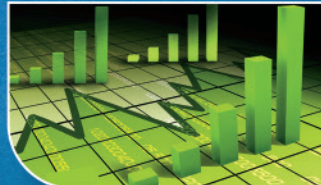
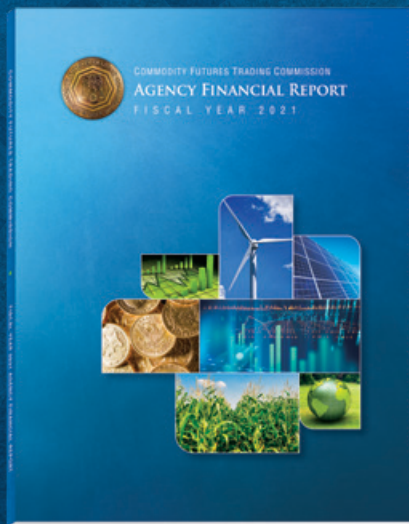




COMMODITY FUTURES TRADING COMMISSION  
**AGENCY FINANCIAL REPORT**  
FISCAL YEAR 2021





## ABOUT THIS REPORT

The 2021 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 15, 2021, and covers the period October 1, 2020 to September 30, 2021.

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

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COMMODITY FUTURES TRADING COMMISSION

# AGENCY FINANCIAL REPORT

FISCAL YEAR 2021



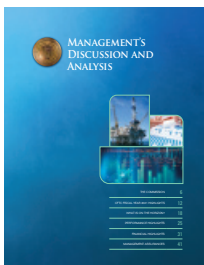
Rostin Behnam  
*Acting Chairman and Chief Executive*  
and  
Anthony C. Thompson  
*Executive Director and Chief Administrative Officer*

November 15, 2021

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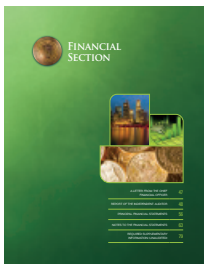


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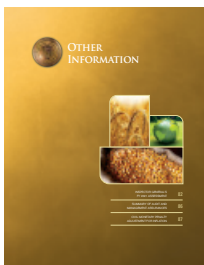
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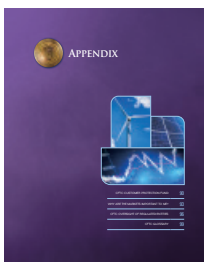
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## **CFTC MISSION**

*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 ACTING CHAIRMAN

I am pleased to present the CFTC's Agency Financial Report for FY 2021. Providing this information to the public provides transparency, builds accountability, and ensures that regulators act responsibly, accept responsibility, and encourage thoughtful dialogue within the markets we oversee, the customers we protect, and the consumers we serve.

While I have only served as the agency's Acting Chairman for a portion of FY 2021, this report provides a year-long snapshot. I appreciate my predecessor Chairman Heath P. Tarbert's commitment to a vision of the CFTC being the global standard for sound derivatives regulation and his leadership in driving core values of commitment, forward-thinking, teamwork, and clarity among our staff.

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

The U.S. derivatives markets are the most vibrant, developed, and influential in the world. The estimated 2021 notional value of U.S. derivative markets is \$22.5 trillion for U.S. futures and \$325 trillion for U.S. swaps. These figures underscore the importance of our mission.

As the U.S. economy strengthens, CFTC-regulated derivatives markets will play a critical role in ensuring complete recovery. America's farmers and ranchers have long relied on derivatives markets to manage risk and discover prices. Manufacturers, energy producers, pension funds, financial institutions, and



countless others rely on derivatives markets to manage domestic and global commodity price, rates, and currency risk. Safe, transparent, liquid, and well-regulated derivatives markets are instrumental to a healthy, vibrant economy, and the CFTC will continue do its part to promote, ensure, and protect market integrity.

### 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.

This past year presented unique challenges and opportunities for the CFTC as it carried out its mission of promoting the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation. Foremost, the CFTC, like all Federal agencies, operated entirely within the ongoing COVID-19 pandemic. CFTC staff continued to fulfill the agency's mission with steadfast dedication, despite adjusted routines to new realities. From a market integrity and resiliency standpoint, the U.S. derivatives markets met

historically unprecedented volume and volatility with the powerful benefits of central clearing, capital and margin requirements, data, and increased transparency. Throughout FY 2021, the implementation of post-2008 financial crisis reforms ensured that CFTC-regulated markets were prepared for the extreme but plausible risk events presented by the consequences of the COVID-19 pandemic.

### FY 2021

This past fiscal year provided numerous opportunities to fine tune our strategic thinking about the growth and innovation in the U.S. derivatives markets and the various ways in which new and emerging risks present themselves. Going forward, the forthcoming CFTC 2022 – 2026 Strategic Plan will address the new and significant impacts on derivatives markets such as the ongoing and long-term direct and indirect impacts of the COVID-19 pandemic and climate change. In addition, the Commission will strategically address the rapidly evolving markets for digital assets, the persistent need to address misconduct in derivatives and underlying cash markets, while continuing to incorporate risk identification, mitigation, and management into everything we do.

While this message cannot provide a full description of the FY 2021 accomplishments of the CFTC and its staff, I would like to highlight a few areas where the CFTC has acted decisively to address challenges and align priorities for the years to come.

#### **Climate-Related Market Risk**

The CFTC recognizes that climate change presents risk, possible sub-systemic shocks, and wide-ranging ripple effects to the U.S. financial system and larger economies. To that end, in March, I formed the CFTC’s Climate Risk Unit to examine the CFTC’s role in the rapidly mobilizing domestic and global efforts toward mitigating the physical and financial impacts of climate change and to support an orderly transition to a net zero economy. To the extent that new products and market developments must accurately, uniformly, transparently, and fairly factor climate-related risks into pricing and related market functions, the Commission is engaging early to ensure coordination within the larger

financial regulatory space—domestically and abroad—and to provide other support.

#### **Digital Assets**

The record-breaking growth and widespread adoption of derivatives involving digital assets continued to present novel issues for CFTC oversight and enforcement, highlighting emerging risks especially to a new cohort of predominantly noninstitutional market participants. The Commission continues to police these emerging markets, whose rapid scaling may create financial stability risks in the future. The Commission is also vigilantly monitoring the rise of retail participation and the exchanges, intermediaries and innovators who are eager to meet demand for products and services in these markets. The CFTC will ensure all participants are appropriately brought into the regulatory fold—whether under the CFTC or another regulator—and are incentivized to prioritize compliance and risk management.



## Diversity

There is growing schism between our ideals and the diversity, equity, inclusion, and accessibility (DEIA) strides being made throughout the derivatives industry, the Commission, and in other facets of the Federal work force. Recognizing this, as we considered our post-pandemic recovery, I committed that the CFTC would establish its first Chief Diversity, Equity, Inclusion (DEI) and Equal Employment Opportunity (EEO) Officer. This individual will advise and guide CFTC leadership and the agency as a whole towards the successful design, implementation, and maintenance of the Commission's first agency-wide DEIA strategy.

## Enforcement

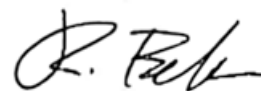
The CFTC's enforcement program continued to leverage its expertise in detecting and deterring misconduct by consistently being tough on those who break the rules. In FY 2021, the CFTC filed 55 actions, obtaining orders imposing approximately \$1 billion in total monetary relief. Of these enforcement actions, more than 20 involved digital asset-related allegations. Cooperation and coordination with criminal authorities and other regulatory partners strengthened the program's effectiveness. Additionally, despite the pandemic, the Whistleblower Office continued to process high volumes of tips, complaints, and referrals, totaling 961 during FY 2021.

## Agency Financials

The Financial Section in this report includes the results of the independent audit of our FY 2021 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 ongoing challenges posed by the COVID-19 pandemic, we continued to raise the bar in advancing our historically thoughtful and innovative approach in formulating rules, policies, and guidance that benefit our markets and the people they serve. We remain firm and diligent in our enforcement and customer protection efforts. I thank CFTC staff and my fellow Commissioners for their hard work and dedication to our mission and to the American public.



Rostin Behnam

Acting *Chairman*

*November 15, 2021*





# MANAGEMENT'S DISCUSSION AND ANALYSIS



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# 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 99).



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.



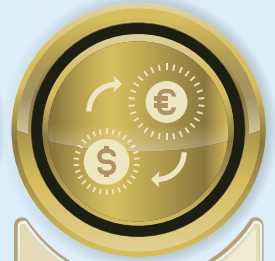
These markets have existed since the 1860s, beginning with agricultural commodities such as wheat, corn, and cotton.



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:

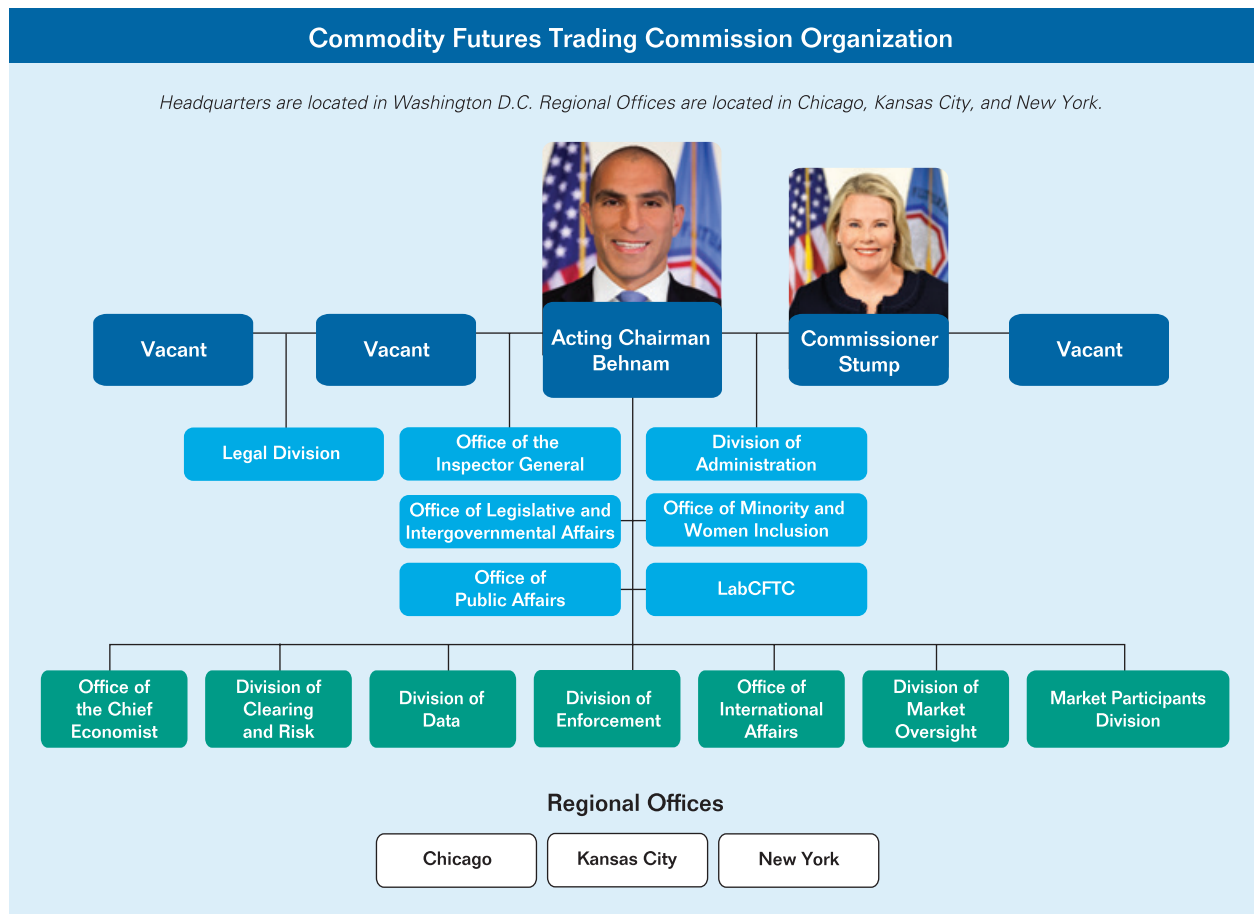
<https://www.cftc.gov/About/AboutTheCommission>

## 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 *Why Are the Markets Important to Me* on page 93 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, and 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 2021, 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 2021, the four programmatic divisions were the Division of Clearing and Risk (DCR), Division of Enforcement (DOE), Division of Market Oversight (DMO), and the Market Participants Division (MPD). The programmatic divisions are supported by a number of divisions and offices, including the Office of the Chief Economist (OCE), Division of Administration (DA), Legal Division (LD), and the 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 2021 follows.<sup>1</sup> In November of 2020, the Commission underwent a reorganization as described on pages 10-11 in the FY 2020 AFR.

<sup>1</sup> More information on the CFTC’s responsibilities, divisions, and offices can be found at <https://www.cftc.gov/About/CFTCOrganization/index.htm>



### OFFICES OF THE CHAIRMAN AND THE COMMISSIONERS

The Office of the Chairman consists of the CFTC’s Chairman and Chief Executive and their dedicated staff. Led by the Chairman, these officials direct the day-to-day management of the agency, coordinate Commission business, and shape the CFTC’s regulatory and enforcement agenda.

### DIVISION OF CLEARING AND RISK

The DCR oversees derivatives clearing organizations (DCOs) and other market participants in the clearing process. These include futures commission merchants, swap dealers, major swap participants, and large traders.

### DIVISION OF ENFORCEMENT

The DOE investigates and prosecutes alleged violations of the CEA and Commission regulations. Potential violations include fraud, manipulation, and other abuses concerning commodity derivatives and swaps that harm market integrity, market participants, and the general public. Within DOE is the Whistleblower Office, which administers the CFTC’s whistleblower program.

### DIVISION OF MARKET OVERSIGHT

The DMO fosters open, transparent, fair, competitive, and secure markets through oversight of derivatives platforms and swap data repositories. The DMO reviews new applications for designated contract markets, swap execution facilities, and foreign boards of trade and examines existing trading platforms and swap data repositories to ensure their compliance with the applicable core principles and other regulatory requirements, including system safeguards.

### MARKET PARTICIPANTS DIVISION

The MPD primarily oversees derivatives market intermediaries, including commodity pool operators, commodity trading advisors, futures commission merchants, introducing brokers, retail foreign exchange dealers, swap dealers, and major swap participants, as well as designated self-regulatory organizations. The MPD also houses the Office of Customer Education and Outreach (OCEO), which was established following passage of the Dodd-Frank Act to help customers protect themselves from fraud or violations of the CEA through the research and development of effective financial education materials and initiatives.

## DIVISION OF DATA

The Division of Data (DOD) is responsible for the Commission's enterprise data strategy and data governance approaches. DOD creates data architecture and centers of excellence for analytics, visualization, and storage of data. In addition, DOD supports the Commission's strategic objectives with respect to data and analytics through collaboration with other Divisions and Offices, including ingest of data from registered entities pursuant to the CEA and Commission regulations, as well as integration of that data with other data sources.

## LEGAL DIVISION

The LD provides legal services and support to the Commission and all of its programs. These services include: representing the Commission in appellate, bankruptcy, and other litigation; assisting in the performance of adjudicatory functions; providing legal advice and support for Commission programs; drafting and assisting in preparation of Commission regulations; interpreting the CEA; advising on legislative, regulatory, and operational issues; and reviewing the Commission's policymaking and enforcement actions. The LD also houses the Freedom of Information Act (FOIA), Ethics, Secretariat, Privacy, Records, Library, and E-discovery programs of the Commission.

## DIVISION OF ADMINISTRATION

The DA directs the internal management of the Commission's business, personnel, financial, technological, security, and strategic operational resources. The Division's role is to effectively and efficiently ensure the fulfillment of the Commission's mission through continued success in continuity of operations, while providing the required resources for regulating the derivatives markets.

## OFFICE OF THE CHIEF ECONOMIST

The OCE provides economic support and advice to the Commission, conducts research on policy issues facing the Commission, and educates and trains Commission staff. OCE plays an integral role in the implementation of new financial market regulations by providing economic expertise and cost-benefit considerations underlying those regulations.

## OFFICE OF INTERNATIONAL AFFAIRS

The OIA advises the Commission regarding international regulatory issues and initiatives; represents the Commission in international fora such as the International Organization of Securities Commissions, OTC Derivatives Working Group, and OTC Derivatives Regulators Group; coordinates Commission policy as it relates to policies and initiatives of major foreign jurisdictions, such as the G20, Financial Stability Board, and U.S. Treasury Department; negotiates cooperative arrangements; and provides technical assistance to foreign market authorities, including advice, training, and an annual meeting and symposium.

## LabCFTC

LabCFTC is the focal point for the CFTC's efforts to promote responsible fintech innovation and fair competition for the benefit of the American public. LabCFTC is designed to make the CFTC more accessible to fintech innovators, serves as an information source for the Commission and the CFTC staff on responsible innovation that may influence policy development, and educates stakeholders on financial technology and innovation in the financial markets.

## OFFICE OF LEGISLATIVE AND INTERGOVERNMENTAL AFFAIRS

The OLIA provides support on matters before the U.S. Congress and serves as the Commission's official liaison with Members of Congress, federal agencies, and the Administration. In this role, 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

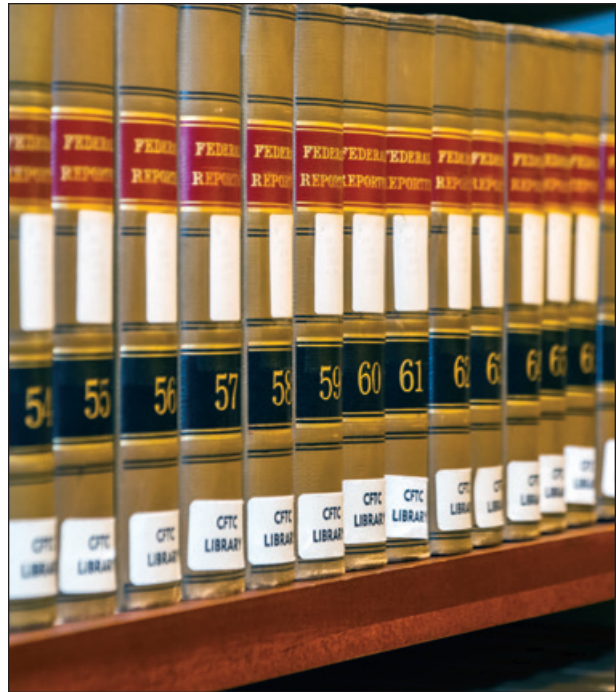
The OMWI leads the CFTC's civil rights, equal employment opportunity, and diversity and inclusion programs, including supporting the Commission's six affinity groups.

## OFFICE OF PUBLIC AFFAIRS

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

## OFFICE OF THE INSPECTOR GENERAL

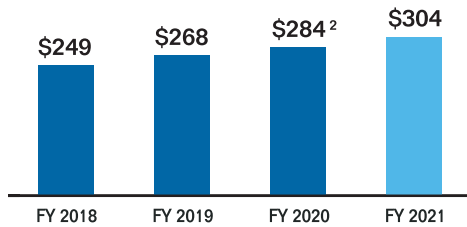
The OIG is an independent organizational unit of the CFTC. Its mission is to detect waste, fraud, and abuse and to promote integrity, economy, efficiency, and effectiveness in the CFTC's programs and operations. As such it has the ability to review all of the Commission's programs, activities, and records. In accordance with the Inspector General Act of 1978, the OIG issues semiannual reports detailing its activities, findings, and recommendations.



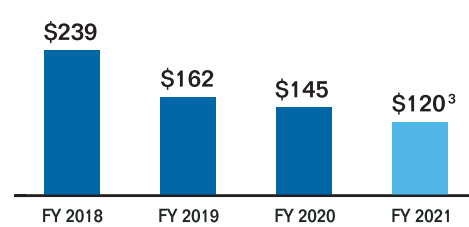
## CFTC STAFFING AND FUNDING RESOURCES

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).

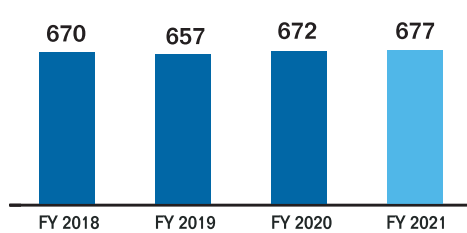
**Salaries and Expenses Appropriations by Fiscal Year**  
(\$ in millions)



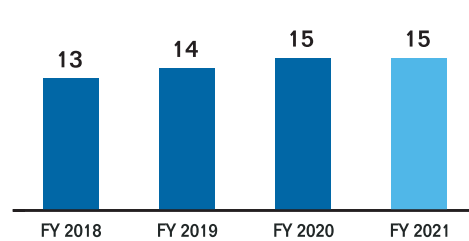
**Customer Protection Fund Budgetary Resources by Fiscal Year**  
(\$ in millions)



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



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



## 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 96-98.

<sup>2</sup> 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.

<sup>3</sup> Passed in July 2021, Public Law 117-25 provided the CFTC with one-time authority to set aside \$10 million from the primary CPF Fund into a separate, multi-year account to fund non-whistleblower costs (e.g., payroll, contracts, etc.) whenever the unobligated balance of the Fund is insufficient. The Commission used existing budgetary resources to establish the \$10 million account in September 2021 and these resources will be available until October 1, 2022, at which time all unobligated amounts will be returned to the primary Fund. Because the CPF was not deficient during FY 2021, no charges were billed to this account.



# CFTC FISCAL YEAR 2021 HIGHLIGHTS

## Issued 16 Final Rulemakings, including:

- Adopted Part 4 final rule: *Amendments to Compliance Requirements for Commodity Pool Operators on Form CPO-PQR.*
- Adopted Part 23 final rule: *Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants (Phase VI compliance date extension).*
- Adopted Part 3 final rule: *Exemption from Registration for Certain Foreign Intermediaries.*
- Adopted Parts 1, 15, 17, 19, 40, 140, 150, 151 final rule: *Position Limits for Derivatives.*
- Adopted Part 41 final rule: *Customer Margin Rules Relating to Security Futures.*
- Adopted Part 50 final rule: *Swap Clearing Requirement Exemptions.*
- Adopted Parts 36 and 37 final rule: *Swap Execution Facility Requirements.*
- Adopted Parts 39 and 140 final rule: *Exemption from Derivatives Clearing Organization Registration.*
- Adopted Part 23 final rule: *Portfolio Reconciliation Requirements for Swap Dealers and Major Swap Participants – Revision of “Material Terms” Definition.*





- Adopted Part 23 final rule: *Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants* (minimum transfer amount).
- Adopted Part 23 final rule: *Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants* (material swap exposure definition and initial margin calculation).
- Adopted Part 37 final rule: *Swap Execution Facilities* (audit trail, financial resources, and chief compliance officer requirements).
- Adopted Part 36 final rule: *Exemptions from Swap Trade Execution Requirement*.
- Adopted Part 38 final rule: *Electronic Trading Risk Principles*.
- Adopted Part 190 final rule: *Bankruptcy Regulations*.
- Adopted Part 143 final rule: *Annual Adjustment of Civil Monetary Penalties to Reflect Inflation-2021*.

### Improvements to Commission Data and Analytic Capacity

- Added 12 statement types, received from reporting firms and mostly related to swaps data, into the Commission's Regulatory Statement Review (RSR) Express system.
- Updated legacy applications to address identified vulnerabilities. These applications support the CFTC's market and financial systems to mitigate the potential vulnerabilities identified through routine security scans.
- Created an Interest Rate Swaps (IRS) stress test program. This new program creates and runs stress tests using IRS portfolios to determine their reactions to the worst case but plausible scenarios.
- Developed CFTC Portal dashboard providing transparency to reporting firms so they can track and improve their performance for: Part 17 Large Trader Submission Timeliness and Quality and Forms 102A and 40 Submission Timeliness.

### Registrant and Intermediary Oversight

- Issued 17 staff letters. CFTC staff letters are written guidance concerning the CEA and CFTC regulations, principally in the form of responses to requests for exemptive, no-action, and interpretative letters. FY 2021 CFTC staff letters include:
  - Four letters providing market certainty following Brexit completion; three letters granting temporary, targeted, relief in response to the COVID-19 pandemic (COVID-19); three letters assisting swap dealers coming into capital requirements compliance; approval of the National Futures Association's (NFA) swap dealer capital model requirements and review program; relief to assist the transition to the Secured Overnight Financing Rate (SOFR); and an advisory to Futures commission merchants (FCMs) regarding holding virtual currency assets as customer funds.
- The CFTC's Major Review team conducts supervisory reviews of NFA and the Chicago Mercantile Exchange (CME) carrying out their responsibilities as self-regulatory organizations (SROs). In FY 2021 the team conducted seven SRO reviews.

### Addressing Systemic Risk in the Clearing Process

- Conducted examinations for two DCOs identified as systemically important to the U.S. financial system and six other DCOs. The systemically important DCO examinations covered systems safeguards and cyber resilience; counterparty risk management compliance; and corporate governance compliance.
- Published an Interim Report on activity in the cleared derivatives markets during the early months of COVID-19—March and April of 2020—assessing the impact of the COVID-19 shock on the clearing system.
- Improved the quality and detail of risk and margin information regulated entities provide to the CFTC by updating the Guidebook for Central Counterparty (CCP) Data Reporting.



- Led two multi-regulator, multi-CCP default drills to test the ability of CCPs around the world to effectively and safely manage the default of a large clearing institution.
- Co-chaired an international working group’s analysis on the role of margin practices in centrally and non-centrally cleared markets and market participants’ preparedness for the calls faced during this period.
- Completed a detailed review of electricity derivatives markets after a period of significant price volatility related to extreme Texas winter weather.
- Completed risk review of CME’s new SPAN2 margin model, collaborating with Federal Reserve staff.

### International Collaboration and Coordination

- Coordinated closely with foreign and domestic regulators, including bilaterally and through forums like the Financial Stability Oversight Council (FSOC), Financial Stability Board (FSB), and the International Organization of Securities Commissions (IOSCO).
- Coordinated with US and foreign regulatory authorities on DCOs and related issues, including preserving the

CFTC’s primary jurisdiction in implementing the European Union’s European Market Infrastructure Regulation 2.2 framework; executed MOU with European Securities and Markets Authority promoting enhanced supervisory cooperation.

- Co-chaired the IOSCO Financial Stability Engagement Group to coordinate between IOSCO and the FSB, integrating market and macroprudential regulator perspectives in the systemic policy development for nonbank financial intermediation.
- Co-chaired the joint group among IOSCO, the Committee on Payments and Market Infrastructures, and the Basel Committee on Banking Supervision analyzing margin dynamics during the peak of COVID-19; published consultation report.

### Improving Market Oversight

- Briefed and supported two administrations and Congress, and coordinated with FSOC, the Financial and Banking Information Infrastructure Committee, IOSCO, and other regulators, in the face of emerging risks and unprecedented market volatility.

- Addressed novel designation and trading issues across traditional and emerging markets. Registered two designated contract markets, one swap execution facility, and two foreign boards of trade with the Commission.
- Reviewed 672 rule certifications from Commission-registered exchanges; many raising novel and complex issues. Provided oversight to two exchanges who transferred their Commission registrations due to corporate events.
- Completed five rule enforcement reviews of registered exchanges. Completed the first broad market review of swap execution facilities since registration.
- Extended certain no-action relief to DCMs and their market participants related to trading personnel being displaced from their normal business sites due to COVID-19.
- Published an interim public report regarding the circumstances leading up to, on, and around April 20, 2020, for the West Texas Intermediate Light Sweet Crude Oil futures contract that traded at a negative price on the New York Mercantile Exchange.
- Provided regulatory certainty to UK entities and maintained 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 do.
- Issued no-action relief to facilitate a smooth transition from the London Inter-Bank Offered Rate, or LIBOR, to alternative reference rates, including no-action relief for DCO auctions that transitioned certain cleared swaps from discounting using the Effective Federal Funds Rate to the SOFR.
- Implemented recently adopted CFTC regulations, including the prohibition of post-trade name give-up and certain position limit requirements. The Commission released a workbook providing market participants guidance on which exchange-traded futures contracts would be subject to.

## Economic Research

- Published 11 new or revised research working papers on derivatives market activity and three peer reviewed journal articles on derivatives markets.

## Effective Enforcement

- Filed 55 enforcement actions. These actions included:
  - A multiple-case sweep charging several bad actors who took advantage of the trading public by acting as unregistered FCMs. Although not registered FCMs, these bad actors encouraged customers to transfer money or assets to them in exchange for the opportunity to purchase binary options based on the value of commodities like foreign currency and cryptocurrencies, including Bitcoin.
  - Over 20 enforcement actions that included digital asset-related allegations of misconduct. The Commission filed numerous cases charging retail fraud and cases charging platforms with illegally offering off-exchange trading. The Commission also filed an action against a digital asset exchange operator for false, misleading, or inaccurate reporting as well as wash trading on its electronic platform.
  - The Commission, in parallel with the Department of Justice's Fraud Section and the United States Attorney's Office for the Eastern District of New York, found that an energy and commodities trading firm engaged in manipulative and deceptive conduct. This conduct involved physical and derivatives trading in the U.S. and global oil markets, including attempted manipulation of physical oil benchmarks.
  - Cases against traders attempting to manipulate energy benchmark prices, including charges against a trader who manipulated and attempted to manipulate a physical fuel oil products benchmark, in part while employed by the U.S. affiliate of a multinational commodity trading company.



- Charges brought against a global investment bank swaps trader for engaging in a scheme to deceive and to manipulate the price of a U.S. dollar interest rate swap between a bond issuer and the bank.
- Cases brought against swap dealers who failed in their reporting obligations and, in one instance, for violating business conduct standards.
- Failure to supervise charges against registrants, including an enforcement action against an FCM where customers suffered trading losses due to its failure to diligently supervise customer account handling.
- The Commission obtained orders imposing approximately \$1 billion in total monetary relief; achieved litigation victories, including affirmation of the CFTC’s jurisdiction over retail transactions in physical commodities<sup>4</sup> (see Press Releases 8410-21; 8192-20); and continued emphasizing coordination and parallel actions with criminal authorities and other regulatory partners domestically and internationally.

### Commission Meetings

- Planned, carried out, and comprehensively supported a total of seven Commission meetings (five open and two closed) during FY 2021; all of which were conducted virtually. Among these meetings was an open meeting held jointly with the SEC—a first-ever combined meeting of the two commissions—to vote on rulemaking matters.

### Privacy Protection

- Received an award for excellence from the Federal Privacy Council, recognizing CFTC’s extraordinary work in the area of privacy training and awareness; given in recognition of initiatives improving the Commission’s ability to protect individual privacy. These include: CFTC-specific annual privacy training; the Commission’s “Privacy Please” privacy awareness campaign; and the weekly distribution of privacy-related issues making headlines.

<sup>4</sup> “U.S. Court of Appeals Rules in Favor of CFTC in Fraud Case Against Monex Deposit Company and its Principals” (CFTC Press Release 8410-21: July 21, 2021); and “Supreme Court Denies Defendants’ Challenge to CFTC’s Enforcement Authority” (CFTC Press Release 8192-20: June 30, 2020).

### Improving Operational and IT Effectiveness

- Delivered the completed relocation from the legacy lease site to a new location for the Kansas City Regional Office on time and under budget.
- Successful transition from paper-based to digital contract records—all contracts awarded in FY 2021 and after use an e-file system.
- Implemented ongoing contingency plan testing for Federal Information Security Modernization Act systems. Finalized policies and procedures enhancing the CFTC's cybersecurity posture and compliance with federal regulations. In FY 2021, CFTC: triaged 9,492 alerts, created 379 investigations, created 316 incidents, and processed 2,622 phishing events.
- Developed Enterprise Risk Committee structure and process to better ensure executive level accountability for identifying, managing, and monitoring the CFTC's top risks.
- Established a more transparent, objective, and consistent risk escalation and prioritization by developing top risk criteria and a quantitative risk scoring methodology to appropriately identify, differentiate, and escalate risks.
- Initiated multiple enhancements to IT services, including biometric authentication for mobile email, video and audio collaborating tools, such as migrating to Microsoft Teams.
- Successfully planned and initiated the multi-year plan to migrate CFTC's data centers to the Cloud. Accomplishments include a migration strategy for over 500 servers, 18 of which have already migrated.
- Improved corporate-wide leadership development with 12 new courses on leadership, supervisory training, employee evaluation, and prohibited personnel practices.

### Customer Protection Fund

- For Whistleblower Office and Customer Education and Outreach highlights, please see pages 90-92.

### Addressing Diversity and Inclusion

- Developed and managed an agency-wide mandatory Unconscious Bias Diversity training: *Understanding and Addressing Unconscious Bias*. Supervisors were also required to attend a *Building Inclusive Teams* training.
- Organized and managed agency-wide listening sessions with all of the CFTC affinity groups to collect customer feedback. The sessions gave each affinity group an opportunity to openly discuss issues impacting each individual group or class.
- Oversaw and provided support for eight Special Emphasis Programs within the Commission. Programs raised awareness of and honored groups and individuals during Black History Month, Women History Month, Asian American Pacific Islander Heritage Month, LGBT Pride Month, Hispanic Heritage Month, National Disability Employment Awareness Month, and Native American Heritage Month, and highlighted the role and contributions of veterans.

### Innovation and Fintech

- Participated in approximately 30 virtual meetings with financial technology innovators as part of LabCFTC's Office Hours program, a public invitation to engage staff about the latest fintech innovations and to learn about the CFTC's statues, authorities and compliance requirements for fintech innovators. LabCFTC has now conducted over 500 meetings with fintech innovators.
- Conducted dozens of internal education seminars for staff and Commissioners about technology, market, and policy developments related to digital assets and decentralized financial technology.
- Published a Digital Assets Primer as part of an ongoing series of primers designed to educate policymakers and the industry stakeholders about new technologies and how they may implicate CFTC jurisdiction.



## 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 by ensuring that the derivatives markets are responsive to emerging risks, technologies, trends, and issues through supporting legislation, promulgating rules, issuing guidance, and establishing policies that promote innovation while protecting market participants and users, as well as the economy at large. The Commission holds itself accountable for working with market participants domestically and abroad to ensure the U.S. derivatives markets are efficient, competitive, and free from fraud, manipulation, and other disruptive or abusive practices.*

The Commission's work furthers strategic goals outlined in the CFTC 2020 – 2024 Strategic Plan.<sup>5</sup> These goals support the CFTC's mission by focusing talent and resources towards improving the strength, integrity and resiliency of the U.S. derivatives markets to the benefit of all Americans while encouraging growth and innovation domestically and abroad. The goals also prioritize ensuring compliance with the CEA and Commission regulations through clear, equitable, and transparent rules and guidance, targeted surveillance, and operating an enforcement program that roots out fraud, manipulation, and market abuse, and sends a strong, clear message to bad actors that misconduct will not be tolerated. Focusing on our unique mission and proficiency, the CFTC

continuously improves upon its collection, use, analysis, and protection of data and seeks to maximize performance and efficiency through promoting a workforce comprised of the best and brightest and regularly cooperating and collaborating with fellow regulators, self-regulatory organizations, trade groups, and other stakeholders.

Broadly, in the face of ever-evolving changes to its markets resulting from, among other things, technological innovations and external events like the COVID-19 pandemic, the CFTC will continue to ensure the U.S. derivatives markets remain sound through strong oversight of the registrants, products, and market participants within the CFTC's jurisdiction and commitment to remaining nimble and vigilant in identifying and addressing risks and uncertainties that may undermine its abilities to achieve its mission and long term goals.

### The Cornerstone of Registration

The CFTC registers and oversees different types of entities that are the foundation of the U.S. derivatives markets. Among others, these entities range from central counterparties (CCPs) and exchanges to the intermediaries through which market participants access the markets. The CFTC will continue to strengthen the resilience and integrity of the derivatives markets while fostering their vibrancy in both broad and more-targeted ways.

<sup>5</sup> The strategic goals are: (1) strengthen the resilience and integrity of our derivatives markets while fostering their vibrancy; (2) regulate our derivatives markets to promote the interests of all Americans; (3) encourage innovation and enhance the regulatory experience for market participants at home and abroad; (4) be tough on those who break the rules; and (5) focus on our unique mission and improve our operational effectiveness. The forthcoming CFTC 2022 – 2026 Strategic Plan to be published in February 2022 is anticipated to build upon these goals by incorporating additional objectives aimed at addressing the new and significant impacts on the derivatives the markets such as the ongoing and long-term direct and indirect impacts of the COVID-19 pandemic and climate change, the rapidly evolving markets for digital assets, and persistent need to address risk at all levels from internal to systemic.



For instance, the CFTC focuses on promoting the strength and resilience of Commission-registered CCPs (known as derivatives clearing organizations or “DCOs”) through regular examinations, stress testing, capital requirements, financial reporting obligations, and ongoing risk monitoring. CCPs provide crucial risk management services and reduce counterparty risk. Increased internal CFTC capabilities will provide for sounder derivatives regulation. A failure or disruption to the functioning of a CCP could create or increase the risk of liquidity or credit problems that could be spread at a systemic level to other financial institutions. As a priority initiative, the CFTC plans to enhance its capabilities to ingest CCP data to expand risk analytics and monitoring for back testing or identifying risks to CCPs in various market conditions, such as those observed during the COVID-19 pandemic and in response to extreme weather events and incidences related to operational risks.

Also essential to the stability of the derivatives markets are financial requirements for registered market participants. With the recent adoption of capital requirements for swap dealers, the Commission has completed all major rulemakings under the Dodd-Frank Act. These new capital requirements buttress the already robust capital requirements that the agency maintains with respect to other intermediaries in the derivatives marketplace. These requirements will give further transparency into the swap markets by ensuring that registered swap dealers not only hold required capital amounts within their firms, providing the necessary back-stop to support their dealing activities with existing counterparties, but also provide the Commission and the public important

financial information. As a priority initiative, the Commission is now focused on working with swap dealers and the NFA to ensure these financial requirements are implemented in a way that supports the continued efficient and stable functioning of the derivatives markets.

### Strength in Collaboration

Close collaboration with foreign and domestic regulators helps ensure CFTC initiatives are both consistent with global efforts in certain areas and in service of broader U.S. interests when necessary. For instance, such cooperation advances effective margin and capital requirements for CCPs. The CFTC also participates in and sometimes leads standard setting bodies to help advance international standards that are strong, effective, practicable, proportionate, and efficient. These standard setting bodies include IOSCO, IOSCO’s joint forum with the Committee on Payments and Market Infrastructures (CPMI), and the FSB.

Currently, the CFTC co-leads, together with the Bank of England, a joint project among IOSCO, CPMI, and the Basel Committee on Banking Supervision analyzing margin dynamics during the peak market volatility during the COVID-19 pandemic (March-April 2020). In addition, the CFTC co-chairs IOSCO’s Financial Stability Engagement Group, which has made strides to enhance collaboration between macroprudential and market regulators on international financial regulatory policy for areas including funds, derivatives, and corporate bond markets. As a priority initiative, the CFTC will continue to partner with international counterparts to identify and address the potential impacts of developments associated with emerging issues such as the ongoing impact of the COVID-19 pandemic.

The CFTC’s Advisory Committees provide input and make recommendations to the Commission on a variety of regulatory and market issues that affect the integrity and competitiveness of U.S. derivatives markets. The committees facilitate communication between the Commission and U.S. derivatives markets, trading firms, market participants, and end users, and currently include: Agricultural Advisory Committee (AAC); Energy and Environmental Markets Advisory Committee; Global Markets Advisory Committee; Market Risk Advisory Committee (MRAC); and Technology Advisory Committee. This year, one of these committees,

the MRAC, supported the ongoing transition away from the US Dollar Interbank Offered Rate (USD LIBOR). In preparation for this transition, the MRAC established the Interest Rate Benchmark Reform Subcommittee (Subcommittee) to provide reports and recommendations regarding efforts to transition USD derivatives and related contracts to the Secured Overnight Financing Rate (SOFR). The MRAC recently voted to adopt, for full Commission consideration, the Subcommittee's recommendation of SOFR First, a market best practice designed to help market participants decrease reliance on USD LIBOR.

### Cultivating Historical Roots and Branching Out

CFTC ensures that derivatives markets work in the best interest of all Americans, supporting a market-based system for price discovery and risk management. The U.S. derivatives markets continue to 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 other market risks. The U.S. derivatives markets are also always rapidly evolving, whether driven by technological innovations or in response to emerging areas of regulatory awareness like environmental, social, and governance issues. The CFTC will continue to regulate the derivatives markets to promote the interests of all Americans by understanding and addressing issues that currently impact the markets and emerging issues that may impact the markets in the near future.

The Commission's origins in the agricultural markets are manifest in a strong and longstanding commitment to the agricultural community and its stakeholders to ensure the integrity of agricultural derivatives markets, and to understand and address issues that have the potential to negatively impact these markets. Agricultural derivative products' hedging utility is especially critical as America's farmers and ranchers face adverse impacts in their daily operations due to the uncertainty caused by the global pandemic.

The April 2020 creation of the CFTC's Livestock Task Force, and its monitoring of livestock supply chain disruptions during the COVID-19 pandemic, demonstrated the Commission's responsiveness to commodity supply chain disruptions in real time. Knowledge of agricultural markets' supply chain instability will continue to benefit from inter-agency collabo-

ration, such as the CFTC's liaison to the U.S. Department of Agriculture. The Commission will continue to partner with relevant parties to monitor and address the impact global and regional events and circumstances have on the many different aspects of the agricultural community and its stakeholders.

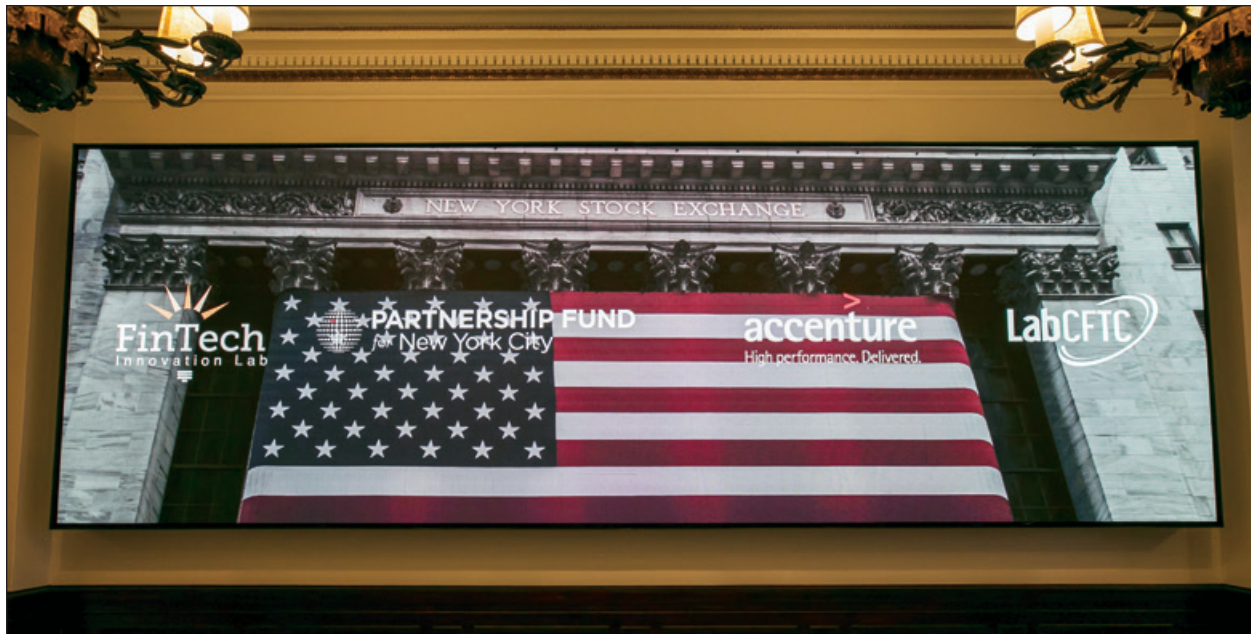
Additionally, the Commission's AAC advises the Commission on issues involving the trading of agricultural commodity futures and options and facilitate communications between the CFTC, the agricultural community, and agriculture-related organizations. The 31-member Committee with representatives from agricultural producer and end-user groups, the USDA and state-level departments of agriculture, will continue to advise CFTC on issues such as setting rigorous standards for commodity trading advisors and brokers, the globalization of agricultural derivatives markets, and applying lessons learned from the height of the pandemic, such as the need for agility in risk management practices.

While the CFTC has a long history of commitment to constituents like the agricultural community, the CFTC works to remain ahead of new issues that could both impact constituents with which the CFTC has a strong history as well as bring new entrants to the derivatives markets. The CFTC anticipates, identifies, and tracks new and emerging issues in the derivatives markets. The commission analyzes a wide range of derivatives market data to understand current and emerging market dynamics, developments, and trends, including changes in market liquidity, the growth of U.S. and international virtual currency markets, and the sudden impact of weather events and commodity supply chain issues. The CFTC leverages this information to inform policy and decision-making as the Commission regulates the derivatives markets to promote the interests of all Americans. For example, the CFTC's newly created Climate Risk Unit (CRU) is a priority initiative that supports the agency's mission by focusing on the role of derivatives in understanding, pricing, and addressing climate-related risk and transitioning to a low-carbon economy.

### Protecting and Empowering Customers

The Commission works to ensure that regulated persons provide retail persons the information they need to make educated decisions regarding their use of derivatives. For example, The CFTC, in conjunction with the NFA and





other self-regulatory organizations, devotes significant attention to overseeing the preparation and dissemination of detailed disclosure documents and financial reporting regarding investments in commodity pools. Equal effort is given to similar communications by commodity trading advisors regarding offered trading programs and registered foreign exchange dealers and futures commission merchants regarding FX and futures accounts, respectively. Going forward, the CFTC will continue its ongoing assessments of compliance with the CEA and the Commission's regulations and actively engage with market participants as emerging products and practices impacting the derivatives markets come to light; all to promote continued confidence in the derivatives markets.

Additionally, the OCEO will continue to play an important role in helping customers fight against fraud and other violations of the CEA. Employing sophisticated multimedia strategies, OCEO approaches customers where they are to educate them about derivatives markets and their associated risks. Proactively engaging customers through a combination of social and traditional media enhances our impact by delivering information directly into their newsfeeds instead of relying on customers seeking this information. The OCEO also uses interactive programming to educate customers through two-way discussions of risk management and fraud prevention.

### Encouraging Responsible Innovation

CFTC will continue to encourage innovation and enhance the regulatory experience for market participants at home and abroad. Technological innovation is drastically changing financial markets, including the derivatives markets the CFTC regulates. The growing adoption of derivatives involving digital assets and the use of distributed ledgers and other technologies present novel issues for applying and enforcing the CFTC's regulations. As a priority initiative, working with our domestic and foreign counterparts, the CFTC must develop a holistic framework for these complex markets to encourage innovation and enhance the regulatory experience for market participants.

LabCFTC is the agency's office of financial innovation and provides a channel to inform the Commission's understanding of emerging technologies. It 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 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).

One emerging issue 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. Another emerging issue is the rise of decentralized finance, often called DeFi. Decentralized finance is characterized by the use of computer programming in peer-to-peer issuance, exchange, and settlement of derivatives contracts, as compared to the historical intermediation by entities overseen by the CFTC.

As a priority initiative, the CFTC is leveraging its extensive experience in fostering innovation and fair competition to develop a regulatory framework for derivatives related to cryptocurrency and DeFi aimed at protecting participants from abusive trade practices and fraud, deterring market manipulation, avoiding systemic risk, and ensuring market integrity. The Commission is also addressing the significant impact of emerging prediction markets. In doing so, we must strike the balance between supporting innovation while

protecting market participants. This involves designating exchanges, reviewing innovative products, and examining exchanges to ensure compliance.

The Commission will continue to assess derivatives involving digital assets and related technologies. Their promise of innovation is accompanied by the unique risks they pose. The Commission must balance these considerations to maintain the vibrance and integrity of derivatives markets. The CFTC will continue to evaluate the need for rulemaking or other actions to ensure that innovations enhance rather than detract from sound operation of derivatives markets and will continue to engage and work diligently with its fellow financial regulators towards workable solutions.

### Effective Enforcement

The CFTC remains vigilant against those who violate the CEA or CFTC regulations. The CFTC's strong enforcement program emphasizes being tough on those who break the rules, but also being fair and consistent. A tough enforcement program is vital to maintaining public confidence in financial markets. The Commission uses its authority to deter fraudulent and manipulative conduct and to ensure that markets, firms, and participants subject to the Commission's oversight meet their obligations. To achieve this end, the Commission uses its fraud and manipulation authority which empowers it to pursue enforcement actions to protect the public interest relating to any commodity in interstate commerce, as well as futures and options contracts and other derivatives, including swaps, which are subject to the Commission's regulatory and oversight authority, to bring forward important enforcement cases. Pursuing those that break the law is critical to market participants who depend on the futures and swaps marketplace.

The Commission maintains a robust market surveillance program that uses sophisticated systems to analyze trade data and respond to outlying events. This technology assists in identifying trading patterns or positions that warrant further investigative inquiry. The Commission also maximizes the effectiveness and reach of its enforcement program through cooperative enforcement work with domestic, state, Federal, and international regulatory and criminal authorities.

The CFTC's whistleblower program is vital to the Commission's enforcement efforts. The program pays awards to eligible whistleblowers and protects their confidentiality, as required by the CEA. The Dodd-Frank Act established the whistleblower program and set up the Customer Protection Fund to pay awards to whistleblowers and to fund customer education initiatives.

### Operational Effectiveness

Operational effectiveness is fundamental to carrying out the CFTC's critical mission. The Commission makes effective operations a priority, and pursues it by leveraging technology, enhancing agency stewardship of taxpayer dollars, and actively managing the organization to address mission challenges. The CFTC's bold and innovative response to the historic mission challenges posed by the COVID-19 pandemic is characteristic of the Commission's approach to operational effectiveness. Our dedicated workforce continues to rise to this unique challenge through a thoughtful communication strategy, continual workforce engagement, and innovative technology solutions.

As a priority initiative, the CFTC's Enterprise Risk Management (ERM) program is a top agency priority that continues to strengthen its practices. The ERM vision focuses on: (1) building a stronger risk culture through an agency-wide Introduction to Risk Management training on risk management fundamentals and the value of risk management; (2) strengthening our formal risk governance to systematically identify and strategically address the top and emerging risks that pose the greatest threat to achieving the CFTC mission; (3) finalizing and distributing the Enterprise Risk Profile and Risk Register using the Top Risk Assessment inputs and outputs; and (4) developing and operationalizing an agency-wide risk ID and assessment process for use in 2023 to govern how Divisions and Offices explore, identify, measure, and compare risks.

The Commission is applying emerging technologies to oversee the increasingly diverse and challenging markets we regulate. Cloud services provide benefits across a diverse group of mission critical activities. The Commission is migrating our high performance, on-premises datasets into a cloud-based data repository and redeveloping analytics applications to take

advantage of the cloud's elasticity, which improves computing efficiency and economy. Cloud-based data storage and analytics facilitate better and quicker visibility into what is really going on in financial markets. These analytic insights make the Commission a more effective, efficient and resilient agent of transparency and integrity. Looking forward, as a priority initiative, developing the Commission's cloud capabilities will improve our operational effectiveness; using analytics to advance Diversity, Equity, Inclusion and Accessibility (DEIA) metrics to ensure that the Commission recruits and retains the best and brightest regardless of background.

Leveraging emerging technologies and addressing technology deficiencies is a top priority. As a priority initiative, the Commission has a goal to migrate over 80% of the existing on-premise infrastructure to the cloud by the middle of 2022. Decommissioning multiple aging communication tools and moving forward with an industry leading solution will improve the Commission's operational effectiveness.

The Commission is actively engaged in protecting confidential trading and clearing data held by the CFTC and the entities we regulate. The Data Protection Program will establish data loss prevention technologies and processes to manage access to sensitive data, ensuring it is tightly controlled and monitored. The CFTC will work closely with the U S Department of Homeland Security on government-wide security initiatives to implement, maintain, and continuously evaluate protections to guard against growing and evolving cyber threats. To meet the requirements of the 2021 Executive Order on Improving the Nation's Cybersecurity, as a priority initiative, the CFTC is developing a plan to move to a zero trust architecture (ZTA). The Commission will effectively architect, implement, and monitor its assets through ZTA to improve its cybersecurity. Improved cybersecurity ensures system integrity, availability, confidentiality, and mitigation of cyber threats.

The Information Security Program mitigates risks and enhances the information security posture in a world of rapidly expanding threats and evolving complex regulations. Cyber-attacks continue to rise, with sophisticated tactics using a combination of hacking, malware, and social engineering. Because technology-driven innovation enhances markets, solid cybersecurity and data-security practices must safeguard the systems underpinning innovation.

## A Strong and Diverse Workforce

In its ongoing efforts to attract, retain, and promote a diverse workforce of the best and brightest individuals, the CFTC is expanding its OMWI to include the Commission's first Chief Diversity, Equity, Inclusion (DEI) and Equal Employment Opportunity (EEO) Officer. This is a priority initiative for the Commission. There is a growing schism between our ideals and the DEIA strides made throughout the derivatives industry, and the Commission, and in other facets of the federal work force. The industry has already acknowledged that the failure to incorporate diversity and foster inclusion may negatively impact our economic future and the competitiveness in our domestic and global markets. The new Chief DEI and EEO Officer will report to the Chairman and provide expert advice and guidance to CFTC leadership and management officials towards the successful design, implementation, and maintenance of the Commission's first agency-wide DEIA strategy. That strategy should be one that: (1) addresses issues presented by emerging trends and specific challenges; (2) utilizes DEIA data towards meeting

the agency's strategic goals and objectives as supported by attracting, retaining, and developing a high performing workforce; and (3) holds agency leadership accountable for supporting and incentivizing progress towards meeting these goals and objectives.

Additionally, the Commission will continue to support legislative proposals to bring the Commission's OMWI in line with its fellow federal financial regulators.<sup>6</sup>

The Commission recently implemented an internal Pathways Program designed to provide employment opportunities, career training, and development for entry level positions. This is a priority initiative and should invigorate agency interest and ability to attract and provide opportunities to entry level professionals within the Commission's ranks and build a more diverse pipeline of talent and establish a high bar of future leaders.

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<sup>6</sup> See, e.g., *CFTC Reauthorization Act of 2019*, H.R. 4895, 116th Cong. § 104 (2019), <https://www.congress.gov/116/bills/hr4895/BILLS-116hr4895rh.pdf>; *To require the Commodity Futures Trading Commission to establish an Office of Minority and Women Inclusion, and for other purposes*, H.R. 4257, 116th Cong. (2019), <https://www.govtrack.us/congress/bills/116/hr4257/text>



# PERFORMANCE HIGHLIGHTS

This goal structure reflects the CFTC 2020 – 2024 Strategic Plan, adopted in July 2020.<sup>7</sup>



## **STRATEGIC GOAL 1: Strengthen Derivatives Markets & Foster Their Vibrancy**

Strengthening derivatives markets and protecting their participants increases confidence in market soundness. Open and competitive markets unaltered by fraud, manipulation, or other abuses bolsters confidence in their integrity and fosters economic growth.



## **STRATEGIC GOAL 2: Regulate Derivatives Markets in Interest of All Americans**

The Commission's vital role in regulating derivatives markets and their financial instruments benefits all Americans. Sound regulation and oversight of these markets impacts all of us—enabling businesses to provide stable and predictable prices for everything from groceries to gasoline and from heating bills to home mortgages.



## **STRATEGIC GOAL 3: Encourage Innovation & Enhance Regulatory Experience of All**

The Commission aims to develop regulations that keep pace with and encourage responsible innovation. When crafting and implementing regulations we will be guided by the important outcomes of improving derivatives markets' integrity, resiliency, and avoiding systemic risk.



## **STRATEGIC GOAL 4: Be Tough on Those Who Break the Rules**

The CFTC is committed to protecting the public from misconduct in our markets, including manipulation, spoofing, disruptive trading, and other fraudulent actions. The Commission detects, investigates, and prosecutes misconduct and fraud. Doing so leads to improved confidence in the integrity of derivatives markets.



## **STRATEGIC GOAL 5: Focus on Unique Mission & Improve Operational Effectiveness**

Achieving the CFTC's crucial mission requires exceptional operational effectiveness, information technology management, and advanced data analysis. This strategic goal recognizes the vital role business management and related service play in protecting derivatives markets and taxpayer dollars.

<sup>7</sup> The forthcoming CFTC 2022 – 2026 Strategic Plan, to be published in February 2022, is anticipated to build upon these goals in a manner that addresses the new and significant impacts on the derivatives the markets.

## VERIFICATION AND VALIDATION OF PERFORMANCE DATA – KEY RESULTS FOR STRATEGIC GOALS

The following are results with selected representative indicators from each Strategic Goal. 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 GOAL 1: STRENGTHEN THE RESILIENCE AND INTEGRITY OF OUR DERIVATIVES MARKETS WHILE FOSTERING THEIR VIBRANCY

#### 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 CFTC adds to the strength and resilience of derivatives markets through regular examinations, stress testing, capital requirements, financial reporting obligations, and ongoing risk monitoring.

#### Resource Investment Dedicated to Strategic Goal 1

In FY 2021, the Commission invested \$55 million and 134 FTE.

#### Key Indicator Performance Results

**Objective 1.1: Ensure our central counterparties remain the soundest in the world.**

<b>PERFORMANCE INDICATOR: Aggregate cleared swaps, futures, and options positions into a comprehensive risk surveillance process and conduct analysis for each material market participant.</b>			
<b>Why this is relevant:</b> 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.			
<b>Data Source:</b> 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.			
<b>Verification and Validation:</b> The Standard Portfolio Analysis of Risk application can stress test futures position positions.			
<b>Target:</b> DCR will aggregate risk of market participants' interest rate swap (IRS) & interest rate (IR) futures to get full IR exposure.			
FY 2018	FY 2019	FY 2020	FY 2021
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 thousands of accounts across multiple asset classes*
* 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 participants across DCO. Market participant risk is then monitored across asset classes and DCOs.			

## STRATEGIC GOAL 2: REGULATE OUR DERIVATIVES MARKETS TO PROMOTE THE INTERESTS OF ALL AMERICANS

### Public Benefit

CFTC ensures that derivatives markets work in the best interest of all Americans, supporting a market-based system for price discovery and risk management. The U.S. derivatives markets continue to 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.

### Resource Investment Dedicated to Strategic Goal 2

In FY 2021, the Commission invested \$46.2 million and 106 FTE.

### Key Indicator Performance Results

**Objective 2.4: Increase protections for customer assets and information.**

<b>PERFORMANCE INDICATOR: 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.</b>			
<p><b>Why this is relevant:</b> 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.</p>			
<p><b>Data Source:</b> DMO maintains a list of SSEs commenced and completed each year.</p>			
<p><b>Verification and Validation:</b> Management record keeping.</p>			
FY 2018	FY 2019	FY 2020**	FY 2021**
7 on-site reviews for SSEs conducted	8 on-site reviews for SSEs conducted	<ul style="list-style-type: none"> <li>• 2 SSEs initiated and staff interviews conducted;</li> <li>• 1 additional SSE initiated;</li> <li>• 4 additional SSEs issued*</li> </ul>	<ul style="list-style-type: none"> <li>• 3 entity SSEs initiated, staff interviews conducted;</li> <li>• 3 entity SSEs with staff interviews conducted and report issued;</li> <li>• 3 additional entity SSEs initiated;</li> <li>• 9 entity Targeted Maturity Assessments ITMA – a new type of DMO review with on-site interviews conducted and report issued;</li> <li>• 3 additional entity TMAs initiated</li> </ul>
<p>* DCR also conducts comprehensive SSEs for clearing houses ("CCPs"). During FY 2021 DCR completed systems examinations for 2 systemically important CCPs and 2 additional CCPs.</p>			
<p>** By necessity, due to COVID-19, staff interviews were conducted over telephone or via video.</p>			

## STRATEGIC GOAL 3: ENCOURAGE INNOVATION AND ENHANCE THE REGULATORY EXPERIENCE FOR MARKET PARTICIPANTS AT HOME AND ABROAD

### Public Benefit

CFTC will continue to encourage innovation and enhance the regulatory experience for market participants at home and abroad. Technological innovation is drastically changing financial markets, including the derivatives markets the CFTC regulates. The growing adoption of derivatives involving digital assets and the use of distributed ledgers and other technologies present novel issues for applying and enforcing the CFTC’s regulations.

### Resource Investment Dedicated to Strategic Goal 3

In FY 2021, the Commission invested \$44 million and 99 FTE.

### Key Indicator Performance Results

**Objective 3.2 Increase the transparency of our agency’s decision-making processes.**

<b>PERFORMANCE INDICATOR: Percentage of high impact contract and rule submissions received by the CFTC through the organizations, products, events, rules, and actions (OPERA) portal.</b>			
<b>Why this is relevant:</b> 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. This decreases the time it takes for the Commission to make information about new contracts and amendments available to the public. Portal submissions also increase data accuracy, as they reduce the need to manually add data elements into the Filings and Actions (FILAC) database. Finally, automatic routing of submissions to relevant staff increases operational efficiency and accuracy by reducing staff time spent on manual routing and improves ability to identify high impact contract and rule submissions in preparation for reviews of new or amended contracts and rule filings.			
<b>Data Source:</b> The FILAC database indicates whether a filing was made via email or the OPERA portal.			
<b>Verification and Validation:</b> 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 2018	FY 2019	FY 2020	FY 2021
100%	100%	99.88%	99%

## STRATEGIC GOAL 4: BE TOUGH ON THOSE WHO BREAK THE RULES

### Public Benefit

The CFTC remains vigilant against those who violate the CEA or CFTC regulations. The CFTC’s strong enforcement program emphasizes being tough on those who break the rules, but also being fair and consistent. A tough enforcement program is vital to maintaining public confidence in financial markets. The Commission uses its authority to deter fraudulent and manipulative conduct and to ensure that markets, firms, and participants subject to the Commission’s oversight meet their obligations.

### Resource Investment Dedicated to Strategic Goal 4

In FY 2021, the Commission invested \$285.5 million and 223 FTE.



### Key Indicator Performance Results

**Objective 4.2: Leverage the CFTC's expertise and resources by coordinating with other criminal and civil enforcement authorities.**

<b>PERFORMANCE INDICATOR: Leverage the impact of its enforcement program through coordination with SROs and active participation in domestic and international cooperative enforcement efforts.</b>			
<p><b>Why this is relevant:</b> 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.</p>			
<p><b>Data Source:</b> Meeting records</p>			
<p><b>Verification and Validation:</b> Management record keeping.</p>			
FY 2018	FY 2019	FY 2020	FY 2021
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.	Participated in 73 domestic and international cooperative enforcement meetings, task forces, etc.

**Objective 4.4: Focus market surveillance on areas where fraud and manipulation are most likely.**

<b>PERFORMANCE INDICATOR: Develop comprehensive communication strategy, geared for internal and external stakeholders, relating to role of whistleblowers and the function of the WBO.</b>			
<p><b>Why this is relevant:</b> 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 emphasizes 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.</p>			
<p><b>Data Source:</b> <a href="https://www.whistleblower.gov/news/events">https://www.whistleblower.gov/news/events</a> <a href="https://www.whistleblower.gov/whistleblower-alerts">https://www.whistleblower.gov/whistleblower-alerts</a></p>			
<p><b>Verification and Validation:</b> Management record keeping.</p>			
FY 2018	FY 2019	FY 2020	FY 2021
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	Presented virtually at 5 public events  Posted one new "trending topic" alert to Whistleblower Office website

## STRATEGIC GOAL 5: FOCUS ON OUR UNIQUE MISSION AND IMPROVE OUR OPERATIONAL EFFECTIVENESS

### Public Benefit

Operational effectiveness is fundamental to carrying out the CFTC’s critical mission. The Commission makes effective operations a priority, and pursues it by leveraging technology, enhancing agency stewardship of taxpayer dollars, and actively managing the organization to address mission challenges. The Commission is striving to become a model Federal employer in promoting workforce DEIA, which is not only the right thing to do, but it will result in a more effective CFTC, better equipped to achieve its mission.

### Resource Investment Dedicated to Strategic Goal 5

In FY 2021, the Commission invested \$84.2 million and 115 FTE.

### Key Indicator Performance Results

**Objective 5.4: Attract, retain, and promote a diverse workforce of the best and the brightest.**

<b>PERFORMANCE INDICATOR: Number of Special Emphasis Programs observed within the Commission.</b>			
<b>Why this is relevant:</b> Special Emphasis Programs focus special attention on groups that are not well represented or have less than expected participation rates in specific occupational categories or grade levels within the agency’s workforce. These programs demonstrate affirmative steps to provide equal opportunity to everyone in all areas of employment and to eliminate discriminatory practices and policies. Observances of Special Emphasis Programs were designed for the purpose of providing cultural awareness to everyone through commemorative activities that are educational and employment-related. As such, observances improve the workplace environment by promoting and fostering diversity through awareness and educating employees and others to appreciate, value, understand, and celebrate social and cultural similarities and differences.			
<b>Data Source:</b> Meeting records.			
<b>Verification and Validation:</b> Management record keeping.			
FY 2018	FY 2019	FY 2020*	FY 2021*
7	7	7	8
<i>* By necessity, due to COVID-19, some of the observance activities were held virtually.</i>			



# FINANCIAL HIGHLIGHTS

## FINANCIAL OVERVIEW

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, 2021, and September 30, 2020.

HIGHLIGHTS	2021	2020
<b>CONDENSED BALANCE SHEETS</b>		
Fund Balance with Treasury	\$ 207,788,240	\$ 103,929,404
Investments	–	117,000,000
Accounts Receivable, Net	26,983	52,632
Custodial Fines and Interest Receivable, Net	34,377,723	623,333,958
General Property, Plant and Equipment, Net	25,618,531	25,096,671
Advances and Prepayments	13,695,572	5,347,975
<b>TOTAL ASSETS</b>	<b>\$ 281,507,049</b>	<b>\$ 874,760,640</b>
Accounts Payable	\$ 11,208,649	\$ 8,202,137
Accrued Payroll and Unfunded Annual Leave	28,498,460	26,182,754
FECA and Unemployment Liabilities	623,369	597,032
Liability to the General Fund of the U.S. Government for Custodial Assets	34,377,723	623,333,958
Liability for Non-Fiduciary Deposit Funds	595,476	514,025
Deferred Lease Liabilities	15,925,725	18,650,707
Liability for Whistleblower Awards	203,970,000	3,627,027
<b>Total Liabilities</b>	<b>\$ 295,199,402</b>	<b>\$ 681,107,640</b>
Unexpended Appropriations – Funds from Other than Dedicated Collections	\$ 87,459,663	\$ 86,262,124
Cumulative Results of Operations – Funds from Dedicated Collections	(92,073,033)	117,027,972
Cumulative Results of Operations – Funds from Other than Dedicated Collections	(9,078,983)	(9,637,096)
<b>Total Net Position</b>	<b>\$ (13,692,353)</b>	<b>\$ 193,653,000</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 281,507,049</b>	<b>\$ 874,760,640</b>
<b>CONDENSED STATEMENTS OF NET COST</b>		
Gross Costs	\$ 514,901,590	\$ 301,322,839
Earned Revenue	–	(37,373)
<b>TOTAL NET COST OF OPERATIONS</b>	<b>\$ 514,901,590</b>	<b>\$ 301,285,466</b>
<b>NET COST BY STRATEGIC GOAL</b>		
Strategic Goal 1: Strengthen Derivatives Markets & Foster their Vibrancy	\$ 54,950,470	
Strategic Goal 2: Regulate Derivatives Markets in Interest of All Americans	46,228,173	
Strategic Goal 3: Encourage Innovation & Enhance Regulatory Experience of All	44,016,448	
Strategic Goal 4: Be Tough on Those Who Break the Rules	285,505,184	
Strategic Goal 5: Focus on Unique Mission & Improve Operational Effectiveness	84,201,315	
Strategic Goal 1: Market Integrity and Transparency		\$ 71,313,241
Strategic Goal 2: Financial Integrity and Avoidance of Systemic Risk		96,045,472
Strategic Goal 3: Comprehensive Enforcement		119,182,541
Strategic Goal 4: Domestic and International Cooperation and Coordination		14,744,212
<b>TOTAL NET COST OF OPERATIONS</b>	<b>\$ 514,901,590</b>	<b>\$ 301,285,466</b>

The above overview is supplemented with brief descriptions of the nature of each required financial statement and its relevance. Significant balances or conditions featured in the graphic presentation are explained in each section to help clarify their relationship to Commission operations.

Readers are encouraged to gain a deeper understanding by reviewing the Commission's financial statements and notes and the accompanying audit report presented in the Financial Section of this report.

## UNDERSTANDING THE FINANCIAL STATEMENTS

The CFTC prepares annual financial statements and notes in accordance with U.S. generally accepted accounting principles (GAAP) for Federal government entities and in the form and content requirements of OMB Circular A-136, *Financial Reporting Requirements*. The CFTC’s current year and prior year

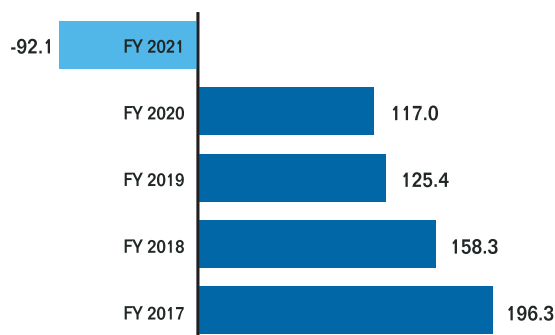
financial statements and notes are presented in a comparative format. The table below presents changes in key financial statement line items, as of and for, the fiscal year ended September 30, 2021, compared to September 30, 2020.

KEY FINANCIAL STATEMENT LINE ITEMS	2021	2020	\$ Change	% Change
Total Assets	\$ 281,507,049	\$ 874,760,640	\$ (593,253,591)	(67.82%)
Total Liabilities	\$ 295,199,402	\$ 681,107,640	\$ (385,908,238)	(56.66%)
Total Net Position	\$ (13,692,353)	\$ 193,653,000	\$ (207,345,353)	(107.07%)
Total Net Cost of Operations	\$ 514,901,590	\$ 301,285,466	\$ 213,616,124	70.9%
Total Budgetary Resources	\$ 355,069,447	\$ 344,175,768	\$ 10,893,679	3.17%
New Obligations and Upward Adjustments	\$ 303,467,595	\$ 296,591,524	\$ 6,876,071	2.32%
Apportioned	\$ 123,018,339	\$ 143,318,572	\$ (20,300,233)	(14.16%)
Unapportioned	\$ (80,060,414)	\$ (103,626,536)	\$ 23,566,122	22.74%
Agency Outlays, Net	\$ 314,127,441	\$ 315,928,900	\$ (1,801,459)	(0.57%)
Custodial Receivables/Liabilities	\$ 34,377,723	\$ 623,333,958	\$ (588,956,235)	(94.48%)

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 (“Fund”). As discussed in Note 1A to the financial statements, the 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. These awards are made to individuals in exchange for the voluntary disclosure of information that leads to the successful enforcement by the CFTC of a covered judicial or administrative action in which monetary sanctions exceeding \$1 million are imposed.

The \$209.1 million decrease in the net position of the Fund in FY 2021 was due to \$203.4 million in new whistleblower awards paid or pending as of September 30, 2021 (disclosed in Note 8—Liability for Whistleblower Awards), administrative

**Customer Protection Fund Net Position**  
(\$ in millions)



expenses of \$4.2 million, and costs for customer education initiatives of \$1.6 million, offset by \$53.9 thousand in interest earned on investments.<sup>8</sup> Pending awards increase liabilities and decrease net position as of September 30, 2021, but will not result in the obligation of resources until the awards are issued.

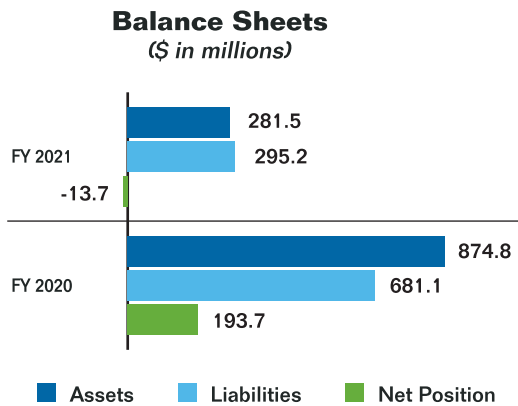
When the available balance in the Fund falls below \$100 million, the Fund is replenished by eligible sanctions collected by the Commission in accordance with the provisions of the

<sup>8</sup> \$3.5 million was disbursed from the Fund for whistleblower awards during FY 2021. The cash disbursed included \$3.4 million in awards that were previously reported as pending claims or accounts payable as of September 30, 2020, and an additional \$45.9 thousand in new amounts awarded and disbursed during FY 2021. The amount of unpaid claims of \$204.0 million consists of final whistleblower awards due and payable of \$1.5 thousand plus \$204.0 million in awards preliminarily determined by the CFTC as of September 30, 2021, but not issued as final awards during FY 2021.

Dodd-Frank Act.<sup>9</sup> As of September 30, 2021, the available balance of the Fund, which consists of amounts apportioned for use but not yet obligated for other purposes, was \$101,075,846. The 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.

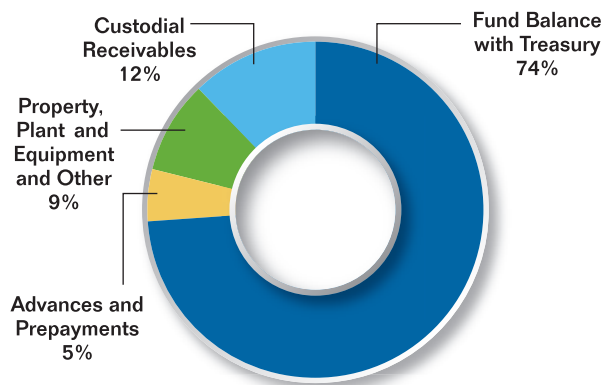
### BALANCE SHEETS

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, 2021, the Balance Sheet reflects total assets of \$281.5 million. This is a decrease of \$593.3 million, or 67.8 percent, over FY 2020, primarily due to decreases of \$589.0 million in Custodial Receivables and \$117.0 million in Investments offset by increases of \$103.9 million in Fund Balance with Treasury and \$8.3 million in Advances and Prepayments.

### FY 2021 Total Assets (Composition)



The \$589.0 million, or 94.5 percent, decrease in Custodial Receivables was due to a decrease in the amount of receivables for civil monetary sanctions that are estimated to be collectible as of September 30, 2021. The collectible amount of receivables for civil monetary sanctions is 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, was due from JPMorgan for disgorgement and civil monetary penalties related to spoofing and manipulation that resulted from a Commission order dated September 29, 2020.

Excluding Custodial Receivables, Investments of \$117.0 million comprised 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 \$117.0 million, or 100.0 percent, decrease in Investments was due to the redemption of investments to cover eligible expenses and obligations of the Customer Protection Fund during FY 2021. A whistleblower award that exceeded the available balance of the Fund was under final review during the last week of September 2021 so the Commission redeemed all remaining investments to make these funds available for obligation.<sup>10</sup>

<sup>9</sup> The Fund is replenished through collections from "covered" judicial actions, but the Dodd-Frank Act provides an additional funding mechanism in certain circumstances. Specifically, the Act provides that if the Fund is "not sufficient to satisfy an award ... there shall be deposited into or credited to the Fund an amount equal to the unsatisfied portion of the award from any monetary sanction collected by the Commission in any judicial or administrative action brought by the Commission ... that is based on information provided by a whistleblower" (see 7 U.S.C. § 26(g)(3)(B)).

<sup>10</sup> The Commission issued a final award of nearly \$200.0 million in October 2021 (see Press Release 8453-21 – CFTC Awards Nearly \$200 Million to a Whistleblower dated October 21, 2021), an award amount that exceeded the available balance of the Fund. The Commission has authority to make such an obligation under the provisions of Dodd-Frank. Specifically, 7 U.S.C. § 26(c)(1)(B)(ii) states the Commission "shall not take into consideration the balance of the Fund" in determining the amount of an award.

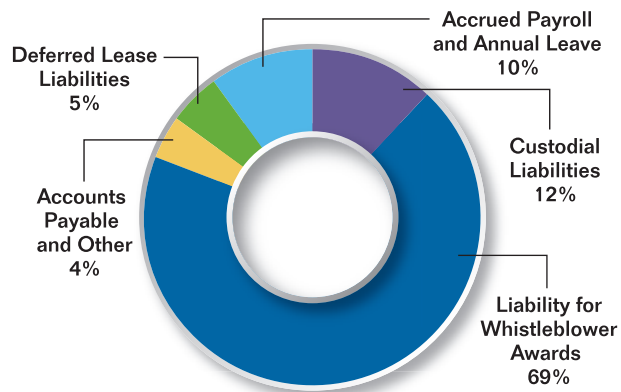
The \$103.9 million, or 99.9 percent, increase in Fund Balance with Treasury is the net of a \$108.0 million increase in the Customer Protection Fund balance offset by a \$4.1 million decrease in the non-Customer Protection Fund balance. The Customer Protection Fund balance primarily increased due to \$117.0 million in investment redemptions discussed above and \$53.9 thousand in interest received on investments, partially offset by \$9.2 million disbursed for payroll, contracts, and whistleblower awards. The non-Customer Protection Fund balance primarily decreased due to \$3.1 million in cancelled funds returned to the U.S. Department of the Treasury and \$1.0 million excess of outlays during the year over appropriations plus offsetting collections.

The \$8.3 million, or 156.1 percent, increase in Advances and Prepayments was due to a \$6.5 million increase in prepayments to the Department of Interior for contract support and more subscriptions and maintenance agreements prepaid in FY 2021 than FY 2020.

**Total Liabilities:** As of September 30, 2021, the Balance Sheet reflects total liabilities of \$295.2 million. This is a decrease of \$385.9 million, or 56.7 percent, over FY 2020. The decrease was primarily due to decreases of \$589.0 million in Custodial Liabilities and \$2.7 million in Deferred Lease Liabilities, partially offset by increases of \$200.3 million in Liability for Whistleblower Awards, \$3.0 million in Accounts Payable, and \$2.7 million in Unfunded Annual Leave.

The \$589.0 million, or 94.5 percent, decrease in Custodial Liabilities was directly related to the decrease 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 available 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 2021 Total Liabilities (Composition)



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 \$2.7 million, or 14.6 percent, decrease in total Deferred Lease Liabilities was due to the recognition of these deferred costs spread over the life of the Commission’s leases.<sup>11</sup>

The \$200.3 million, or 5,523.6 percent, increase in Liability for Whistleblower Awards was due to an increase in the estimated amount of pending whistleblower awards as a result of valid whistleblower claims on Commission-imposed sanctions that have already been collected. The amount of whistleblower awards is driven by the amount of sanctions collected in any given fiscal year and the contribution the whistleblowers made to the cases. Additional information on whistleblower awards is discussed in the *Annual Report on the Whistleblower Program and Customer Education Initiatives* available at <https://www.whistleblower.gov/reports>.

The \$3.0 million, or 36.7 percent, increase in Accounts Payable is primarily related to amounts owed to the General Services Administration (GSA) for ongoing construction work related to the Commission's upcoming facility relocations in New York and Chicago and the timing of cash payments. 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.

<sup>11</sup> As of September 30, 2021, deferred lease liabilities were comprised of \$725.7 thousand in intragovernmental deferred lease liabilities and \$15.2 million in deferred lease liabilities with the public. The Commission is in the process of transitioning from non-federal leases to occupancy agreements (OA) with GSA; in FY 2021, the Commission entered into an OA with GSA for space in Kansas City that serves as a replacement for the lease the Commission held with a non-federal vendor that ended in FY 2021 (see Note 7 – Leases for additional information).

The increase in Accrued Annual Leave of \$2.7 million, or 17.4 percent, was primarily due to increases of 13.0 percent in the average number of annual leave hours accrued per employee and 7.5 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).

**Total Net Position:** As of September 30, 2021, the Balance Sheet reflects a total net position of (\$13.7) million, a decrease of \$207.3 million, or 107.1 percent, over FY 2020. The changes in each of the three components of the Commission's net position (Unexpended Appropriations—Funds from Other than Dedicated Collections, Cumulative Results of Operations—Funds from Dedicated Collections, and Cumulative Results of Operations—Funds from Other than Dedicated Collections) are discussed separately below.

Unexpended Appropriations—Funds from Other than Dedicated Collections increased by \$1.2 million, or 1.4 percent, due primarily to FY 2021 appropriations received of \$304.0 million in excess of appropriations used of \$299.7 million due to the timing of actual cash payments. In addition, approximately \$3.1 million in cancelled funds were returned to Treasury on September 30, 2021.

Cumulative Results of Operations—Funds from Dedicated Collections decreased by \$209.1 million, or 178.7 percent, due to Customer Protection Fund expenses of \$209.2 million offset by interest revenue of \$53.9 thousand. As discussed above, Customer Protection Fund expenses consisted of \$203.4 million in new whistleblower awards paid or pending as of September 30, 2021, administrative expenses of \$4.2 million, and costs for customer education initiatives of \$1.6 million.

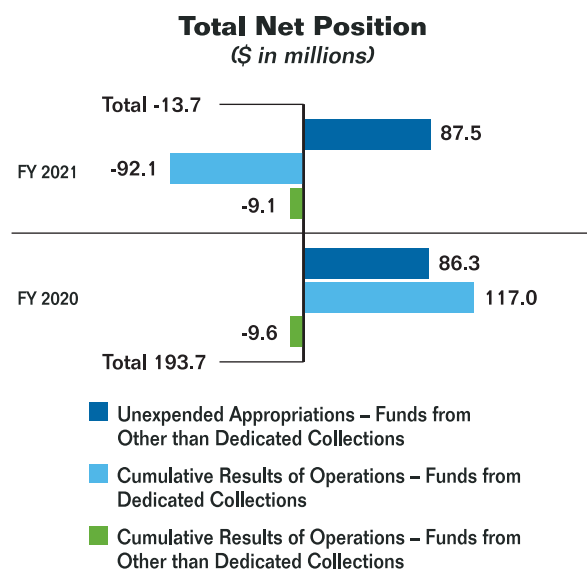
Cumulative Results of Operations—Funds from Other than Dedicated Collections increased by \$558.1 thousand, or 5.8 percent, due to total financing sources slightly exceeding net cost of operations. Cumulative Results of Operations—Funds from Other than Dedicated Collections became negative at the end 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.

### STATEMENTS OF NET COST

The Statements of Net Cost present the components of the Commission's gross and net cost of operations. Net cost is the gross cost incurred less any revenues earned from Commission activities. The Commission experienced a \$213.6 thousand, or 70.9 percent, increase in the total net cost of operations during FY 2021.

The overall increase was due to increases of \$199.4 million in whistleblower awards, \$11.5 million in payroll, \$4.1 million in contracts for goods and services, \$499.7 thousand in payroll-related accruals, and \$211.9 thousand in leases, offset by decreases of \$1.5 million in depreciation expense and \$649.0 thousand in travel. The \$14.2 million increase in non-Customer Protection Fund expenses is expected given a \$47.0 million increase in appropriations from FY 2019 to FY 2020 (including \$31.0 million for facility relocation), a \$20.0 million increase in regular appropriations from FY 2020 to FY 2021, and the timing of cash payments.

The Commission implemented a new strategic plan in FY 2021 with different goals; as a result, the FY 2021 and FY 2020 net costs by strategic goal are not comparative and are presented separately. To aid the financial statement reader



FY 2021 GROSS COSTS BY STRATEGIC GOAL		
	2021 (\$)	2021 (%)
<b>Strategic Goal 1</b> – Strengthen Derivatives Markets & Foster Their Vibrancy	\$ 54,950,470	17.64%
<b>Strategic Goal 2</b> – Regulate Derivatives Markets in Interest of All Americans	\$ 46,228,173	14.84%
<b>Strategic Goal 3</b> – Encourage Innovation & Enhance Regulatory Experience of All	\$ 44,016,448	14.13%
<b>Strategic Goal 4</b> – Be Tough on Those Who Break the Rules (excluding Whistleblower Awards)	\$ 82,114,194	26.36%
<b>Strategic Goal 5</b> – Focus on Unique Mission & Improve Operational Effectiveness	\$ 84,201,315	27.03%
<b>Gross Costs Excluding Whistleblower Awards</b>	<b>\$ 311,510,600</b>	<b>100.0%</b>
Whistleblower Awards	\$ 203,390,990	
<b>GROSS COSTS</b>	<b>\$ 514,901,590</b>	

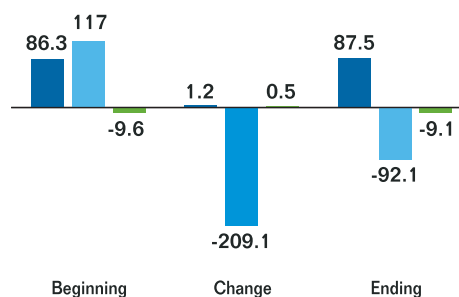
FY 2020 GROSS COSTS BY STRATEGIC GOAL		
	2020 (\$)	2020 (%)
<b>Strategic Goal 1</b> – Market Integrity and Transparency	\$ 71,322,207	23.99%
<b>Strategic Goal 2</b> – Financial Integrity and Avoidance of Systemic Risk	\$ 96,057,547	32.31%
<b>Strategic Goal 3</b> – Comprehensive Enforcement (excluding Whistleblower Awards)	\$ 115,173,918	38.74%
<b>Strategic Goal 4</b> – Domestic and International Cooperation and Coordination	\$ 14,746,066	4.96%
<b>Gross Costs Excluding Whistleblower Awards</b>	<b>\$ 297,299,738</b>	<b>100.0%</b>
Whistleblower Awards	\$ 4,023,101	
<b>GROSS COSTS</b>	<b>\$ 301,322,839</b>	

in more fully understanding the Commission’s strategic focus and how it changed from FY 2020 to FY 2021, the tables above present the gross costs by strategic goal excluding whistleblower awards. After adding back the whistleblower awards, the total gross costs in the tables above tie to the total gross costs on the Commission’s Statements of Net Cost for FY 2021 and FY 2020.

### STATEMENTS OF CHANGES IN NET POSITION

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

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



- Unexpended Appropriations – Funds from Other than Dedicated Collections
- Cumulative Results of Operations – Funds from Dedicated Collections
- Cumulative Results of Operations – Funds from Other than Dedicated Collections

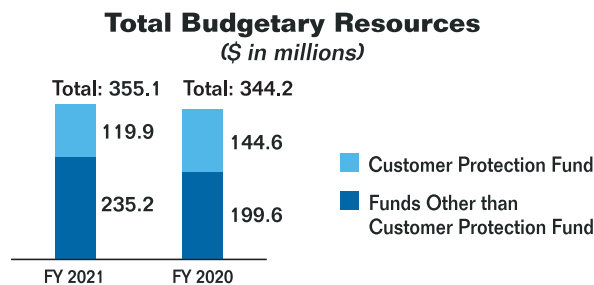


## STATEMENTS OF BUDGETARY RESOURCES

The Statements of Budgetary Resources provide information about the provision of budgetary resources and its status as of the end of the year. Information in this statement is consistent with budget execution information and the information reported in the *Budget of the U.S. Government*, FY 2021.

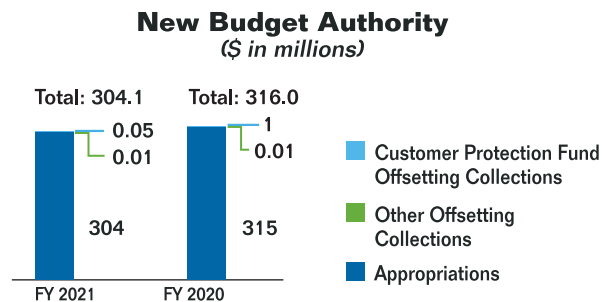
The changes in the Commission's total budgetary resources from September 30, 2020, to September 30, 2021, can mostly be explained by the following three events:

- The Commission obligated \$26.3 million from the Customer Protection Fund for administrative expenses and payments to whistleblowers in FY 2020, 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 \$23.6 million in FY 2021 and \$23.1 million in FY 2020 (see Note 10 for additional information). As lease payments are funded through annual appropriations and subsequently paid, the abnormal balance in Unapportioned, Unexpired Accounts is reduced and the Unobligated Balance from Prior Year Budget Authority, Net increases.
- The Commission received \$11.0 million less in appropriations in FY 2021 than FY 2020. This \$11.0 million decrease is the result of a one-time appropriation of \$31.0 million in FY 2020 for facility relocation expenses offset by a \$20.0 million increase in annual appropriations in FY 2021.



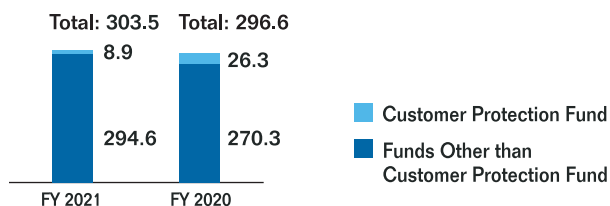
For the year ending September 30, 2021, the Commission's Total Budgetary Resources increased by \$10.9 million, or 3.2 percent. This increase is due to a \$22.9 million increase in Unobligated Balance from Prior Year Budget Authority, Net and a \$12.0 million decrease in new budget authority.

The \$22.9 million, or 81.2 percent, increase in the Unobligated Balance from Prior Year Budget Authority, Net (beginning unobligated balance plus adjustments made during FY 2021) was primarily due to a \$23.1 million reduction in negative unapportioned amounts for outstanding lease obligations funded in the prior year (FY 2020) plus the unobligated balance remaining in the facility relocation fund of \$20.6 million, and an increase in the unobligated balance from prior year appropriations of \$5.8 million, partially offset by a \$23.7 million decrease in the unobligated balance of the Customer Protection Fund and \$2.9 million in cancelled funds returned to the U.S. Department of the Treasury.



For the year ending September 30, 2021, the Commission's new budget authority decreased by \$12.0 million, or 3.8 percent, due to the \$11.0 million decrease in annual appropriations received and a \$968.3 thousand, or 95.0 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 (0.5 percent in FY 2021 versus .75 percent in FY 2020). Despite receiving an increase in annual appropriations of \$20.0 million in FY 2021, new appropriations were still \$11.0 million lower than the \$47.0 million in new appropriations received in FY 2020 (\$31.0 million of the \$47.0 million increase were no year-funds for facility relocation expenses).

### New Obligations and Upward Adjustments (\$ in millions)

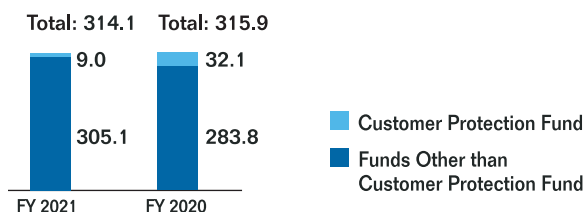


New Obligations and Upward Adjustments increased by \$6.9 million, or 2.3 percent. Excluding the decrease in new obligations for whistleblower awards of \$17.6 million, new obligations actually increased by approximately \$24.5 million. This increase was primarily the result of increases in amounts obligated for leases and other contracts of \$13.0 million and pay and benefits of \$12.2 million, offset by a decrease of \$648.3 thousand in travel due to the COVID-19 pandemic. The overall increase in obligations is expected given the increase in appropriations received of \$20.0 million in FY 2021 and \$47.0 million in FY 2020 (\$31.0 million of the \$47.0 million increase in appropriations were no year-funds for facility relocation expenses) and the timing of obligations due to two-year appropriations received.

Apportioned, Unexpired Accounts decreased by \$20.3 million, or 14.2 percent, due to decreases of \$7.3 million, \$11.1 million, and \$1.9 million in amounts available for apportionment in the Customer Protection Fund, facility relocation fund, and the annual and multi-year funds, respectively, due to amounts obligated and/or expended by the funds.

The \$23.6 million, or 22.7 percent, increase in Unapportioned, Unexpired Accounts was the result of the \$23.6 million reduction in unfunded lease obligations. As noted above, the Commission reduced its outstanding unfunded lease deficiency through funding from current year appropriations of \$23.6 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, 2021, and 2020, are \$80.1 million and \$103.6 million, respectively.

### Agency Outlays, Net (\$ in millions)

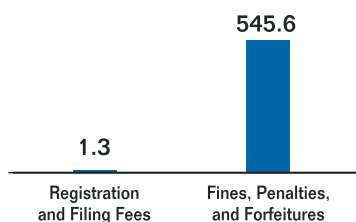


Agency Outlays, Net decreased by approximately \$1.8 million, or .6 percent. Excluding the decrease in outlays due to a \$23.8 million decrease in outlays of whistleblower awards, net outlays actually increased by approximately \$22.0 million. This increase was primarily due to increases in outlays of \$15.2 million for salaries and benefits and \$6.6 million for leases and other contracts, as well as a \$1.0 million decrease in interest collected, slightly offset by a \$779.1 thousand decrease in travel outlays due to the impact of the COVID-19 pandemic. 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 current and prior fiscal years, timing of cash payments, level of FTE, and whistleblower award activity.

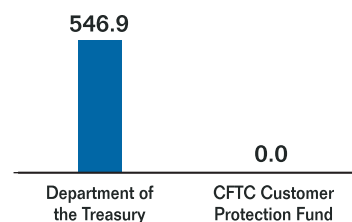
### STATEMENTS OF CUSTODIAL ACTIVITY

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 available 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 2021 in the amount of \$546.9 million, an increase of \$353.5 million, or 182.8 percent, over FY 2020. These custodial collections are driven by enforcement actions in any given fiscal year as well as the violators' ability to pay. Of the \$546.9 million in

### FY 2021 Total Cash Collections<sup>12</sup> (\$ in millions)



### FY 2021 Total Disposition of Collections (\$ in millions)



FY 2021 cash collections, all \$546.9 million was transferred to the Treasury because the Customer Protection Fund available balance exceeded \$100 million so no collections were eligible to be transferred to it.

As discussed in the Balance Sheet section, the \$589.0 million, or 203.0 percent, change in Custodial Receivables was due to an increase in the amount of receivables for civil monetary sanctions that are estimated to be collectible as of September 30, 2021. Of the \$623.3 million in outstanding Custodial Receivables as of September 30, 2020, \$608.5 million, or 97.6 percent, was 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. On July 6, 2021, Public Law 117-25 helped temporarily mitigate this risk by providing the Commission with one-time authority to set aside \$10.0 million from the Customer Protection Fund in a separate account to fund non-whistleblower costs (e.g., payroll, contracts, etc.) when the available balance of the Fund is insufficient to pay outstanding whistleblower award obligations. The \$10.0 million will be available until October 1, 2022, at which time all unobligated amounts will be returned to the Fund.

There were no unanticipated financial risks occurring during the reporting period. As in FY 2020, the financial impact resulting from the COVID-19 pandemic was minimal, primarily relating to the acquisition of additional cleaning supplies and replacement batteries for touchless fixtures.

<sup>12</sup> Total cash collections include \$37.3 thousand, or <\$0.1, in general proprietary receipts.

## LIMITATIONS OF FINANCIAL STATEMENTS

Management has prepared the accompanying financial statements to report the financial position and operational results for the CFTC for FY 2021 and FY 2020 pursuant to the requirements of Title 31 of the U.S. Code, section 3515 (b).

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

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



# MANAGEMENT ASSURANCES

## ANALYSIS OF CFTC'S SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

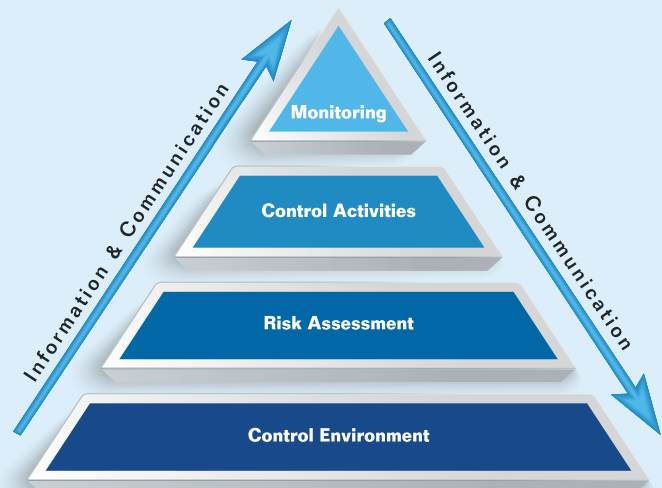
### MANAGEMENT OVERVIEW

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

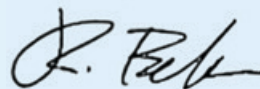
The Statement of Assurance is required by the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. The assurance is for internal controls over operational effectiveness (we do the right things 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, 2021. 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, 2021. 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 comply with applicable provisions of the FFMIA as of September 30, 2021."*



Rostin Behnam  
Acting Chairman  
November 9, 2021

## MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL

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

- Obligations and costs comply 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 2021, 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 2021 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);
- Improper payment risk assessments to identify and reduce the risk of improper payments 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 2021 and FY 2020 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 2021 and FY 2020. The independent auditors' reports for FY 2021 and 2020 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 21-04, *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 2022 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.





# FINANCIAL SECTION



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# A LETTER FROM THE CHIEF FINANCIAL OFFICER

**O**n behalf of the CFTC, it is an honor to present the Commission's FY 2021 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. FY 2021 continued to present unique challenges that tested the execution of the Commission's public service responsibilities. I am proud to serve beside the CFTC staff that met head-on the unique challenges posed by the continued COVID-19 pandemic. Their efforts, despite the difficult environment, led the agency to a place of improved financial management and greater accountability.

I am pleased to report that the Office of the Inspector General's independent auditor has issued an unmodified opinion on our FY 2021 financial statements. The audit result represents the Commission's fifteenth 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 2021, the Commission was recognized by the Association of Government Accountants with the distinguished Certificate of Excellence in Accountability Reporting (CEAR) for its FY 2020 AFR. Additionally, the CFTC received a "Best in Class" award from the CEAR committee for "Innovative Presentation of What the Agency Does."<sup>13</sup>

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 15, 2021



<sup>13</sup> Additional information regarding the CEAR program may be found on the AGA's website at <http://www.agacgm.org/Standards-Guidance/CEAR/Home.aspx>



# REPORT OF THE INDEPENDENT AUDITOR



## Independent Auditor's Report

Chairman  
U.S. Commodity Futures Trading Commission

Inspector General  
U.S. Commodity Futures Trading Commission

In our audit of the fiscal year 2021 financial statements of the U.S. Commodity Futures Trading Commission (CFTC), we found:

- CFTC's financial statements as of and for the fiscal year ended September 30, 2021 (fiscal year 2021), are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed;<sup>1</sup> and
- no reportable noncompliance for fiscal year 2021 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)<sup>2</sup> and other information included with the financial statements;<sup>3</sup> (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements; and (4) agency comments.

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<sup>1</sup>A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, 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 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.

<sup>2</sup>The RSI consists of the "Management's Discussion and Analysis" and the "Combined Statement of Budgetary Resources".

<sup>3</sup>Other information consists of information included with the financial statements, other than the RSI and the auditor's report.

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## Report on the Financial Statements

In accordance with 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. 21-04, *Audit Requirements for Federal Financial Statements*, we have audited CFTC's fiscal year 2021 financial statements. CFTC's financial statements comprise the balance sheet at September 30, 2021; the related statements of net cost, changes in net position, budgetary resources, and custodial assets for the fiscal year then ended; and the related notes to the financial statements.

We conducted our audit of the fiscal year 2021 financial statements in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 21-04. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Emphasis of Matter

As shown in the Balance Sheet at September 30, 2021, and discussed in Notes 6 and 8 to the financial statements, CFTC has recorded an unfunded liability of \$203,970,000. Such liability resulted from a whistleblower award approved by the Commission in October 2021. Such unfunded award has resulted in a total negative Cumulative Results of Operations of \$101,152,016 at September 30, 2021. Our opinion is not modified for this matter.

### Management's Responsibility

CFTC management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. U.S. generally accepted auditing standards, U.S. generally accepted government auditing standards, and OMB Bulletin No. 21-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's 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 of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

#### Opinion on Financial Statements

In our opinion, CFTC's financial statements present fairly, in all material respects, CFTC's financial position as of September 30, 2021, and its net cost of operations, changes in net position, budgetary resources, and custodial assets for the fiscal year then ended, in accordance with U.S. generally accepted accounting principles.

#### Other Matters

##### Prior Year Financial Statements

CFTC's financial statements as of and for the year ended September 30, 2020 were audited by other auditors, whose Independent Auditor's Report dated November 6, 2020, expressed an unmodified opinion on those financial statements.

##### Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

##### Other Information

CFTC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on CFTC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

## **Report on Internal Control over Financial Reporting**

In connection with our audit of CFTC's fiscal year 2021 financial statements, we considered CFTC's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to the CFTC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

### Management's Responsibility

CFTC management is responsible for maintaining effective internal control over financial reporting, including 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.

### Auditor's Responsibility

In planning and performing our audit of CFTC's financial statements as of and for the year ended September 30, 2021, in accordance with U.S. 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 CFTC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies<sup>4</sup> or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

### Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

### Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of the CFTC's internal control over financial reporting. Given these limitations, during our audit, we did not identify any

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<sup>4</sup>A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the CFTC’s internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of CFTC’s internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

**Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements**

In connection with our audit of CFTC’s fiscal year 2021 financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor’s responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management’s Responsibility

CFTC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to CFTC.

Auditor’s Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to CFTC that have a direct effect on the determination of material amounts and disclosures in CFTC’s financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to CFTC.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2021 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to CFTC. Accordingly, we do not express such an opinion.

We assessed the current status of a prior year potential noncompliance with the Anti-deficiency Act, which is presented in *Appendix I*.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in



considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

**Agency Comments**

In commenting on a draft of this report, CFTC provided a response, which is presented in *Appendix II*. We did not audit CFTC's response and, accordingly, we express no opinion on the response.

*Williams, Adley & Company-DC, LLP*

Washington, DC

November 9, 2021

**Appendix I - Status of the Prior Year Finding and Recommendation**

Our assessment of the current status of the prior year finding is presented below.

Prior Year Finding	Current Year Status
Potential Anti-deficiency Act (ADA) violation (Non-Compliance)	Closed. Williams Adley determined that CFTC completed its investigation into the potential ADA violation outstanding at September 30, 2020. CFTC determined that two ADA violations did occur over multiple previous years. As require by the Act, CFTC reported the ADA violations to Congress and the President on September 30, 2021.

Appendix II - Management Comments



**U.S. COMMODITY FUTURES TRADING COMMISSION**

Three Lafayette Centre  
 1155 21st Street, NW, Washington, DC 20581  
 Telephone: (202) 418-5000  
 Facsimile: (202) 418-5521  
 www.cftc.gov

**MEMORANDUM**

**TO:** Miguel A. Castillo, Assistant Inspector General for Audits

**FROM:** Anthony C. Thompson **ANTHONY THOMPSON**  
 Chief Administrative Officer, Division of Administration  
Digitally signed by ANTHONY THOMPSON  
 Date: 2021.11.08 13:11:24 -05'00'

Joel Mattingley **JOEL MATTINGLEY**  
 Chief Financial Officer  
Digitally signed by JOEL MATTINGLEY  
 Date: 2021.11.08 11:49:13 -05'00'

**DATE:** November 8, 2021

**SUBJECT:** Management’s Response to FY 2021 Draft Audit Report

Thank you for the opportunity to comment on the Office of the Inspector General’s (OIG) draft FY 2021 Report of the Independent Auditors, Williams Adley, LLC. We appreciate the opportunity to review the draft report that expresses an Unmodified Opinion on the Financial Statements, Accompanying Notes, and Other Supplemental Information for the Year Ended September 30, 2021. Management Concur with the report as written.

We appreciate the dialogue and open communication we have had throughout this audit. If you require further assistance, please contact Keith Ingram, Accounting Officer at 202-418-5612.

Sincerely,

Anthony C. Thompson



# PRINCIPAL FINANCIAL STATEMENTS

Commodity Futures Trading Commission

## BALANCE SHEETS

As of September 30, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
<b>Intragovernmental:</b>		
Fund Balance with Treasury (Note 2)	\$ 207,788,240	\$ 103,929,404
Federal Investments (Note 3)	–	117,000,000
Advances and Prepayments (Note 1H)	9,706,678	3,150,153
<b>Total Intragovernmental</b>	<b>\$ 217,494,918</b>	<b>\$ 224,079,557</b>
<b>With the Public:</b>		
Accounts Receivable, Net:		
Custodial Fines and Interest Receivable, Net (Note 4)	\$ 34,377,723	\$ 623,333,958
Accounts Receivable, Net (Note 4)	26,983	52,632
General Property, Plant and Equipment, Net (Note 5)	25,618,531	25,096,671
Advances and Prepayments (Note 1H)	3,988,894	2,197,822
<b>Total With the Public</b>	<b>\$ 64,012,131</b>	<b>\$ 650,681,083</b>
<b>TOTAL ASSETS</b>	<b>\$ 281,507,049</b>	<b>\$ 874,760,640</b>
<b>LIABILITIES</b>		
<b>Intragovernmental:</b>		
Accounts Payable	\$ 3,392,772	\$ 532,641
Other Liabilities:		
Employer Contributions and Payroll Taxes Payable	1,779,989	1,746,140
Unfunded FECA and Unemployment Liability (Note 1N)	89,587	88,501
Other Liabilities (Without Reciprocals)	286,668	345,481
Deferred Lease Liabilities (Note 7)	725,714	–
Liability to the General Fund of the U.S. Government for Custodial Assets	34,377,723	623,333,958
<b>Total Intragovernmental</b>	<b>\$ 40,652,453</b>	<b>\$ 626,046,721</b>
<b>With the Public:</b>		
Accounts Payable	\$ 7,815,877	\$ 7,669,496
Federal Employee Benefits Payable:		
Actuarial FECA Liabilities (Note 1N)	533,782	508,531
Unfunded Annual Leave	18,531,860	15,791,557
Funded Employee Benefits	339,165	335,515
Other Liabilities:		
Accrued Funded Payroll	7,560,778	7,964,061
Liability for Non-Fiduciary Deposit Funds	595,476	514,025
Deferred Lease Liabilities (Note 7)	15,200,011	18,650,707
Liability for Whistleblower Awards (Note 8)	203,970,000	3,627,027
<b>Total With the Public</b>	<b>\$ 254,546,949</b>	<b>\$ 55,060,919</b>
<b>Total Liabilities</b>	<b>\$ 295,199,402</b>	<b>\$ 681,107,640</b>

*Contingent Liabilities (Note 9)*

*continued on next page*

Balance Sheets continued from previous page

	2021	2020
<b>NET POSITION</b>		
Unexpended Appropriations – Funds from Other than Dedicated Collections	\$ 87,459,663	\$ 86,262,124
<b>Total Unexpended Appropriations</b>	<b>\$ 87,459,663</b>	<b>\$ 86,262,124</b>
Cumulative Results of Operations – Funds from Dedicated Collections	\$ (92,073,033)	\$ 117,027,972
Cumulative Results of Operations – Funds from Other than Dedicated Collections	(9,078,983)	(9,637,096)
<b>Total Cumulative Results of Operations</b>	<b>\$ (101,152,016)</b>	<b>\$ 107,390,876</b>
<b>Total Net Position</b>	<b>\$ (13,692,353)</b>	<b>\$ 193,653,000</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 281,507,049</b>	<b>\$ 874,760,640</b>

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

Commodity Futures Trading Commission

**STATEMENTS OF NET COST**

For the Years Ended September 30, 2021 and 2020

**Note:** In FY 2021, the Commission implemented the new CFTC Strategic Plan 2020 – 2024 with updated goals; as a result, the FY 2021 and FY 2020 net costs by strategic goal are presented separately rather than comparatively.

	<b>2021</b>
<b>NET COST BY GOAL</b>	
<b>STRATEGIC GOAL 1: STRENGTHEN DERIVATIVES MARKETS &amp; FOSTER THEIR VIBRANCY</b>	
Gross Costs	\$ 54,950,470
Less: Earned Revenue	-
<b>NET COST OF OPERATIONS – STRATEGIC GOAL 1</b>	<b>\$ 54,950,470</b>
<b>STRATEGIC GOAL 2: REGULATE DERIVATIVES MARKETS IN INTEREST OF ALL AMERICANS</b>	
Gross Costs	\$ 46,228,173
Less: Earned Revenue	-
<b>NET COST OF OPERATIONS – STRATEGIC GOAL 2</b>	<b>\$ 46,228,173</b>
<b>STRATEGIC GOAL 3: ENCOURAGE INNOVATION &amp; ENHANCE REGULATORY EXPERIENCE OF ALL</b>	
Gross Costs	\$ 44,016,448
Less: Earned Revenue	-
<b>NET COST OF OPERATIONS – STRATEGIC GOAL 3</b>	<b>\$ 44,016,448</b>
<b>STRATEGIC GOAL 4: BE TOUGH ON THOSE WHO BREAK THE RULES</b>	
Gross Costs	\$ 285,505,184
Less: Earned Revenue	-
<b>NET COST OF OPERATIONS – STRATEGIC GOAL 4</b>	<b>\$ 285,505,184</b>
<b>STRATEGIC GOAL 5: FOCUS ON UNIQUE MISSION &amp; IMPROVE OPERATIONAL EFFECTIVENESS</b>	
Gross Costs	\$ 84,201,315
Less: Earned Revenue	-
<b>NET COST OF OPERATIONS – STRATEGIC GOAL 5</b>	<b>\$ 84,201,315</b>
<b>GRAND TOTAL</b>	
Gross Costs	\$ 514,901,590
Less: Earned Revenue	-
<b>TOTAL NET COST OF OPERATIONS</b>	<b>\$ 514,901,590</b>

*continued on next page*

Statements of Net Cost continued from previous page

		2020
<b>NET COST BY GOAL</b>		
<b>STRATEGIC GOAL 1: MARKET INTEGRITY AND TRANSPARENCY</b>		
Gross Costs		\$ 71,322,207
Less: Earned Revenue		(8,966)
<b>NET COST OF OPERATIONS – STRATEGIC GOAL 1</b>		<b>\$ 71,313,241</b>
<b>STRATEGIC GOAL 2: FINANCIAL INTEGRITY AND AVOIDANCE OF SYSTEMIC RISK</b>		
Gross Costs		\$ 96,057,547
Less: Earned Revenue		(12,075)
<b>NET COST OF OPERATIONS – STRATEGIC GOAL 2</b>		<b>\$ 96,045,472</b>
<b>STRATEGIC GOAL 3: COMPREHENSIVE ENFORCEMENT</b>		
Gross Costs		\$ 119,197,019
Less: Earned Revenue		(14,478)
<b>NET COST OF OPERATIONS – STRATEGIC GOAL 3</b>		<b>\$ 119,182,541</b>
<b>STRATEGIC GOAL 4: DOMESTIC AND INTERNATIONAL COOPERATION AND COORDINATION</b>		
Gross Costs		\$ 14,746,066
Less: Earned Revenue		(1,854)
<b>NET COST OF OPERATIONS – STRATEGIC GOAL 4</b>		<b>\$ 14,744,212</b>
<b>GRAND TOTAL</b>		
Gross Costs		\$ 301,322,839
Less: Earned Revenue		(37,373)
<b>TOTAL NET COST OF OPERATIONS</b>		<b>\$ 301,285,466</b>

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

## Commodity Futures Trading Commission

**STATEMENTS OF CHANGES IN NET POSITION**  
 For the Years Ended September 30, 2021 and 2020

2021	DEDICATED COLLECTIONS	ALL OTHER FUNDS	CONSOLIDATED TOTAL	
<b>UNEXPENDED APPROPRIATIONS:</b>				
<b>BEGINNING BALANCES</b>	\$	–	\$ 86,262,124	\$ 86,262,124
Appropriations Received		–	304,000,000	304,000,000
Other Adjustments (+/-)		–	(3,057,910)	(3,057,910)
Appropriations Used		–	(299,744,551)	(299,744,551)
<b>Net Change in Unexpended Appropriations</b>		–	1,197,539	1,197,539
<b>TOTAL UNEXPENDED APPROPRIATIONS, ENDING</b>	\$	–	\$ 87,459,663	\$ 87,459,663
<b>CUMULATIVE RESULTS OF OPERATIONS:</b>				
<b>BEGINNING BALANCES</b>	\$ 117,027,972	\$ (9,637,096)	\$ 107,390,876	\$ 107,390,876
Appropriations Used		–	299,744,551	299,744,551
Nonexchange Interest Revenue (Note 3)	53,886		–	53,886
Transfers In/Out Without Reimbursement		–	12,419	12,419
Imputed Financing Sources (Note 1M)		–	6,547,842	6,547,842
Net Cost of Operations	(209,154,891)		(305,746,699)	(514,901,590)
<b>Net Change in Cumulative Results of Operations</b>	<b>(209,101,005)</b>	<b>558,113</b>	<b>(208,542,892)</b>	<b>(208,542,892)</b>
<b>TOTAL CUMULATIVE RESULTS OF OPERATIONS, ENDING</b>	\$ <b>(92,073,033)</b>	\$ <b>(9,078,983)</b>	\$ <b>(101,152,016)</b>	\$ <b>(101,152,016)</b>
<b>NET POSITION</b>	\$ <b>(92,073,033)</b>	\$ <b>78,380,680</b>	\$ <b>(13,692,353)</b>	\$ <b>(13,692,353)</b>

2020	DEDICATED COLLECTIONS	ALL OTHER FUNDS	CONSOLIDATED TOTAL	
<b>UNEXPENDED APPROPRIATIONS:</b>				
<b>BEGINNING BALANCES</b>	\$	–	\$ 61,509,442	\$ 61,509,442
Appropriations Received		–	315,000,000	315,000,000
Other Adjustments (+/-)		–	(8,956,084)	(8,956,084)
Appropriations Used		–	(281,291,234)	(281,291,234)
<b>Net Change in Unexpended Appropriations</b>		–	24,752,682	24,752,682
<b>TOTAL UNEXPENDED APPROPRIATIONS, ENDING</b>	\$	–	\$ 86,262,124	\$ 86,262,124
<b>CUMULATIVE RESULTS OF OPERATIONS:</b>				
<b>BEGINNING BALANCES</b>	\$ 125,439,162	\$ (4,800,343)	\$ 120,638,819	\$ 120,638,819
Appropriations Used		–	281,291,234	281,291,234
Nonexchange Interest Revenue (Note 3)	1,082,980		–	1,082,980
Transfers In/Out Without Reimbursement		–	–	–
Imputed Financing Sources (Note 1M)		–	5,663,309	5,663,309
Net Cost of Operations	(9,494,170)		(291,791,296)	(301,285,466)
<b>Net Change in Cumulative Results of Operations</b>	<b>(8,411,190)</b>	<b>(4,836,753)</b>	<b>(13,247,943)</b>	<b>(13,247,943)</b>
<b>TOTAL CUMULATIVE RESULTS OF OPERATIONS, ENDING</b>	\$ <b>117,027,972</b>	\$ <b>(9,637,096)</b>	\$ <b>107,390,876</b>	\$ <b>107,390,876</b>
<b>NET POSITION</b>	\$ <b>117,027,972</b>	\$ <b>76,625,028</b>	\$ <b>193,653,000</b>	\$ <b>193,653,000</b>

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



Commodity Futures Trading Commission

**STATEMENTS OF BUDGETARY RESOURCES**

For the Years Ended September 30, 2021 and 2020

	2021	2020
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance from Prior Year Budget Authority, Net (Note 10A)	\$ 51,006,213	\$ 28,143,967
Appropriations	304,000,000	315,000,000
Spending Authority from Offsetting Collections	63,234	1,031,801
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 355,069,447</b>	<b>\$ 344,175,768</b>
<b>STATUS OF BUDGETARY RESOURCES</b>		
New Obligations and Upward Adjustments	\$ 303,467,595	\$ 296,591,524
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	123,018,339	143,318,572
Unapportioned, Unexpired Accounts	(80,060,414)	(103,626,536)
Unexpired Unobligated Balance, End of Year	42,957,925	39,692,036
Expired Unobligated Balance, End of Year	8,643,927	7,892,208
Unobligated Balance, End of Year (Total)	51,601,852	47,584,244
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 355,069,447</b>	<b>\$ 344,175,768</b>
<b>OUTLAYS, NET</b>		
Outlays, Net	\$ 314,164,705	\$ 315,934,006
Distributed Offsetting Receipts	(37,264)	(5,106)
<b>AGENCY OUTLAYS, NET</b>	<b>\$ 314,127,441</b>	<b>\$ 315,928,900</b>

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

Commodity Futures Trading Commission

**STATEMENTS OF CUSTODIAL ACTIVITY**

For the Years Ended September 30, 2021 and 2020

	2021	2020
<b>TOTAL CUSTODIAL REVENUE</b>		
<b>SOURCES OF CASH COLLECTIONS:</b>		
Registration and Filing Fees	\$ 1,310,369	\$ 1,165,011
Fines, Penalties, and Forfeitures	545,527,184	192,204,742
General Proprietary Receipts	37,264	5,106
<b>Total Cash Collections</b>	<b>546,874,817</b>	<b>193,374,859</b>
<b>Change in Custodial Receivables</b>	<b>(588,956,235)</b>	<b>571,969,509</b>
<b>TOTAL CUSTODIAL REVENUE</b>	<b>\$ (42,081,418)</b>	<b>\$ 765,344,368</b>
<b>DISPOSITION OF COLLECTIONS</b>		
<b>AMOUNTS TRANSFERRED TO:</b>		
Department of the Treasury	\$ (546,874,817)	\$ (193,374,859)
<b>Total Disposition of Collections</b>	<b>(546,874,817)</b>	<b>(193,374,859)</b>
<b>Change in Custodial Liabilities</b>	<b>588,956,235</b>	<b>(571,969,509)</b>
<b>NET CUSTODIAL ACTIVITY</b>	<b>\$ -</b>	<b>\$ -</b>

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



# NOTES TO THE FINANCIAL STATEMENTS

As of and for the Fiscal Years Ended September 30, 2021 and 2020

## 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 2021 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. Advances and Prepayments

Advances and Prepayments consist of payments to federal and non-federal sources in advance of the receipt of goods and services. These payments 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 include 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.

In addition to those liabilities covered by budgetary resources in existing legislation, the CFTC's liabilities also include 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 employees that are in excess of the amount of contributions and withholdings 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 government's portion of 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 as well as 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 and Unemployment 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. DOL's Unemployment Compensation For Federal Employees (UCFE) program provides unemployment compensation for Federal employees who lost their

employment through no fault of their own. Accrued FECA and unemployment liabilities represent amounts due to DOL for claims paid on behalf of the agency.

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

### O. Leases

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

### P. Deposit Funds

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

### Q. Net Position

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

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

## R. Revenues

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

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

## S. Net Cost of Operations

Net cost of operations is the difference between the CFTC's expenses and its earned revenue. The presentation of program results by strategic goals is based on the CFTC's current Strategic Plan established pursuant to the Government Performance and Results Act of 1993 (GPRA). In FY 2021, the Commission implemented the new CFTC Strategic Plan 2020-2024 with updated goals; as a result, the FY 2021 and FY 2020 net costs by strategic goal are presented separately rather than comparatively.

The mission statement of the CFTC is to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation. For FY 2021, this mission was accomplished through the following five strategic goals, each focusing on a vital area of regulatory responsibility:

- Strategic Goal 1: Strengthen Derivatives Markets & Foster Their Vibrancy

- Strategic Goal 2: Regulate Derivatives Markets in Interest of All Americans
- Strategic Goal 3: Encourage Innovation and Enhance Regulatory Experience of All
- Strategic Goal 4: Be Tough on Those Who Break the Rules
- Strategic Goal 5: Focus on Unique Mission and Improve Operational Effectiveness

For FY 2020, the mission was accomplished through the following four strategic goals, each focusing on a vital area of regulatory responsibility:

- Strategic Goal 1: Market Integrity and Transparency
- Strategic Goal 2: Financial Integrity and Avoidance of Systemic Risk
- Strategic Goal 3: Comprehensive Enforcement
- Strategic Goal 4: Domestic and International Cooperation and Coordination

## 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, 2021, that significantly changed the purpose of the fund or redirected a material portion of the accumulated balance. On July 6, 2021, Public Law 117-25 set aside \$10 million from the Fund in a separate account to fund non-whistleblower costs when the unobligated balance of the Fund is insufficient. The \$10 million will be available until October 1, 2022, at which time all unobligated amounts will be returned to the Fund.

### X. Reclassifications

Balances reported in the FY 2020 Balance Sheet, Statement of Changes in Net Position, and notes 6, 11, and 12 have been reclassified and/or retitled to conform to the updated guidance provided in OMB Circular A-136 dated August 10, 2021. In addition, line item groupings such as "Other Liabilities" have been added as required by OMB Circular A-136 to support preparation of the governmentwide consolidated financial statements.



## 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, 2021, and 2020, consisted of the following:

	2021	2020
Unobligated Fund Balance		
Available	\$ 113,701,665	\$ 26,998,826
Unavailable	18,643,928	7,904,486
Obligated Balance Not Yet Disbursed	74,847,171	68,512,067
Non-Budgetary Fund Balance with Treasury	595,476	514,025
<b>TOTAL FUND BALANCE WITH TREASURY</b>	<b>\$ 207,788,240</b>	<b>\$ 103,929,404</b>

Obligated and unobligated balances reported for the status of Fund Balance with Treasury differ from the amounts reported in the Statement of Budgetary Resources due to the fact that budgetary balances are supported by amounts

other than Fund Balance with Treasury. These amounts include Customer Protection Fund investments, uncollected payments from Federal sources, and unfunded lease obligations.

### Note 3. Investments

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.

During FY 2021, the Commission redeemed \$117,000,000 in investments to make funds readily available for the needs of the Fund. Such redemptions resulted in the liquidation of investments owned at September 30, 2020. Related nonexchange interest revenue for the years ended September 30, 2021, and 2020, was \$53,886 and \$1,082,980, 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 1E, 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, 2021, and 2020:

	2021	2020
<b>Custodial Receivables, Net:</b>		
Civil Monetary Penalties, Fines, and Administrative Fees	\$ 564,068,210	\$ 770,558,920
Civil Monetary Penalty Interest	752,519	1,683,400
Registration and Filing Fees	1,185,107	1,539,855
Less: Allowance for Loss on Penalties, Fines, and Administrative Fees	(530,927,060)	(148,609,005)
Less: Allowance for Loss on Interest	(701,053)	(1,676,140)
Less: Allowance for Loss on Registration and Filing Fees	-	(163,072)
<b>TOTAL CUSTODIAL RECEIVABLES, NET</b>	<b>\$ 34,377,723</b>	<b>\$ 623,333,958</b>
Other Accounts Receivable	26,983	52,632
<b>TOTAL ACCOUNTS RECEIVABLE, NET</b>	<b>\$ 34,404,706</b>	<b>\$ 623,386,590</b>

## Note 5. General Property, Plant and Equipment, Net

Property, Plant and Equipment as of September 30, 2021, and 2020, consisted of the following:

2021				
Major Class	Service Life and Method	Cost	Accumulated Amortization/Depreciation	Net Book Value
Equipment	5 Years/Straight Line	\$ 41,886,926	\$ (36,273,805)	\$ 5,613,121
IT Software	5 Years/Straight Line	29,052,822	(26,121,269)	2,931,553
Software in Development	Not Applicable	5,425,314	–	5,425,314
Leasehold Improvements	Remaining Life of Lease/Straight Line	32,953,470	(24,624,583)	8,328,887
Construction in Progress	Not Applicable	3,319,656	–	3,319,656
<b>TOTAL GENERAL PROPERTY, PLANT AND EQUIPMENT, NET</b>		<b>\$ 112,638,188</b>	<b>\$ (87,019,657)</b>	<b>\$ 25,618,531</b>

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
Construction in Progress	Not Applicable	–	–	–
<b>TOTAL GENERAL PROPERTY, PLANT AND EQUIPMENT, NET</b>		<b>\$109,036,247</b>	<b>\$ (83,939,576)</b>	<b>\$ 25,096,671</b>

## Note 6. Liabilities Not Covered by Budgetary Resources

As of September 30, 2021, and 2020, the following liabilities were not covered by budgetary resources:

	2021	2020
<b>Liabilities Not Requiring Budgetary Resources:</b>		
Intragovernmental – Liability to the General Fund of the U.S. Government for Custodial Assets	\$ 34,377,723	\$623,333,958
Intragovernmental – Deferred Lease Liabilities	725,714	–
Deferred Lease Liabilities	15,200,011	18,650,707
Liability for Non-Fiduciary Deposit Funds	595,476	514,025
<b>Total Liabilities Not Requiring Budgetary Resources</b>	<b>\$ 50,898,924</b>	<b>\$642,498,690</b>
<b>Other Liabilities Not Covered by Budgetary Resources:</b>		
Intragovernmental – Unfunded FECA and Unemployment Liability	\$ 89,587	\$ 88,501
Unfunded Annual Leave	18,531,860	15,791,557
Actuarial FECA Liabilities	533,782	508,531
Liability for Whistleblower Awards	203,970,000	3,627,027
<b>TOTAL LIABILITIES NOT COVERED BY BUDGETARY RESOURCES</b>	<b>\$274,024,153</b>	<b>\$662,514,306</b>

Liabilities not covered by budgetary resources of \$274,024,153 and \$662,514,306 represent 92.83 and 97.27 percent of the Commission's total liabilities of \$295,199,402 and \$681,107,640 as of September 30, 2021, and 2020, respectively.

## Note 7. Leases

The CFTC has operating leases 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, 2021, future estimated minimum lease payments are as follows:

Fiscal Year	Non-Federal (Non-Cancellable)	Federal (Cancellable)	Total
2022	\$ 20,088,229	\$ 126,380	\$ 20,214,609
2023	17,880,606	126,380	18,006,986
2024	18,239,105	126,380	18,365,485
2025	18,603,371	126,380	18,729,751
2026	–	126,380	126,380
Thereafter	–	1,243,051	1,243,051
Total Future Scheduled Rent Payments	\$ 74,811,311	\$ 1,874,951	\$ 76,686,262
Future Lease-Related Operating Costs <i>(Estimated)</i>	5,249,103	1,657,760	6,906,863
<b>TOTAL FUTURE MINIMUM LEASE PAYMENTS</b>	<b>\$ 80,060,414</b>	<b>\$ 3,532,711</b>	<b>\$ 83,593,125</b>

The amounts in the table above include the future minimum lease payments for the Commission's existing lease arrangements described by location on the following page. In 2016, the Commission executed a memorandum of understanding with the General Services Administration (GSA) to address all of its 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 of September 30, 2021, the Commission has entered into an occupancy agreement with GSA for space in Kansas City. This agreement may be cancelled with 120 days' notice. As new occupancy agreements are entered into with GSA for its other locations, 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, allowances or credits from landlords, and financed tenant improvements. Consistent with the utility of its office space, the Commission records deferred lease liabilities representing expense amounts in excess of payments to date. Non-federal deferred lease liabilities as of September 30, 2021, and 2020, were \$15,200,011 and \$18,650,707, respectively. As of September 30, 2021, the Commission also recorded federal deferred lease liabilities of \$725,714 as a result of the new GSA occupancy agreement entered into in FY 2021.

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

*continued on next page*

Note 7 continued from previous page

Buildings (Federal, Cancellable)	
LOCATION	LEASE TERMS
Kansas City	Occupancy Agreement with GSA for office space from February 1, 2021, through January 31, 2036. <sup>1</sup>
Buildings (Non-Federal, Non-Cancellable)	
LOCATION	LEASE TERMS
Washington, D.C.	Lease of office space from October 5, 1995, through September 30, 2025, subject to annual escalation amounts <sup>2</sup> and including allowances for leasehold improvements and rent offsets.
New York	Lease of office space from November 16, 2001, through April 30, 2022, with no escalation clauses or option to renew.
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.
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.

<sup>1</sup> In FY 2021, the Commission entered into an Occupancy Agreement with GSA for space in Kansas City that serves as a replacement for the lease the Commission held with a non-federal vendor that ended in FY 2021.

<sup>2</sup> If market rent were \$100 per square foot with a 10 percent annual escalation and a \$10 operating expense base, then 98 percent of the applicable market rent would be \$98 per square foot with a 10 percent escalation and a \$10 operating base.

## 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, 2021, and September 30, 2020, the Commission recorded liabilities for pending payments to whistleblowers of approximately \$203,970,000 and \$3,627,027, respectively. During FY 2021, the Commission disbursed \$3,459,871 in whistleblower awards, which primarily consisted of \$3,002,027 from pending payments and \$411,854 from accounts payable at the end of FY 2020. Accounts payable as of September 30, 2021, includes \$1,476 for awards that have been finalized as of the end of FY 2021.

In addition to the pending payments to whistleblowers, the Commission had 20 additional whistleblower claims currently under review as of September 30, 2021. 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 \$592,223,596.

## 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 2021, the Commission was involved in a matter where an unfavorable outcome is reasonably possible, but the potential loss is not reasonably estimable.

## 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 below.

### 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, 2021, and 2020, consisted of the following:

	2021	2020
Unobligated Balance Brought Forward, October 1	\$ 47,584,244	\$ 27,115,398
Cancellation of Deficient Fund Balance	-	3,043,741
Recoveries of Prior Year Obligations	6,479,879	6,940,912
Other Changes in Unobligated Balance	(3,057,910)	(8,956,084)
<b>UNOBLIGATED BALANCE FROM PRIOR YEAR BUDGET AUTHORITY, NET</b>	<b>\$ 51,006,213</b>	<b>\$ 28,143,967</b>

### B. Undelivered Orders

The amount of budgetary resources obligated for undelivered orders as of September 30, 2021, and 2020, consisted of the following:

	2021	2020
<b>Undelivered Orders – Federal</b>		
Paid	\$ 9,706,678	\$ 3,150,153
Unpaid	14,688,689	12,922,345
<b>Total Undelivered Orders – Federal</b>	<b>\$ 24,395,367</b>	<b>\$ 16,072,498</b>
<b>Undelivered Orders – Non-Federal</b>		
Paid	\$ 3,988,894	\$ 2,197,822
Unpaid	119,043,648	140,635,202
<b>Total Undelivered Orders – Non-Federal</b>	<b>\$ 123,032,542</b>	<b>\$ 142,833,024</b>
<b>TOTAL UNDELIVERED ORDERS</b>	<b>\$ 147,427,909</b>	<b>\$ 158,905,522</b>

*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, 2021, and 2020, as follows:

	<b>2021</b>	<b>2020</b>
Unfunded Lease Obligations Brought Forward, October 1	\$ 103,626,536	\$ 126,714,806
Change in Unfunded Lease Obligations	(23,566,122)	(23,088,270)
<b>TOTAL REMAINING UNFUNDED LEASE OBLIGATIONS</b>	<b>\$ 80,060,414</b>	<b>\$ 103,626,536</b>

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

The CFTC had material differences between the amounts reported in the Statement of Budgetary Resources dated September 30, 2020, and the actual amounts reported in the Budget of the U.S. Government for FY 2020. These differences are 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.

The Budget of the U.S. Government with actual numbers for FY 2021 has not yet been published. The expected publish date is February 2022. A copy of the Budget may be obtained from OMB's website.

	<b>Budgetary Resources</b>
<b>CFTC FY 2020 Statement of Budgetary Resources</b>	<b>\$ 344,175,768</b>
Less Amounts in Customer Protection Fund	(144,591,877)
Less Amount in Expired Accounts	(8,954,773)
Less New Budget Authority Used to Liquidate Deficiencies	(23,088,270)
Plus Unfunded Lease Obligations Brought Forward, October 1	126,714,806
Plus Rounding to Nearest Million (+/-)	(255,654)
<b>BUDGET OF THE U.S. GOVERNMENT</b>	<b>\$ 294,000,000</b>

### D. Distributed Offsetting Receipts

Distributed offsetting receipts are amounts that an agency collects from the public or from other Government agencies that are used to offset or reduce an agency's budget outlays. The Commission's distributed offsetting receipts generally

consist of miscellaneous collections for such items as Freedom of Information Act requests, vendor refunds, and lost or damaged property that cannot be applied to other funds.



## 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.

	2021	2020
<b>TOTAL NET COST OF OPERATIONS</b>	<b>\$ 514,901,590</b>	<b>\$ 301,285,466</b>
<b>Components of Net Cost That Are Not Part of Net Outlays:</b>		
Depreciation and Amortization	\$ (4,566,312)	\$ (6,031,004)
Gain/(Loss) on Disposal	(34,252)	(412,170)
<b>Increase/(Decrease) in Assets:</b>		
Accounts Receivable	(25,649)	(1,950)
Decrease in Advances and Prepayments	-	(345,320)
<b>(Increase)/Decrease in Liabilities:</b>		
Accounts Payable	(3,006,512)	13,217,453
Salaries and Benefits	424,597	(3,178,787)
Liability for Whistleblower Awards	(200,342,973)	16,653,119
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	(2,766,640)	(3,151,507)
<b>Other Financing Sources:</b>		
Federal Employee Retirement Benefit Costs Paid by OPM and Imputed to CFTC	(6,547,842)	(5,663,309)
Transfers (In)/Out Without Reimbursement	(12,419)	-
<b>Total Components of Net Cost That Are Not Part of Net Outlays</b>	<b>\$ (216,878,002)</b>	<b>\$ 11,086,525</b>
<b>Components of Net Outlays That Are Not Part of Net Cost:</b>		
Acquisition of Capital Assets	\$ 7,847,406	\$ 4,644,995
Increase in Advances and Prepayments	8,347,597	-
Nonexchange Interest Revenue (Excluding Interest Receivable)	(53,886)	(1,082,980)
<b>Total Components of Net Outlays That Are Not Part of Net Cost</b>	<b>\$ 16,141,117</b>	<b>\$ 3,562,015</b>
<b>Outlays, Net</b>	<b>\$ 314,164,705</b>	<b>\$ 315,934,006</b>
Distributed Offsetting Receipts	(37,264)	(5,106)
<b>AGENCY OUTLAYS, NET</b>	<b>\$ 314,127,441</b>	<b>\$ 315,928,900</b>

## 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 in error, the Commission can recover the funds. 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, 2021, and 2020:

	2021	2020
<b>BALANCE SHEETS</b>		
Fund Balance with Treasury	\$ 113,344,846	\$ 5,351,553
Investments	–	117,000,000
Accounts Receivable, Net	–	842
General Property, Plant and Equipment, Net	–	7,161
Advances and Prepayments	7,844	9,685
<b>TOTAL ASSETS</b>	<b>\$ 113,352,690</b>	<b>\$ 122,369,241</b>
Accounts Payable	\$ 898,447	\$ 1,234,029
Accrued Funded Payroll	200,819	219,313
Unfunded Annual Leave	356,457	260,900
Liability for Whistleblower Awards	203,970,000	3,627,027
<b>Total Liabilities</b>	<b>\$ 205,425,723</b>	<b>\$ 5,341,269</b>
Cumulative Results of Operations – Funds from Dedicated Collections	(92,073,033)	117,027,972
<b>Total Net Position</b>	<b>\$ (92,073,033)</b>	<b>\$ 117,027,972</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 113,352,690</b>	<b>\$ 122,369,241</b>
<b>STATEMENTS OF NET COST</b>		
Gross Costs	\$ 209,154,891	\$ 9,494,170
<b>TOTAL NET COST OF OPERATIONS</b>	<b>\$ 209,154,891</b>	<b>\$ 9,494,170</b>
<b>STATEMENTS OF CHANGES IN NET POSITION</b>		
Beginning Cumulative Results of Operations	\$ 117,027,972	\$ 125,439,162
Nonexchange Interest Revenue	53,886	1,082,980
Net Cost of Operations	(209,154,891)	(9,494,170)
Net Change in Cumulative Results of Operations	(209,101,005)	(8,411,190)
<b>TOTAL NET POSITION, ENDING</b>	<b>\$ (92,073,033)</b>	<b>\$ 117,027,972</b>



# REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Commodity Futures Trading Commission

## COMBINING STATEMENTS OF BUDGETARY RESOURCES BY MAJOR ACCOUNT

For the Years Ended September 30, 2021 and 2020

2021	CUSTOMER PROTECTION FUND	SALARIES AND EXPENSES	INFORMATION TECHNOLOGY	COMBINED
<b>BUDGETARY RESOURCES</b>				
Unobligated Balance from Prior Year Budget Authority, Net (Note 10A)	\$ 119,887,663	\$ (70,827,132)	\$ 1,945,682	\$ 51,006,213
Appropriations	-	304,000,000	-	304,000,000
Spending Authority from Offsetting Collections	50,815	12,419	-	63,234
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 119,938,478</b>	<b>\$ 233,185,287</b>	<b>\$ 1,945,682</b>	<b>\$ 355,069,447</b>
<b>STATUS OF BUDGETARY RESOURCES</b>				
New Obligations and Upward Adjustments	\$ 8,862,632	\$ 294,598,457	\$ 6,506	\$ 303,467,595
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	111,075,846	11,942,493	-	123,018,339
Unapportioned, Unexpired Accounts	-	(80,060,414)	-	(80,060,414)
Unexpired Unobligated Balance, End of Year	111,075,846	(68,117,921)	-	42,957,925
Expired Unobligated Balance, End of Year	-	6,704,751	1,939,176	8,643,927
Unobligated Balance, End of Year (Total)	111,075,846	(61,413,170)	1,939,176	51,601,852
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 119,938,478</b>	<b>\$ 233,185,287</b>	<b>\$ 1,945,682</b>	<b>\$ 355,069,447</b>
<b>OUTLAYS, NET</b>				
Outlays, Net	\$ 9,006,707	\$ 303,469,727	\$ 1,688,271	\$ 314,164,705
Distributed Offsetting Receipts	-	(37,264)	-	(37,264)
<b>AGENCY OUTLAYS, NET</b>	<b>\$ 9,006,707</b>	<b>\$ 303,432,463</b>	<b>\$ 1,688,271</b>	<b>\$ 314,127,441</b>

*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**

For the Years Ended September 30, 2021 and 2020

2020	CUSTOMER PROTECTION FUND	SALARIES AND EXPENSES	INFORMATION TECHNOLOGY	COMBINED
<b>BUDGETARY RESOURCES</b>				
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
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 144,591,877</b>	<b>\$ 195,429,981</b>	<b>\$ 4,153,910</b>	<b>\$ 344,175,768</b>
<b>STATUS OF BUDGETARY RESOURCES</b>				
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
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 144,591,877</b>	<b>\$ 195,429,981</b>	<b>\$ 4,153,910</b>	<b>\$ 344,175,768</b>
<b>OUTLAYS, NET</b>				
Outlays, Net	\$ 32,096,783	\$ 256,483,379	\$ 27,353,844	\$ 315,934,006
Distributed Offsetting Receipts	–	(5,106)	–	(5,106)
<b>AGENCY OUTLAYS, NET</b>	<b>\$ 32,096,783</b>	<b>\$ 256,478,273</b>	<b>\$ 27,353,844</b>	<b>\$ 315,928,900</b>



# OTHER INFORMATION



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# INSPECTOR GENERAL'S FY 2021 ASSESSMENT



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

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

**TO:** Rostin Behnam, Acting Chairman  
Dawn Stump, Commissioner  
Dan M. Berkovitz, Commissioner

**FROM:** A. Roy Lavik, Inspector General *ARL/R*

**DATE:** September 29, 2021

**SUBJECT:** Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the Commodity Futures Trading Commission FY 2021

The Reports Consolidation Act of 2000 (RCA)<sup>1</sup> 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.<sup>2</sup> 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.”<sup>3</sup>

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

<sup>2</sup> *Id.*

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

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

For [FY2020](#), we reiterated information technology (IT) modernization and data governance as management challenges, and recognized the Agency appointed a new Chief Information Officer (CIO) and established the position of Chief Data Officer (CDO). Progress on last year's challenges include CFTC's cloud migration journey, which presents new challenges in a virtual and remote work environment.

We recognize that the CIO and CDO are collaboratively and methodically addressing last year's challenges. We will continue to monitor the progress of CFTC's technological journey.

### **Fiscal Year 2021 Management and Performance Challenges**

For FY2021, we have identified three management challenges:

1. Climate change and its impact on the CFTC and the CFTC's mission;
2. Management of IT (this is repeated from FY2020 and FY2019 management challenges); and
3. Enterprise Risk Management (ERM).

These challenges, and CFTC's current actions addressing them, align with the President's risk-related priorities communicated in several Executive Orders.<sup>4</sup>

#### **1. Climate Change**

Climate change impacts the CFTC's mission, its physical assets and infrastructure, as well as the businesses of market participants. Therefore, we consider climate change a management and performance challenge as contemplated by the RCA. We are aware that in September 2020, the CFTC Climate-Related Market Risk Subcommittee of the Market Risk Advisory Committee released a report entitled *Managing Climate Risk in the U.S. Financial System*.<sup>5</sup> In March and August of this year, U.S. Treasury Secretary

<sup>4</sup> [Executive Order on Protecting Americans' Sensitive Data from Foreign Adversaries](#), EO 14034, June 9, 2021; [Executive Order on Improving the Nation's Cybersecurity](#), EO 14028, May 12, 2021; and [Executive Order on Climate-Related Financial Risk](#), EO 14030, May 2021.

<sup>5</sup> Available here: <https://www.cftc.gov/sites/default/files/2020-09/9-9-20%20Report%20of%20the%20Subcommittee%20on%20Climate-Related%20Market%20Risk%20-%20Managing%20Climate%20Risk%20in%20the%20U.S.%20Financial%20System%20for%20posting.pdf>.

Janet Yellen and Acting Comptroller of the Currency Michael Hsu recognized that climate change poses an existential risk to the financial industry.<sup>6</sup> Climate change impacts both the financial and agricultural markets CFTC regulates,<sup>7</sup> and thereby impacts the entirety of the CFTC mission. In this regard, we note acting Chairman Behnam launched the CFTC Climate Risk Unit (CRU) in March 2021.<sup>8</sup> The CRU is comprised of staff from CFTC’s operating divisions and offices, and is “intended to accelerate early CFTC engagement in support of industry-led and market driven processes in the climate – and larger [environmental, social, and governance] – space critical to ensuring that new products and markets fairly facilitate hedging, price discovery, market transparency, and capital allocation.”<sup>9</sup>

## 2. Management of IT

In addition, emerging threats cause us to again identify management of IT as a continuing management challenge. CFTC must understand and be prepared to address IT risks that impact both the agency and the industry it regulates. As to information security, CFTC cyber defenses report on emerging cyber threats, including threats to PII (Personal Identifiable Information). CFTC continues to devote resources to its cyber threat response program that operates in real-time.

## 3. Enterprise Risk Management

Finally, Enterprise Risk Management (ERM) presents a third management challenge. An ERM program is a critical asset to the Commission to prioritize and respond to a variety of internal and external risks, including IT-related risks. In March 2021, the CFTC hired its first Chief Risk Officer, who reports directly to the head of the Division of Administration (DA). Resource and organizational

<sup>6</sup> See, *Remarks by Secretary Janet L. Yellen at the Open Session of the meeting of the Financial Stability Oversight Council*, March 31, 2021, available here: <https://home.treasury.gov/news/press-releases/y0092>, and *Statement of Michael J. Hsu, Acting Comptroller of the Currency before the Committee on Banking, Housing, and Urban Affairs, United States Senate*, August 3, 2021, available here: <https://www.occ.gov/news-issuances/congressional-testimony/2021/ct-occ-2021-79-written.pdf>.

<sup>7</sup> See, Professor Christopher Wolf, testimony before the U.S. Senate Committee on Agriculture, Nutrition, & Forestry, Subcommittee on Livestock, Dairy, Poultry, local Food Systems, and Food Safety and Security, *Milk Pricing: Areas for Improvement and Reform*, September 15, 2021, at 2:11:06-2:12:34 states that greenhouse gasses and “environmental change” are among the important issues facing dairy farmers.

<sup>8</sup> CFTC Release No. 8368-21, *CFTC Acting Chairman Behnam Establishes New Climate Risk Unit*, March 17, 2021, available here: <https://www.cftc.gov/PressRoom/PressReleases/8368-21>.

<sup>9</sup> *Id.*



constraints may present a challenge to success in this area, and we will continue to monitor this area.

We acknowledge that CFTC's cloud migration, establishment of a Chief Risk Officer, effective cyber response program, and establishment of the CRU each advance the President's risk-related priorities communicated in several Executive Orders.<sup>10</sup> We will continue to monitor the progress of CFTC's risk related programs as they mature.

Cc: David Gillers, Chief of Staff  
Summer Mersinger, Chief of Staff  
Erik F. Remmler, Chief of Staff  
Tamara Roust, Director, Division of Data  
Anthony Thompson, Executive Director & Chief Administrative Officer, Division of Administration (DA)  
Naeem Musa, Chief Information Security Officer, DA  
Joel Mattingley, Chief Financial Officer, DA  
Janaka Perera, Chief Information Officer, DA  
Edward Padula, Chief Risk Officer, DA  
John Rogers, Senior Advisor, DA

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<sup>10</sup> See [fn. 4](#).



# SUMMARY OF AUDIT AND MANAGEMENT ASSURANCES

## Summary of FY 2021 Financial Statement Audit

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

## Summary of Management Assurances

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

## DEFINITION OF TERMS

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

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

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

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

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

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



## 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 tables on the following page.<sup>14</sup>

<sup>14</sup> Criminal authorities may also seek fines for criminal violations of the CEA (See Sections 6(d), 9, 7 U.S.C. 13, 13(c), 13(d), 13(e), and 13b. The FCPIA does not affect criminal penalties.

Penalty (Name of Penalty)	Authority (Statute)	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Level (\$ Amount) <sup>15</sup>	Location for Penalty Update Details
<b>CIVIL MONETARY PENALTIES IMPOSED BY THE COMMISSION IN AN ADMINISTRATIVE ENFORCEMENT ACTION</b>					
For a civil penalty against any person (other than a registered entity, as that term is defined in Section 1a(4) of the CEA)	Section 6(c) of the Commodity Exchange Act (7 U.S.C. 9)	1/13/2020	2/12/2021	For penalties imposed by the Commission to administrative enforcement proceedings for violations from November 2015 to present, not more than the greater of \$170,129 (for non-manipulation violations) or \$1,227,202 (for manipulation or attempted manipulation violations) or triple the monetary gain to such person for each such violation.	Federal Register Vol. 86, Page 7802 (February 2, 2021)  <a href="https://www.cftc.gov/sites/default/files/2021/02/2020-28945a.pdf">https://www.cftc.gov/sites/default/files/2021/02/2020-28945a.pdf</a>
For a civil monetary penalty against any registered entity or any director, officer, agent, or employee of any registered entity, as that term is defined in Section 1a(40) of the CEA	Section 6b of the Commodity Exchange Act (7 U.S.C. 13a)	1/13/2020	2/12/2021	For penalties imposed by the Commission in administrative enforcement proceedings for violations from November 2015 to present, not more than the greater of \$937,161 (for non-manipulation violations) or \$1,227,202 (for manipulation or attempted manipulation violations) or triple the monetary gain to such person for each such violation.	Federal Register Vol. 86, Page 7802 (February 2, 2021)  <a href="https://www.cftc.gov/sites/default/files/2021/02/2020-28945a.pdf">https://www.cftc.gov/sites/default/files/2021/02/2020-28945a.pdf</a>
<b>CIVIL MONETARY PENALTIES IMPOSED BY A DISTRICT COURT IN A CIVIL INJUNCTIVE ENFORCEMENT ACTION</b>					
For a civil monetary penalty assessed against any person	Section 6c of the Commodity Exchange Act (7 U.S.C. 13a-1)	1/13/2020	2/12/2021	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 \$187,432 (for non-manipulation violations) or \$1,227,202 (for manipulation or attempted violations) or triple the monetary gain to such person for each such violation.	Federal Register Vol. 86, Page 7802 (February 2, 2021)  <a href="https://www.cftc.gov/sites/default/files/2021/02/2020-28945a.pdf">https://www.cftc.gov/sites/default/files/2021/02/2020-28945a.pdf</a>

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>

<sup>15</sup> These adjusted penalties apply only with respect to violations occurring on or after November 2, 2015, the effective date of the 2015 Act.



# APPENDIX



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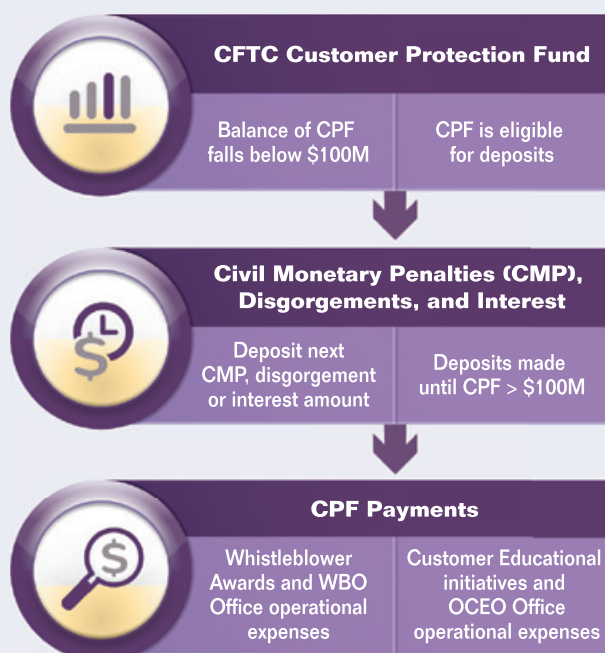
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# CFTC CUSTOMER PROTECTION FUND

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

In 2012, the Commission established the WBO and the OCEO to administer the Whistleblower and Customer Education Programs.



## FY 2021 Highlights of the Whistleblower Program

The WBO raises awareness and increases the public's understanding of the Whistleblower Program through outreach to various stakeholders. These include industry and professional groups, other government agencies, SROs, academia, and potential whistleblowers; who may be traders, 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.<sup>16</sup> The website educates the public about the Whistleblower Program, serving as a comprehensive resource for information to answer frequently asked questions and offer helpful guidance on navigating the program.<sup>17</sup>

During FY 2021, the WBO continued using its website to publish *Whistleblower Alerts* on trending topics. Previous alerts, posted in FYs 2019 and 2020, covered Bank Secrecy Act/anti-money laundering, foreign corrupt practices,

<sup>16</sup> See <https://www.whistleblower.gov>.

<sup>17</sup> See, e.g., *Things To Know*: <https://www.whistleblower.gov/news/thingstoknow>.

insider trading, virtual currencies, and spoofing. The WBO posted an alert in April 2021 regarding corrupt practices in the commodities and derivatives markets.<sup>18</sup> These trending topic alerts inform members of the public about how they can make themselves eligible for both financial awards and certain protections, while helping stop violations of the CEA. Additionally, these alerts raise awareness of areas of particular interest to the DOE.

WBO staff gave virtual presentations at six public events attended by members of the global futures, options, and cleared swaps industry; corporate counsel; the whistleblower bar; and potential whistleblowers. These presentations aim to raise the profile and enhance stakeholders' understanding of the program. Because the COVID-19 (coronavirus) pandemic limited the office's outreach efforts, these numbers are lower than in many prior years, but higher than in FY 2020.

In FY 2021 the Commission granted six applications for whistleblower awards, totaling more than \$3 million, to be paid to individuals who voluntarily provided original information or analyses that led to successful enforcement actions. The six Final Orders include awards granted to multiple whistleblowers who provided information to other authorities first. Since the inception of the Whistleblower Program, the CFTC has issued 31 orders granting a total of more than \$123 million in awards. To date, the total sanctions ordered in Commission actions associated with those awards exceeded the \$1 billion level during FY 2021.

In FY 2022 and beyond, the WBO will continue to publicize and explain the Whistleblower Program through customer advisories and alerts on its website, and by speaking and exhibiting at relevant industry conferences. The WBO continues to look for ways to ensure the DOE is receiving the maximum benefit from each whistleblower tip, and for ways to ensure whistleblowers are timely and fairly rewarded when they bring the Commission information that leads to successful enforcement actions. To help achieve these goals, the WBO has proposed building a dashboard/database that will serve as a single centralized system to help track cases involving whistleblowers and their contributions.

## Customer Education and Outreach

The OCEO administers the CFTC's customer and public education initiatives. Among its duties, the OCEO supports the Commission by creating and distributing financial education messages and materials designed to help customers spot, avoid, and report fraud and other violations of the CEA.

In FY 2021 an agency reorganization included OCEO in the newly formed Market Participants Division. This transition, along with the COVID-19 pandemic impacted the OCEO's program. Nevertheless, the OCEO worked to act on all available opportunities to advance its mission.

OCEO continued to interact with customers and stakeholders through advisories, web articles, social media and other means online. To increase its reach and impact, the OCEO looked for opportunities to leverage partnerships and multi-agency efforts to help generate larger audiences. Throughout the year, the OCEO participated in:

- Several joint webinars;
- A Twitter chat with other financial regulators, including The Securities and Exchange Commission (SEC), the National Futures Association (NFA), and the Financial Industry Regulatory Authority (FINRA); and
- An American Association of Retired Persons (AARP) New York tele-townhall program that attracted nearly 2,100 AARP members across the state. The OCEO discussed fraud prevention and responded to listener questions during the program.

In October, the OCEO's social media messaging during World Investor Week—the International Organization of Securities Commission's (IOSCO) global campaign to raise awareness about the importance of investor education and protection—generated more than 25,500 social media impressions, approximately 1,300 views of a featured Chairman's video message, and hundreds of referrals to CFTC.gov's educational resources. In December the OCEO participated in Operation Income Illusion, an effort led by the Federal Trade Commission (FTC) to draw attention to

<sup>18</sup> Whistleblower Alerts are available on the Whistleblower Program website's main landing page, <https://www.whistleblower.gov>, as well as on a dedicated alerts page, <https://www.whistleblower.gov/whistleblower-alerts>.

enforcement cases and customer education information as part of a nationwide crackdown on scams targeting customers with fake promises of income.<sup>19</sup>

The OCEO published a customer advisory warning about the risks to investors of reacting to Internet hype, specifically meme trading, before they gain a complete understanding of commodity futures, options, physical cash markets, and managed products, including commodity exchange traded products.<sup>20</sup> The Internet hype in meme trading involves traders making decisions based on cues and surges in message boards, social media, or other online activity flooding certain markets or products.

In addition, the Office collaborated with the SEC to co-produce an Investor Alert about the potential risks associated with investing in funds with exposure to Bitcoin futures,<sup>21</sup> and to publish an article warning fraud victims about follow-on recovery frauds.<sup>22</sup> Recovery fraud is a type of advance-fee fraud that targets victims of other frauds, where perpetrators pose as lawyers, court or government officials, and claim to be able to return victims' stolen money for an upfront fee.

The OCEO also continued to develop and maintain relationships with key stakeholders in the financial education field. As a member of the Financial Literacy Education Commission (FLEC),<sup>23</sup> the OCEO regularly communicates and coordinates activities with agencies such as the Consumer Financial Protection Bureau (CFPB), FTC, SEC, and the Departments of Agriculture, Defense, Labor, Treasury, and others. In addition, the OCEO engages regularly with self-regulatory organizations including NFA and FINRA. Over the past year, the OCEO has also conducted outreach to academic and nonprofit organizations including the Alliance for Investor Education, the American Savings

Education Council, the University of Minnesota's Center for Farm Financial Management, the Iowa Farm Bureau, The Iowa State University Extension and Outreach, Military Families Learning Network, and the National Endowment for Financial Education. And, as a liaison to the Futures Fundamentals Advisory Council (FFAC), OCEO has advised the FFAC in the development of web content designed to build a baseline understanding of the futures industry among learners of all ages. Futures Fundamentals<sup>24</sup> is an industry-wide initiative for derivatives education involving representatives from CME Group, the Futures Industry Association, ICE NYSE Foundation Inc., the Institute of Financial Markets, and the NFA.

In FY 2022 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 uses its healthy network of stakeholders across the financial education spectrum to quickly ramp up customer education and outreach activities when resources and opportunities become available. 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.

<sup>19</sup> See Press Release Number 8334-20: CFTC Participates in Operation Income Illusion to Raise Retail Fraud Awareness, <https://www.cftc.gov/PressRoom/PressReleases/8334-20>.

<sup>20</sup> See Customer Advisory: Understand Risks and Markets before Reacting to Internet Hype, [https://www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/CustomerAdvisory\\_SocialMedia\\_Metals.html](https://www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/CustomerAdvisory_SocialMedia_Metals.html)

<sup>21</sup> See CFTC/SEC Investor Alert: Funds Trading in Bitcoin Futures, [https://www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/fraudadv\\_funds\\_trading\\_in\\_bitcoin\\_futures.html](https://www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/fraudadv_funds_trading_in_bitcoin_futures.html)

<sup>22</sup> See Don't be Re-Victimized by Recovery Frauds, <https://www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/RecoveryFrauds.html>

<sup>23</sup> FLEC was established pursuant to title V of the Fair and Accurate Credit Transactions Act of 2003, Pub. L. 108-159 (Dec. 4, 2003), available at <https://www.congress.gov/108/plaus/publ159/PLAW-108publ159.pdf>; 20 U.S.C. Chapter 77, available at <https://www.law.cornell.edu/uscode/text/20/chapter-77>. The FLEC is chaired by Treasury and consists of 20 other federal agencies. To learn more, visit <https://home.treasury.gov/policy-issues/consumer-policy/financial-literacy-and-education-commission>.

<sup>24</sup> See <https://www.futuresfundamentals.org/>





# WHY ARE THE MARKETS IMPORTANT TO ME?

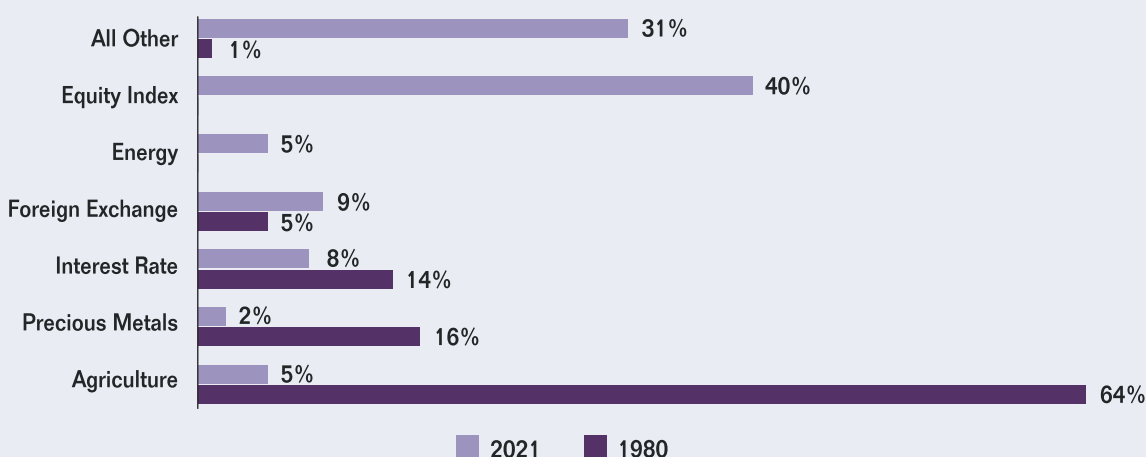
## A Primer in Futures Markets

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; 2021 data as of July 2021

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 2021. 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 82 percent in 2021.



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

six 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
<b>Manufacturer's Net Receipt or Payment Depending on Prevailing Price on Agreed Upon Date of Swap:</b>		<b>\$25,000</b>	<b>(\$25,000)</b>



# CFTC OVERSIGHT OF REGULATED ENTITIES

## Which Entities Does CFTC Regulate?

**Associated Person**—A natural person who is associated in certain capacities with a futures commission merchant, introducing broker, commodity pool operator, commodity trading advisor, leverage transaction merchant, or swap dealer or major swap participant and who engages in the solicitation or acceptance of orders, funds/property, or swaps; or the supervision of any person or persons so engaged.

**Commodity Pool Operator**—A person engaged in a business in the nature of a commodity pool, investment trust, syndicate, or similar form of enterprise, 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 compensation or profit, engages in the business of advising others as to the value or advisability of commodity futures or options, security futures products, swaps, retail foreign exchange contracts, or leverage transactions; or who, as part of a regular business issues analyses or reports concerning commodity futures or options.

**Derivatives Clearing Organization (DCO)**—The term used in the Commodity Exchange Act (CEA) 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**—A derivatives clearing organization that has been exempted by the Commission from registration for the clearing of swaps because the Commission has determined that the derivatives clearing organization is subject to comparable, comprehensive supervision and regulation by appropriate government authorities in the derivatives clearing organization's home country, as permitted by the CEA.

**Floor Broker**—A person who, in any pit, ring, post, or other place provided by an exchange for the meeting of persons similarly engaged, purchases or sells for another person any futures contract, commodity option, security futures product or swap.

**Floor Trader**—A person who, in any pit, ring, post, or other place provided by an exchange for the meeting of persons similarly engaged, purchases or sells for their own account, any futures contract, commodity option, security futures product or swap.



**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**—An individual, association, partnership, corporation, or trust that solicits or accepts orders for the purchase or sale of any futures contract, commodity option contract, security futures contract, commodity option contract, security futures contract, swap, retail foreign exchange transaction, or leverage transaction (or who acts as a counterparty to a retail foreign exchange transaction), and who accepts payment from or extends credit to margin, guarantee or secure any trades resulting from the activity.

**Introducing Broker**—A person (except any of the following, acting in their capacity as such: Futures commission merchants, floor brokers, associated persons, commodity pool operators, or commodity trading advisors) who, for compensation or profit, is engaged in soliciting or accepting orders for the purchase or sale of any futures contract, commodity option contract, security futures product, retail foreign exchange transaction, leverage transaction, or swap, and who does not accept any money, securities, or property to margin, guarantee, or secure any trades or contracts that result.

**Major Swap Participant**—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 person that is, or that offers to be, the counterparty to a retail forex transaction, except for a counterparty, or person offering to be a counterparty, that is a U.S. financial institution, a broker or dealer registered with the SEC, an associated person of a broker or dealer registered with the SEC, a futures commission merchant registered with the CFTC, or a financial holding company.

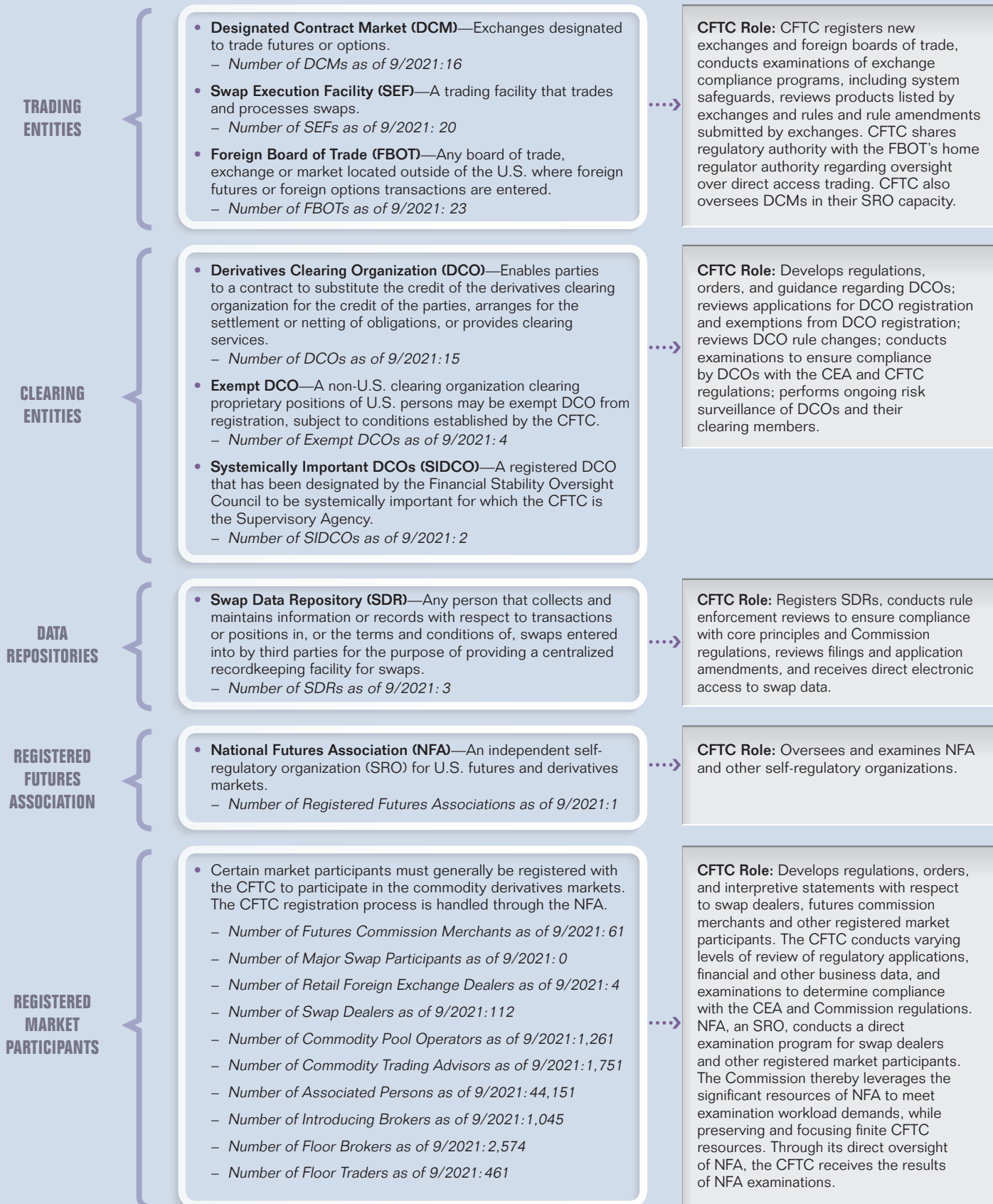
**Swap Data Repository**—Swap data repositories are entities created by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) to provide a central facility for swap data reporting and recordkeeping.

**Swap Dealer**—Any person who holds itself out as a dealer in swaps; makes a market in swaps; regularly enters into swaps with counterparties as an ordinary course of business for its own account; or engages in any activity causing it to be commonly known in the trade as a dealer or market maker in swaps, unless that person only engages in a *de minimis* amount of swap dealing activity.

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

**Systemically Important Derivatives Clearing Organization**—A derivatives clearing organization registered with the CFTC that has been designated as systemically important by the Financial Stability Oversight Council and for which the CFTC acts as the Supervisory Agency pursuant to Title VIII of the Dodd-Frank Act.

## Entities Under CFTC Regulation





# CFTC GLOSSARY

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

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

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

<b>CEA</b> .....	Commodity Exchange Act
<b>DATA Act</b> .....	Digital Accountability and Transparency Act of 2014
<b>Dodd-Frank</b> .....	Dodd-Frank Wall Street Reform and Consumer Protection Act
<b>FCPIA</b> .....	Federal Civil Penalties Inflation Adjustment Act
<b>FECA</b> .....	Federal Employees' Compensation Act
<b>FIRREA</b> .....	Financial Institutions, Reform, Recovery and Enforcement Act
<b>FISMA</b> .....	Federal Information Security Management Act
<b>FFMIA</b> .....	Federal Financial Management Improvement Act
<b>FMFIA</b> .....	Federal Managers' Financial Integrity Act
<b>FOIA</b> .....	Freedom of Information Act
<b>GPRA</b> .....	Government Performance and Results Act
<b>RCA</b> .....	The Reports Consolidation Act of 2000

## CFTC Divisions and Offices

<b>DA</b> .....	Division of Administration
<b>DCR</b> .....	Division of Clearing and Risk
<b>DMO</b> .....	Division of Market Oversight
<b>DOE</b> .....	Division of Enforcement
<b>DOD</b> .....	Division of Data
<b>LD</b> .....	Legal Division
<b>MPD</b> .....	Market Participants Division
<b>OCE</b> .....	Office of the Chief Economist
<b>OCEO</b> .....	Office of Customer Education and Outreach
<b>OIA</b> .....	Office of International Affairs
<b>OIG</b> .....	Office of the Inspector General
<b>OLIA</b> .....	Office of Legislative and Intergovernmental Affairs
<b>OMWI</b> .....	Office of Minority and Women Inclusion
<b>OPA</b> .....	Office of Public Affairs
<b>WBO</b> .....	Whistleblower Office

## U.S. Federal Departments and Agencies

<b>CFTC</b> .....	U.S. Commodity Futures Trading Commission
<b>DHS</b> .....	U.S. Department of Homeland Security
<b>DOL</b> .....	U.S. Department of Labor
<b>ESC</b> .....	U.S. Department of Transportation's Enterprise Services Center
<b>FDIC</b> .....	Federal Deposit Insurance Corporation
<b>FTC</b> .....	Federal Trade Commission
<b>GAO</b> .....	U.S. Government Accountability Office
<b>GSA</b> .....	U.S. General Services Administration
<b>NIST</b> .....	National Institute of Standards and Technology
<b>OMB</b> .....	Office of Management and Budget
<b>OPM</b> .....	Office of Personnel Management
<b>SEC</b> .....	U.S. Securities and Exchange Commission
<b>Treasury</b> .....	U.S. Department of the Treasury
<b>USDA</b> .....	U.S. Department of Agriculture

## Other Abbreviations and Industry Terms

<b>AAC</b> .....	Agricultural Advisory Committee
<b>AARP</b> .....	American Association of Retired Persons
<b>ADA</b> .....	Anti-deficiency Act
<b>AFR</b> .....	Agency Financial Report
<b>AICPA</b> .....	American Institute of Certified Public Accountants
<b>AP</b> .....	Associated Person
<b>CCP</b> .....	Central Counterparty
<b>CEAR</b> .....	Certificate of Excellence in Accountability Reporting
<b>CDO</b> .....	Chief Data Officer
<b>CFPB</b> .....	Consumer Financial Protection Bureau
<b>CIO</b> .....	Chief Information Officer
<b>CME</b> .....	Chicago Mercantile Exchange

<b>CMEG</b> .....	CME Group
<b>CMP</b> .....	Civil Monetary Penalties
<b>CPF</b> .....	Customer Protection Fund
<b>COVID-19</b> .....	COVID-19 Pandemic
<b>CPMI</b> .....	Committee on Payments and Market Infrastructures
<b>CPO</b> .....	Commodity Pool Operator
<b>CRU</b> .....	Climate Risk Unit
<b>CSRS</b> .....	Civil Service Retirement System
<b>CTA</b> .....	Commodity Trading Advisor
<b>DCM</b> .....	Designated Contract Market
<b>DCO</b> .....	Derivatives Clearing Organization
<b>DEI</b> .....	Diversity, Equity, Inclusion
<b>DEIA</b> .....	Diversity, Equity, Inclusion, and Accessibility
<b>DQP</b> .....	Data Quality Plan
<b>DSRO</b> .....	Designated Self-Regulatory Organization
<b>EEO</b> .....	Equal Employment Opportunity
<b>EMIR</b> .....	European Market Infrastructure Regulation
<b>ERM</b> .....	Enterprise Risk Management
<b>ENN</b> .....	Entity-Netted Notional
<b>EU</b> .....	European Union
<b>FASAB</b> .....	Federal Accounting Standards Advisory Board
<b>FBOT</b> .....	Foreign Board of Trade
<b>FCM</b> .....	Futures Commission Merchant
<b>FERS</b> .....	Federal Employees Retirement System
<b>FFAC</b> .....	Futures Fundamentals Advisory Council
<b>FILAC</b> .....	Filings and Actions Database
<b>FINRA</b> .....	Financial Industry Regulatory Authority
<b>FinTech</b> .....	Financial Technology
<b>FLEC</b> .....	Financial Literacy Education Commission
<b>FSB</b> .....	Financial Stability Board
<b>FSOC</b> .....	Financial Stability Oversight Council



<b>FTE</b> .....Full-time Equivalent	<b>RFED</b> .....Retail Foreign Exchange Dealer
<b>FY</b> .....Fiscal Year	<b>RSI</b> .....Required Supplementary Information
<b>GAAP</b> .....U.S. Generally Accepted Accounting Principles	<b>RSR</b> .....Regulatory Statement Review
<b>GAGAS</b> .....Generally Accepted Government Auditing Standards	<b>S&amp;E</b> .....Salaries and Expenses
<b>GFIN</b> .....Global Financial Innovation Network	<b>SBR</b> .....Statement of Budgetary Resources
<b>IB</b> .....Introducing Broker	<b>SD</b> .....Swap Dealer
<b>ICE</b> .....Intercontinental Exchange	<b>SDR</b> .....Swap Data Repository
<b>ICC</b> .....Ice Clear Credit LCC	<b>SEF</b> .....Swap Execution Facility
<b>ICOR</b> .....Internal Controls over Reporting	<b>SFFAS</b> .....Statement of Federal Financial Accounting Standards
<b>IOSCO</b> .....International Organization of Securities Commissions	<b>SIDCO</b> .....Systemically Important DCO
<b>IR</b> .....Interest Rate	<b>SPPS</b> .....Special Payment Processing System
<b>IRS</b> .....Interest Rate Swap	<b>SRO</b> .....Self-Regulatory Organization
<b>ISDA</b> .....International Swaps and Derivatives Association	<b>SSAE</b> .....Statements on Standards for Attestation Engagements
<b>IT</b> .....Information Technology	<b>SSE</b> .....System Safeguards Examination
<b>MIB</b> .....Market Intelligence Branch	<b>SOFR</b> .....Secured Overnight Financing Rate
<b>MOU</b> .....Memorandum of Understanding	<b>TCR</b> .....Tip, Complaint, or Referral Form
<b>MRAC</b> .....Market Risk Advisory Committee	<b>TMA</b> .....Targeted Maturity Assessment
<b>MSP</b> .....Major Swap Participant	<b>UCFE</b> .....Unemployment Compensation for Federal Employees
<b>NFA</b> .....National Futures Association	<b>UK</b> .....United Kingdom
<b>OA</b> .....Occupancy Agreement	<b>UPI</b> .....Unique product identifiers
<b>ORB</b> .....Other Retirement Benefits	<b>USSGL</b> .....U.S. Standard General Ledger
<b>OTC</b> .....Over-the-Counter	<b>UTI</b> .....Unique transaction identifiers
<b>PII</b> ..... Personal Identifiable Information	<b>WBO APP</b> ....Whistleblower Application Form
<b>PP&amp;E</b> .....Property, Plant and Equipment	<b>ZTA</b> .....Zero Trust Architecture
<b>RED</b> .....Registration Deficient List	
<b>RegTech</b> .....Regulatory Technology	

## We Welcome Your Comments

Thank you for your interest in the CFTC's FY 2021 Agency Financial Report. We welcome your comments on how we can make the report more informative for our readers. Please send feedback to [dfrederickson@cftc.gov](mailto:dfrederickson@cftc.gov) or to:

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This FY 2021 Agency Financial Report and prior year documents are available on the CFTC website at: <https://www.cftc.gov/About/CFTCReports/index.htm>

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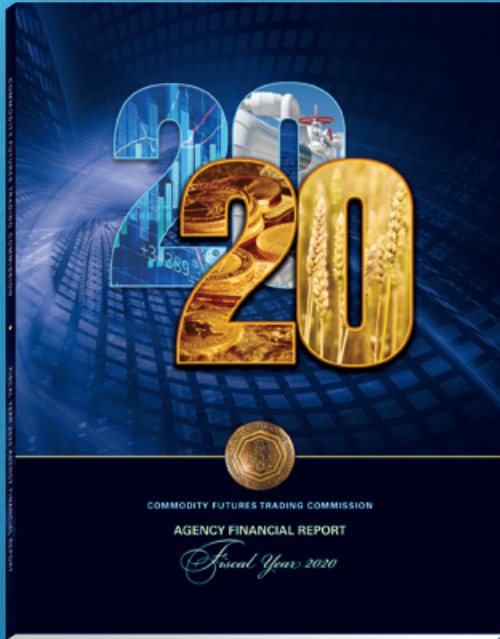
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