	$ 168,064,124
TOTAL UNDELIVERED ORDERS	**$ 158,905,522**	**$ 176,617,091**

continued on next page

Note 10 continued from previous page

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, 2020, and 2019, as follows:

	2020	2019
Unfunded Lease Obligations Brought Forward, October 1	$ 126,714,806	$ 149,391,066
Change in Unfunded Lease Obligations	(23,088,270)	(22,676,260)
TOTAL REMAINING UNFUNDED LEASE OBLIGATIONS	**$ 103,626,536**	**$ 126,714,806**

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 2019 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 Resources
CFTC FY 2019 Statement of Budgetary Resources	**$ 295,144,893**
Less Amounts in Customer Protection Fund	(162,297,815)
Less Amount in Expired Accounts	(12,042,941)
Less New Budget Authority Used to Liquidate Deficiencies	(22,676,260)
Plus Unfunded Lease Obligations Brought Forward, October 1	149,391,066
Plus Rounding to Nearest Million (+/-)	(518,943)
BUDGET OF THE U.S. GOVERNMENT	**$ 247,000,000**

The Budget of the U.S. Government with actual numbers for FY 2020 has not yet been published. The expected publish date is February 2021. 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.

	2020	2019
TOTAL NET COST OF OPERATIONS	**$ 301,285,466**	**$ 301,304,756**
Components of Net Cost That Are Not Part of Net Outlays:		
Depreciation and Amortization	$ (6,031,004)	$ (7,443,442)
Gain/(Loss) on Disposal	(412,170)	(91,859)
Increase/(Decrease) in Assets:		
Accounts Receivable	(1,950)	9,915
Decrease in Prepayments	(345,320)	–
(Increase)/Decrease in Liabilities:		
Accounts Payable	13,217,453	(10,843,948)
Salaries and Benefits	(3,178,787)	(1,138,692)
Liability for Whistleblower Awards	16,653,119	(15,366,271)
Contingent Liabilities	–	38,696
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	(3,151,507)	(1,153,452)
Other Financing Sources:		
Federal Employee Retirement Benefit Costs Paid by OPM and Imputed to CFTC	(5,663,309)	(8,054,524)
Total Components of Net Cost That Are Not Part of Net Outlays	**$ 11,086,525**	**$ (44,043,577)**
Components of Net Outlays That Are Not Part of Net Cost:		
Acquisition of Capital Assets	$ 4,644,995	$ 4,572,624
Increase in Prepayments	–	1,547,869
Nonexchange Interest Revenue (Excluding Interest Receivable)	(1,082,980)	(3,224,832)
Total Components of Net Outlays That Are Not Part of Net Cost	**$ 3,562,015**	**$ 2,895,661**
Outlays, Net	**$ 315,934,006**	**$ 260,156,840**
Distributed Offsetting Receipts	(5,106)	(14,569)
AGENCY OUTLAYS, NET	**$ 315,928,900**	**$ 260,142,271**

Note 12. Funds from Dedicated Collections

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, 2020, and 2019:

	2020	2019
BALANCE SHEETS		
Fund Balance with Treasury	$ 5,351,553	$ 13,148,336
Investments	117,000,000	141,300,000
Accounts Receivable, Net	842	–
Prepayments	9,685	221,818
General Property, Plant and Equipment, Net	7,161	50,126
TOTAL ASSETS	**$ 122,369,241**	**$ 154,720,280**
Accounts Payable	1,234,029	8,670,172
Accrued Payroll	219,313	141,492
Accrued Annual Leave	260,900	189,308
Liability for Whistleblower Awards	3,627,027	20,280,146
Total Liabilities	**$ 5,341,269**	**$ 29,281,118**
Cumulative Results of Operations – Funds from Dedicated Collections	117,027,972	125,439,162
Total Net Position	**$ 117,027,972**	**$ 125,439,162**
TOTAL LIABILITIES AND NET POSITION	**$ 122,369,241**	**$ 154,720,280**
STATEMENTS OF NET COST		
Gross Costs	$ 9,494,170	$ 36,104,893
TOTAL NET COST OF OPERATIONS	**$ 9,494,170**	**$ 36,104,893**
STATEMENTS OF CHANGES IN NET POSITION		
Beginning Cumulative Results of Operations, October 1	$ 125,439,162	$ 158,337,598
Nonexchange Interest Revenue	1,082,980	3,206,457
Net Cost of Operations	(9,494,170)	(36,104,893)
Net Change	(8,411,190)	(32,898,436)
TOTAL NET POSITION, SEPTEMBER 30	**$ 117,027,972**	**$ 125,439,162**

Required Supplementary Information
(Unaudited)

Commodity Futures Trading Commission

Combining Statements of Budgetary Resources by Major Account

For the Years Ended September 30, 2020 and 2019

2020	CUSTOMER PROTECTION FUND	SALARIES AND EXPENSES	INFORMATION TECHNOLOGY	COMBINED
BUDGETARY RESOURCES				
Unobligated Balance from Prior Year Budget Authority, Net (Note 10A)	$ 143,572,792	$ (119,582,735)	$ 4,153,910	$ 28,143,967
Appropriations	–	315,000,000	–	315,000,000
Spending Authority from Offsetting Collections	1,019,085	12,716	–	1,031,801
TOTAL BUDGETARY RESOURCES	**$ 144,591,877**	**$ 195,429,981**	**$ 4,153,910**	**$ 344,175,768**
STATUS OF BUDGETARY RESOURCES				
New Obligations and Upward Adjustments	$ 26,250,571	$ 268,039,403	$ 2,301,550	$ 296,591,524
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	118,341,306	24,972,265	5,001	143,318,572
Unapportioned, Unexpired Accounts	–	(103,626,536)	–	(103,626,536)
Unexpired Unobligated Balance, End of Year	118,341,306	(78,654,271)	5,001	39,692,036
Expired Unobligated Balance, End of Year	–	6,044,849	1,847,359	7,892,208
Unobligated Balance, End of Year (Total)	118,341,306	(72,609,422)	1,852,360	47,584,244
TOTAL BUDGETARY RESOURCES	**$ 144,591,877**	**$ 195,429,981**	**$ 4,153,910**	**$ 344,175,768**
OUTLAYS, NET				
Outlays, Net	$ 32,096,783	$ 256,483,379	$ 27,353,844	$ 315,934,006
Distributed Offsetting Receipts	–	(5,106)	–	(5,106)
AGENCY OUTLAYS, NET	**$ 32,096,783**	**$ 256,478,273**	**$ 27,353,844**	**$ 315,928,900**

continued on next page

Combining Statements of Budgetary Resources by Major Account continued from previous page

Commodity Futures Trading Commission

Combining Statements of Budgetary Resources by Major Account *(continued)*

For the Years Ended September 30, 2020 and 2019

2019	CUSTOMER PROTECTION FUND	SALARIES AND EXPENSES	INFORMATION TECHNOLOGY	COMBINED
BUDGETARY RESOURCES				
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
TOTAL BUDGETARY RESOURCES	**$162,297,815**	**$ 74,332,685**	**$ 58,514,393**	**$ 295,144,893**
STATUS OF BUDGETARY RESOURCES				
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
Unobligated Balance, End of Year (Total)	141,435,589	(120,989,319)	6,669,128	27,115,398
TOTAL BUDGETARY RESOURCES	**$ 162,297,815**	**$ 74,332,685**	**$ 58,514,393**	**$ 295,144,893**
OUTLAYS, NET				
Outlays, Net	$ 10,345,063	$ 204,714,251	$ 45,097,526	$ 260,156,840
Distributed Offsetting Receipts	–	(14,569)	–	(14,569)
AGENCY OUTLAYS, NET	**$ 10,345,063**	**$ 204,699,682**	**$ 45,097,526**	**$ 260,142,271**

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Other Information

Section Page

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 ARL/JR
DATE:	September 21, 2020
SUBJECT:	Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the Commodity Futures Trading Commission FY 2020

The Reports Consolidation Act of 2000 (RCA)[1] authorizes the CFTC to consolidate financial and performance management reports and to provide information in a meaningful and useful format for Congress, the President, and the public. The 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.[2] This memorandum fulfills our duties under the RCA.

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. 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."[3]

[1] P.L. 106-531, § 3, 114 STAT. 2537 (Nov. 22, 2000), codified at 31 USC § 3516(a).
[2] Id.
[3] 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 FY2019 the OIG identified management and performance challenges in the areas of cybersecurity, information technology (IT) modernization, data governance, stress-testing, and management's ability to enhance its business operations to lower cost. We acknowledge CFTC's dedication and responsiveness to enhancing information security practices for its community and its internal practices, respectively. We also acknowledge management's numerous strategic goals[4] and actions dedicated toward market risk management and to improving operational effectiveness.

Fiscal Year 2020 Management and Performance Challenges

For FY 2020, we merely reiterate our FY 2019 challenges for information technology (IT) modernization and data governance and further recognize newly established positions for a Chief Information Officer and a Chief Data Officer. My office will continue to undertake work that addresses these challenges and I look forward to renewed IT specific strategic plans as they are made transparent.

Cc: Anthony Thompson, Chief Management Officer
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

[4] Strategic Plan 2020 – 2024.

SUMMARY OF AUDIT AND MANAGEMENT ASSURANCES

Summary of FY 2020 Financial Statement Audit

Audit Opinion:	**Unmodified**				
Restatement:	**No**				
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	ENDING BALANCE
Total Material Weaknesses	0				0

Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance:	**Unmodified**					
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
Total Material Weaknesses	0					0
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
Statement of Assurance:	**Unmodified**					
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
Total Material Weaknesses	0					0
CONFORMANCE WITH FEDERAL FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)						
Statement of Assurance:	**Federal systems conform to financial management system requirements**					
NON-CONFORMANCES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
Total Non-Conformances	0					0

COMPLIANCE WITH SECTION 803(A) OF THE FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)		
	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.

Consolidation: 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.

Payment Integrity Information Act Reporting

Background

The Payment Integrity Information Act of 2019 requires agencies to continue to report on progress 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 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 2020 and FY 2019, the Commission performed a qualitative risk assessment to assess fraud risk for each transaction cycle and sub-process within the cycle as part of its 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-to-moderate" for FY 2020 and "low" for FY 2019.

The change in assessment of fraud risk as "low" in FY 2019 to "low-to-moderate" in FY 2020 was not the result of the identification of fraud, but rather a migration of the Commission's risk profile assessment from a three-point scale to a five-point scale for improved risk delineation as part of a continuous improvement process. The more finite assessment has enabled the Commission to target its resources and testing towards higher risk areas.

In addition to assessing fraud risk in FY 2020 and FY 2019, the Commission also performed testing for various control activities that could detect fraudulent activity in the following areas:

- **Travel Management**, including reasonableness of estimated travel costs, questionable travel purchases, and duplicate payments;
- **Purchase Card**, including propriety of purchase card transactions, validity of Merchant Category Code overrides, and unusual merchant names;
- **Human Resources**, including Time and Attendance records and Special Payment Processing System (SPPS) transactions;
- **Procurement**, including completeness, accuracy and validity of contract awards, invoices, and contract closeouts;
- **Property, Plant and Equipment (PP&E)**, including accuracy and completeness of personal property;
- **Customer Protection Fund (CPF)**, including completeness, accuracy, and validity of stated receivables within the cycle; and
- **Financial Reporting**, including the consistent and fair presentation of the financial statements and supplementary disclosures in accordance with codified laws and regulations, U.S. generally accepted accounting principles, and CFTC accounting and disclosure policies.

Results

The Commission did not detect any fraudulent activity. In FY 2021, 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.

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 adjust 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*.

Pursuant to this authority, the Commission seeks penalties against person(s) or entity(s) for a host of violations, including: 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. The CEA provides for heightened sanctions in two circumstances: (1) when the violation involves manipulation or attempted manipulation; and (2) when the defendant/respondent is a registered entity (e.g., an exchange, clearing organization, or swap data repository) or any director, officer, agent, or employee of any registered entity.

In addition, in May 2020 the CFTC issued new guidance outlining factors the Division of Enforcement (DOE) considers in recommending civil monetary penalties (CMPs) to the Commission to be imposed in CFTC enforcement actions. The guidance memorializes the existing practice within DOE and has been incorporated into the DOE Enforcement Manual. This was the first DOE CMP guidance issued publicly since the Commission published its penalty guidelines in 1994. The full CFTC press release on this significant action can be found at *https://www.cftc.gov/PressRoom/PressReleases/8165-20*.

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 following tables.

Penalty (Name of Penalty)	Authority (Statute)	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Level ($ Amount)	Location for Penalty Update Details
CIVIL MONETARY PENALTIES IMPOSED BY THE COMMISSION IN AN ADMINISTRATIVE ENFORCEMENT ACTION					
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)	2/11/2019	1/13/2020	For penalties imposed by the Commission to administrative enforcement proceedings for violations from November 2015 to present, not more than the greater of $168,142 (for non-manipulation violations) or $1,212,866 (for manipulation or attempted manipulation violations) or triple the monetary gain to such person for each such violation.	Federal Register Vol. 85, Page 1747 (January 13, 2020)[14] *https://www.cftc.gov/sites/default/files/2020/01/2020-00313a.pdf*
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)	2/11/2019	1/13/2020	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. 85, Page 1747 (January 13, 2020)[15] *https://www.cftc.gov/sites/default/files/2020/01/2020-00313a.pdf*
CIVIL MONETARY PENALTIES IMPOSED BY A DISTRICT COURT IN A CIVIL INJUNCTIVE ENFORCEMENT ACTION					
For a civil monetary penalty assessed against any person	Section 6c of the Commodity Exchange Act (7 U.S.C. 13a-1)	2/11/2019	1/13/2020	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 $185,242 (for non-manipulation violations) or $1,212,866 (for manipulation or attempted violations) or triple the monetary gain to such person for each such violation.	Federal Register Vol. 85, Page 1747 (January 13, 2020)[16] *https://www.cftc.gov/sites/default/files/2020/01/2020-00313a.pdf*

Additional information regarding inflation adjusted civil monetary penalties is available on the Commission's website at *https://www.cftc.gov/LawRegulation/Enforcement/InflationAdjustedCivilMonetaryPenalties/index.htm*

[14] *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.*

[15] *These adjusted penalties apply only with respect to violations occurring on or after November 2, 2015, the effective date of the 2015 Act.*

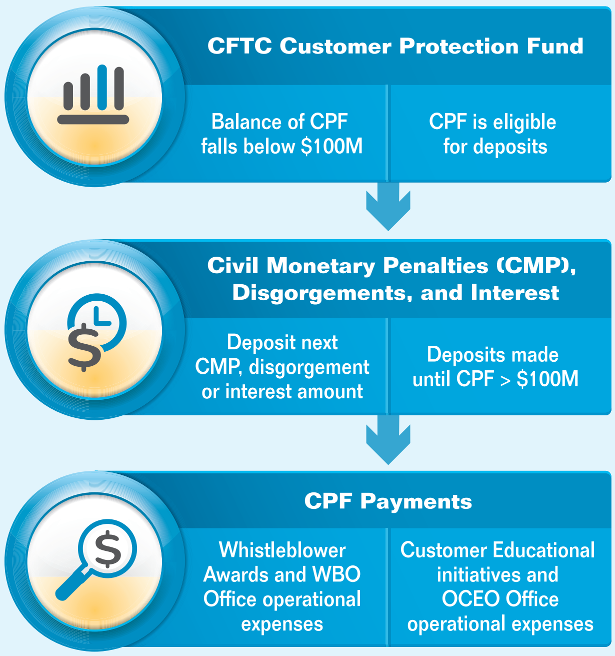
[16] *These adjusted penalties apply only with respect to violations occurring on or after November 2, 2015, the effective date of the 2015 Act.*

APPENDIX

CFTC Customer Protection Fund

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 Whistleblower Office (WBO) and the Office of Customer Education and Outreach (OCEO) to administer the Whistleblower and Customer Education Programs.



FY 2020 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 2020 the WBO exhibited at two industry conferences and trade shows relating to the markets that the CFTC oversees. In addition, members of the WBO presented at three public events attended by members of the global futures, options, and cleared swaps industry; corporate counsel; the whistleblower bar; and potential whistleblowers—with the aims of raising the profile of the program and enhancing those stakeholders' understanding of the program. These numbers are down somewhat from FY 2019 because the COVID-19 pandemic limited many of the usual outreach efforts.

In FY 2020, the Commission granted 16 applications for whistleblower awards, totaling approximately $20 million, to be paid to individuals who voluntarily provided original information or analyses that led to successful enforcement actions. The 11 Final Orders granting those awards include three orders involving multiple whistleblower awardees, two orders granting awards to whistleblowers located outside the United States, and one award based in part on related actions brought by another regulator. Since the inception of the Whistleblower Program, the CFTC has issued 25 orders granting a total of more than $120 million in awards. The Commission actions associated with those awards have resulted in sanctions orders totaling nearly $1 billion.

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 *https://www.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 2020, OCEO focused on CFTC's customer education response to the COVID-19 pandemic; updating fraud prevention content on *https://www.cftc.gov*; adding fraud prevention messages to its social media posts; and working with Federal, international, and private sector partners to improve customer protection education for investors and traders.

Expecting a surge in fraud to follow the economic disruption caused by the COVID-19 pandemic, the OCEO stepped up efforts to identify potential fraud trends and provide timely warnings and other information to the public. Fraud complaints historically increase following significant market downturns. The most recent example was the 2008-2009 Great Recession. As markets declined—and for years afterward—the government experienced a significant influx of fraud cases. From 2008 through 2011, the Federal Bureau of Investigation reported a 52 percent increase in securities and commodities fraud investigations.[17] Similarly, the CFTC saw its enforcement actions grow 155 percent, from 40 actions in 2008 to 102 actions filed in 2012. The markets experienced a similar shock between February and March 2020.[18] Since that time, the CFTC has experienced a significant increase in fraud complaints.

Between March and August 2020, the OCEO published four customer advisories and three articles on its website that focused on COVID-19-related fraud. These warnings and messages were further amplified through press releases, media stories including the Wall Street Journal, and social media posts.

Advisory topics ranged from avoiding gold and silver schemes designed to drain retirement savings[19] to understanding the unique risks associated with commodity-based exchange-traded products,[20] and avoiding fee frauds that are proliferating on social media.[21] These fee frauds have caused a significant increase in enforcement complaints during the period. The fraudsters lurk in social media groups and websites and promise outrageous returns in a matter of days.

[17] *See Federal Bureau of Investigation. Financial Crimes Report to the Public, Fiscal Years 2010-2011. (https://www.fbi.gov/stats-services/publications/financial-crimes-report-2010-2011).*

[18] *Between February and March 2020, the Standard & Poor's 500-stock index shed 34 percent of its value.*

[19] *See https://www.cftc.gov/sites/default/files/2020-08/20200727_Advisory_CARESact_FINAL%20V508%20edit%2008242020.pdf.*

[20] *See https://www.cftc.gov/sites/default/files/2020-05/20200520_CustomerAdvisory_ETPs_FINAL%20V508%20%284%29.pdf.*

[21] *See https://www.cftc.gov/sites/default/files/2020-04/20200330_CustomerAdvisory_CoronaFees_FINAL%20V508_0.pdf.*

When victims show interest, they are asked to contact the fraudsters using encrypted messaging apps and eventually create accounts on fraudulent websites. The victims are asked to make deposits with Bitcoin and are shown growing balances. However, the profits are not real. When the victims try to withdraw their principal or earnings, they are told they must first pay a commission, then a "tax," then a transfer fee. The undisclosed charges continue until the victims stop paying and give up.

In addition to the advisories, OCEO also published web articles that warned about making investment decisions in isolation,[22] how to recover from fraud,[23] and how to spot and avoid so-called recovery schemes[24]—when fraudsters pose as government entities or companies that claim they can recover money lost to fraud.

Following the completion of its reorganization in FY 2019, the OCEO decommissioned the *https://www.smartcheck.gov* website in early FY 2020 and moved much of the site's content to *https://www.cftc.gov*. The Learn & Protect section[25] of *https://www.cftc.gov* was updated with new pages and content types to accommodate the material and tools that were transferred and improved. For example, the primary feature on *https://www.smartcheck.gov* was the ability to check the CFTC registration status of firms and individuals. Similar functionality did not exist on *https://www.cftc.gov*, so the OCEO launched *https://www.cftc.gov/check*, a page that explains why registration is important, explains the relationship between the National Futures Association ("NFA") and the CFTC,[26] and provides a link to NFA's BASIC database.[27] The page also features an expandable Frequently Asked Questions area that includes how to check registrations for other entities, such as broker/dealers, registered investment advisors, and digital asset spot market websites.

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[22] *See https://www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/isolated.html.*

[23] *See https://www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/6Steps.html.*

[24] *See https://www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/RecoveryFrauds.html.*

[25] *See https://www.cftc.gov/LearnAndProtect.*

[26] *NFA is a registered futures association and the industrywide, self-regulatory organization for the U.S. derivatives industry. Registration and examination of intermediaries is conducted on behalf of the CFTC by the NFA under the supervision of the CFTC.*

[27] *BASIC is a free tool that NFA Members and investors can use to research the background of derivatives industry professionals. The database contains CFTC registration information, NFA membership information, regulatory actions and information concerning certain types of customer claims.*

The new https://www.cftc.gov/check page enables customers to check the registration status of firms or individuals, provides context on the importance of registration, and includes frequently asked questions for additional information.

An updated and improved Registration Deficient ("RED") List, another innovation from the *https://www.smartcheck.gov* website, also migrated to *https://www.cftc.gov*.[28] First approved by the Commission in 2015, the RED List was developed to help customers identify unregistered non-U.S. entities that appear to be acting in a capacity which requires registration with the CFTC. Improvements to the tool include:

- Shorter introductory text, which adheres to Federal plain language guidelines and web design best practices.
- Providing each RED List entity with its own page that displays the entity's home page and web address, country of origin, owners and operators of the site if known, the products offered, and date it was added to the RED List.
- Each entity page also includes information about the significance of being on the RED List, why registration is important, and how to report tips about fraud or other suspicious websites that should be reviewed as potential RED List entries.
- Each entity page also includes information that improves its visibility to mainstream search engines, and extends RED List warnings to search result descriptions.

Other educational improvements to the Learn & Protect section include a new Advisories & Articles page[29] that can be easily sorted or searched by topic, an updated Reparations Program page,[30] Videos,[31] and Publications.[32]

In late September 2020, the OCEO also helped produce a dedicated web page for agricultural customers.[33] The page contains checklists and advisories that could help customers select registered brokers or advisors, review monthly or quarterly account statements for errors or inappropriate activity, spot and avoid potential fraud, and better understand commodity pools or commodity-based exchange traded products. The page also features articles on how to find free or low-cost educational opportunities from reputable sources, as well as a collection of educational resource links available from universities, industry, nonprofit organizations, and the federal government.

Since the relaunch, the Learn & Protect section has attracted at least 80,000-page views.[34] Among the most visited pages are the Check Registration page (13,000-page views), RED List (9,000-page views), and Fraud Tips and Complaints (7,200-page views).

As part of the migration of educational material to *https://www.cftc.gov*, the OCEO's social media outreach also transitioned to CFTC pages on Twitter and Facebook. To coincide with the transition, a new social media strategy was launched to satisfy the anti-fraud and educational needs of current social media followers and potential new followers by providing content for investors at all knowledge levels.

[28] *See https://www.cftc.gov/LearnAndProtect/Resources/Check/redlist.htm.*

[29] *See https://www.cftc.gov/LearnAndProtect/article_and_advisory/index.htm.*

[30] *See https://www.cftc.gov/LearnAndProtect/ReparationsProgram/index.htm.*

[31] *See https://www.cftc.gov/LearnAndProtect/videos/index.htm.*

[32] *See https://www.cftc.gov/LearnAndProtect/Publication/index.htm.*

[33] *See https://www.cftc.gov/Agriculture.*

[34] *Web analytics are for the period from April 1 through September 23, 2020.*

The OCEO achieves this by disseminating information as weekly topics that introduce followers to a subject and then provide more in-depth information on the topic throughout the week. The new strategy also includes rotating weekly reminders about several important topics such as checking the background of a financial professional and submitting a tip to the CFTC. The CFTC's Twitter handle has more than 45,000 followers and the CFTC's Facebook page has nearly 30,000 followers.

Direct customer outreach by the OCEO has been limited by pandemic-related restrictions on travel and large gatherings. Nevertheless, the OCEO continues to work with other Federal and international regulators[35] to strengthen investor education. Prior to the pandemic, the OCEO represented the agency at multiple events and presented at CFTC advisory committee meetings. Throughout the period, the OCEO coordinated its efforts and resources with other member agencies of the Financial Literacy and Education Commission, as well as supported the 2020 update to the U.S. National Strategy for Financial Literacy,[36] which encourages agencies to take leadership roles that support and inform the country's financial education infrastructure by:

- Promoting best practices;
- Sharing evidence;
- Creating specific resources, where appropriate; and
- Deploying policy solutions.

With this role in mind, the CFTC began participating in a liaison capacity on the Advisory Council of Futures Fundamentals, an educational website[37] that aims to help build a baseline understanding of the futures industry and engage the next generation of market participants. CME Group developed the website and works with Discovery Education to disseminate information to educators. Partners on the project include the National Futures Association, the Futures Industry Association, the Institute for Financial Markets, and the Intercontinental Exchange. The Advisory Council guides the nonprofit educational website's content and other programming to ensure it fosters understanding of the futures and derivatives markets for learners of all ages. In its role as liaison, the OCEO fosters collaboration by attending Advisory Council meetings and serving as a subject matter expert on the subject of derivatives fraud. CFTC assisted in the development of new content for FuturesFundamentals.org about market regulation, due diligence, and fraud in the markets.

In FY 2021 and beyond, the OCEO looks forward to continuing its efforts to add fraud prevention content to *https://www.cftc.gov*, as well as highlight and share that information with customers on social media and in the press. The OCEO plans to further develop its efforts focused on agricultural customers, and to explore additional programming that focuses on retail speculators, specifically in the areas of digital assets, over-the-counter foreign exchange trading, and precious metals investing. The OCEO expects to engage more with active-duty and reserve military members as well as veterans and retirees who might be targeted by fraudsters. The OCEO further plans to explore engagement with certain institutional investors that may need guidance to help them identify and avoid unregistered entities, fraud, or abusive practices. And, the OCEO will continue to build its relationships with public and private sector financial educators and organizations.

[35] *The OCEO represents the CFTC on the International Organization of Securities Commissions (IOSCO) Committee on Retail Investors (Committee 8).*

[36] *See https://home.treasury.gov/system/files/136/US-National-Strategy-Financial-Literacy-2020.pdf.*

[37] *See https://www.futuresfundamentals.org/.*

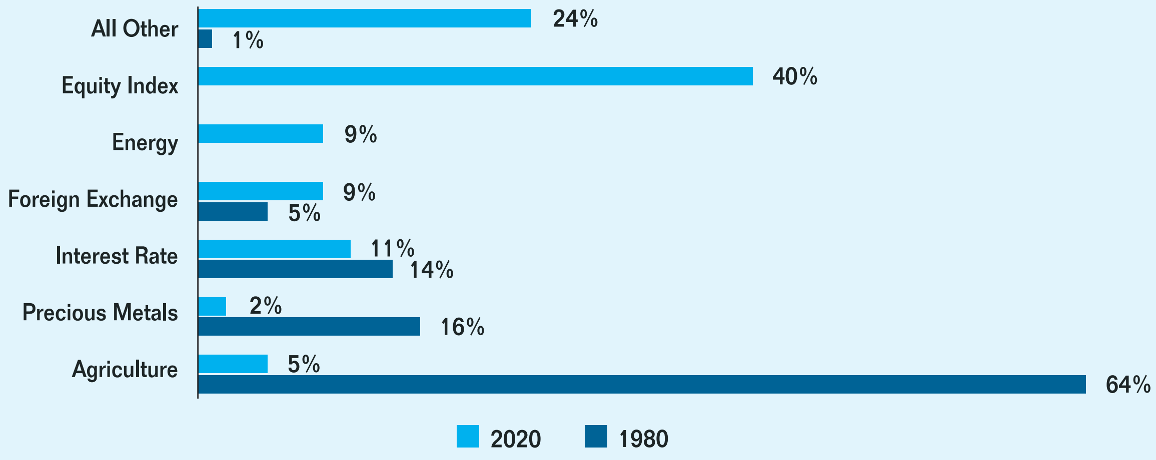
Why Are the Markets Important to Me?

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

Shares of Futures Trading by Sector



Source: Futures Industry Association; 2020 data as of July 20, 2020

Since 1980, the share of on-exchange commodity futures trading activity in the agricultural sector decreased from 64 percent of trading activity to 5 percent in 2020. 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 79 percent in 2020.

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.

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.

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.

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

CFTC Oversight of Regulated Entities

Which Entities Does CFTC Regulate?

Associated Person—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.

Commodity Pool Operator—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.

Commodity Trading Advisor—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.

Derivatives Clearing Organization (DCO)—The term used in the Commodity Exchange Act for an 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. Also called a clearing house, clearing organization, or central counterparty.

Designated Contract Market—A board of trade or exchange designated by the CFTC to trade futures or options under the CEA.

Exempt Derivatives Clearing Organization—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.

Floor Broker—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.

Floor Trader—A person with exchange trading privileges who executes his own trades by being personally present in the pit or ring for futures trading.

Foreign Board of Trade—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.

Futures Commission Merchant—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.

Introducing Broker—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.

Major Swap Participant—A 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.

Retail Foreign Exchange Dealer—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.

Swap Data Repository—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.

Swap Dealer—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.

Swap Execution Facility—A trading facility that operates under the regulatory oversight of the CFTC for the trading and processing of swaps.

Systemically Important DCO—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

- **Designated Contract Market (DCM)**—Exchanges designated to trade futures or options.
  - *Number of DCMs as of 9/2020: 15*
- **Swap Execution Facility (SEF)**—A trading facility that trades and processes swaps.
  - *Number of SEFs as of 9/2020: 19*
- **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.
  - *Number of FBOTs as of 9/2020: 21*

CFTC Role: 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.

CLEARING ENTITIES

- **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.
  - *Number of DCOs as of 9/2020: 15*
- **Exempt DCO**—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.
  - *Number of Exempt DCOs as of 9/2020: 4*
- **Systemically Important DCOs (SIDCO)**—A registered DCO that has been designated by the Financial Stability Oversight Council to be systemically important for which the CFTC is the Supervisory Agency.
  - *Number of SIDCOs as of 9/2020: 2*

CFTC Role: Develops regulations, orders, and guidance regarding DCOs; reviews applications for DCO registration and exemptions from DCO registration; reviews DCO rule changes; conducts examinations to ensure compliance by DCOs with the CEA and CFTC regulations; performs ongoing risk surveillance of DCOs and their clearing members.

DATA REPOSITORIES

- **Swap Data Repository (SDR)**—Any person that collects and maintains information or records with respect to transactions or positions in, or the terms and conditions of, swaps entered into by third parties for the purpose of providing a centralized recordkeeping facility for swaps.
  - *Number of SDRs as of 9/2020: 3*

CFTC Role: Registers SDRs, conducts rule enforcement reviews to ensure compliance with core principles and Commission regulations, reviews filings and application amendments, and receives direct electronic access to swap data.

REGISTERED FUTURES ASSOCIATION

- **National Futures Association (NFA)**—an independent self-regulatory organization for U.S. futures and derivatives markets
  - *Number of Registered Futures Associations as of 9/2020: 1*

CFTC Role: Oversees and examines the NFA and other self-regulatory organizations.

REGISTRANTS: INTERMEDIARIES

- **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.
  - *Number of Futures Commisison Merchants as of 9/2020: 61*
  - *Number of Major Swap Participants as of 9/2020: 0*
  - *Number of Retail Foreign Exchange Dealers as of 9/2020: 4*
  - *Number of Swap Dealers as of 9/2020: 109 (provisionally registered)*
  - *Number of Commodity Pool Operators as of 9/2020: 1,308*
  - *Number of Commodity Trading Advisors as of 9/2020: 1,834*
  - *Number of Associated Persons as of 9/2020: 45,591*
  - *Number of Introducing Brokers as of 9/2020: 1,093*
  - *Number of Floor Brokers as of 9/2020: 2,651*
  - *Number of Floor Traders as of 9/2020: 480*

CFTC Role: 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.

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

Please note that the glossary contained in the report and the CFTC's online glossary are 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

Data Act........... Digital Accountability and Transparency Act of 2014

Dodd-Frank...... Dodd-Frank Wall Street Reform and Consumer Protection Act

FCPIA .... Federal Civil Penalties InflationAdjustment Act

FECA................ Federal Employees' Compensation Act

FIRREA............. Financial Institutions, Reform, Recovery and Enforcement 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

RCA .... The Report Consolidation Act of 2000

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

OLIA ....Office of Legislative and Intergovernmental Affairs

OMWI ....Office of Minority and Women Inclusion

OPA ....Office of Public Affairs

WBO ....Whistleblower Office

U.S. Federal Departments and Agencies

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

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

DOL ................U.S. Department of Labor

ESC .................U.S. Department of Transportation's Enterprise Services Center

FDIC ....Federal Deposit Insurance Corporation

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

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

NIST ....National Institute of Standards and Technology

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

Other Abbreviations and Industry Terms

AP ....Associated Person

CCP ....Central Counterparty

CMEG ....CME Group

CMP ....Civil Monetary Penalties

CPF ....Customer Protection Fund

CPO ....Commodity Pool Operator

CSRS ....Civil Service Retirement System

CTA ....Commodity Trading Advisor

DCM ....Designated Contract Market

DCO ....Derivatives Clearing Organization

DQP ....Data Quality Plan

EMIR ....European Market Infrastructure Regulation

ERM ....Enterprise Risk Management

DSRO ....Designated Self-Regulatory Organization

ENN ....Entity-Netted Notional

EU ....European Union

FASAB ....Federal Accounting Standards Advisory Board

FBOT ....Foreign Board of Trade

FCM ....Futures Commission Merchant

FERS ....Federal Employees Retirement System

FILAC ....Filings and Actions Database

FinTech ....Financial Technology

FSB ....Financial Stability Board

FTE ....Full-time Equivalent

FY ....Fiscal Year

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

GAGAS........Generally Accepted Government Auditing Standards

GFIN............Global Financial Innovation Network

IB.................Introducing Broker

ICE...............Intercontinental Exchange

ICC..............Ice Clear Credit LCC

ICOR...........Internal Controls over Reporting

IOSCO.........International Organization of Securities Commissions

IR.................Interest Rate

IRS...............Interest Rate Swap

ISDA............International Swaps and Derivatives Association

IT..................Information Technology

MOU...........Memorandum of Understanding

MIB.............Market Intelligence Branch

MSP............Major Swap Participant

NFA.............National Futures Association

ORB............Other Retirement Benefits

OTC............Over-the-Counter

PP&E...........Property, Plant and Equipment

RED.............Registration Deficient List

RegTech.......Regulatory Technology

RFED...........Retail Foreign Exchange Dealer

SBR.............Statement of Budgetary Resources

SD................Swap Dealer

SDR.............Swap Data Repository

SEF..............Swap Execution Facility

SFFAS..........Statement of Federal Financial Accounting Standards

SIDCO.........Systemically Important DCO

SPPS...........Special Payment Processing System

SRO.............Self-Regulatory Organization

SSE..............System Safeguards Examination

TCR.............Tip, Complaint, or Referral Form

TMA............Targeted Maturity Assessment

UK................United Kingdom

USSGL.........U.S. Standard General Ledger

WBO APP....Whistleblower Application Form

We Welcome Your Comments

Thank you for your interest in the CFTC's FY 2020 Agency Financial Report. We welcome your comments on how we can make the report more informative for our readers. Please send feedback to *mbullard@cftc.gov* or to:

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This FY 2020 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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Commodity Futures Trading Commission

Association of Government Accountants (AGA)
Awards the

Certificate of Excellence in Accountability Reporting

"In recognition of outstanding efforts in preparing the Commodity Futures Trading Commission Agency Financial Report for the fiscal year ended September 30, 2019"

Best-In-Class Award

"In recognition of the Commodity Futures Trading Commission's description of what the agency does and how it operates"

COMMODITY FUTURES TRADING COMMISSION

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