COMMODITY FUTURES TRADING COMMISSION

FY 2023 AGENCY FINANCIAL REPORT

COMMODITY FUTURES TRADING COMMISSION

1975

COMMODITY FUTURES TRADING COMMISSION

FY 2023 AGENCY FINANCIAL REPORT

Rostin Behnam

Chairman and Chief Executive

and

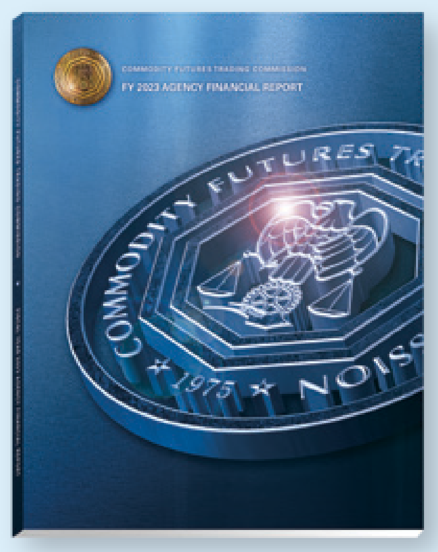
Jeffrey Sutton

Executive Director

November 15, 2023

ABOUT THIS REPORT

The Fiscal Year (FY) 2023 Agency Financial Report communicates the Commodity Futures Trading Commission's (CFTC or Commission) financial position and operating performance during the previous fiscal year, and states the CFTC's plans for the future.

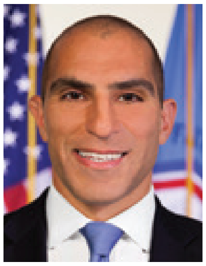


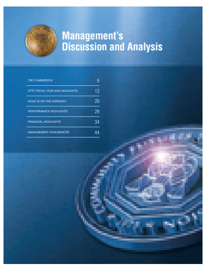
The Reports Consolidation Act of 2000 authorizes federal agencies to consolidate various reports in order to provide performance, financial, and related information in a more meaningful and useful format. The Commission has chosen an alternative to the consolidated Performance and Accountability Report, and instead, produces an Agency Financial Report and an Annual Performance Report, pursuant to Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements. Unless otherwise indicated, information in this report is provided as of November 15, 2023, and covers the period October 1, 2022 to September 30, 2023.

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

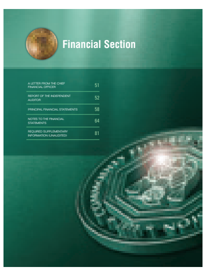
[1] *Photographs in this document are proprietary and prior permission from the photographer is required for any use or reproduction.*

Table of Contents

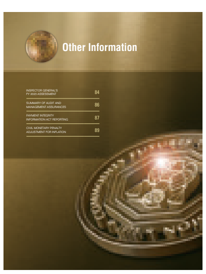




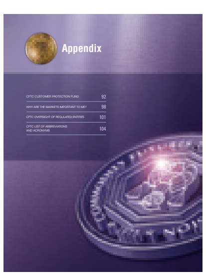
MANAGEMENT'S DISCUSSION AND ANALYSIS



FINANCIAL SECTION



OTHER INFORMATION



APPENDIX

CFTC MISSION

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

CFTC VISION

To be the global standard for sound derivatives regulation.

CFTC VALUES

Commitment, Forward-Thinking, Teamwork, Clarity.

Message from the Chairman

I am am pleased to present the CFTC's FY 2023 Agency Financial Report. Reporting the Commission's financial and performance results provides transparency, builds accountability, encourages the CFTC and those we regulate to act responsibly, and promotes thoughtful dialogue within the markets we oversee. This report provides a year-long snapshot of the Commission's financial and performance reporting.

U.S. Derivatives Markets

The U.S. derivatives markets are the most open, transparent, and competitive in the world. The estimated 2023 notional value of U.S. derivatives markets is $28 trillion for U.S. futures and $320 trillion for U.S. swaps, which underscores the importance of our mission.

For over a century, the derivatives markets have played an integral role in the U.S. economy, facilitating risk management and price discovery, and contributing to financial stability and predictability of prices that impact the daily lives of all Americans. Through the Commodity Exchange Act (CEA), Congress both mandates and empowers the CFTC to implement rules and regulations aimed at fostering open, transparent, competitive, and financially sound markets; to prevent and deter misconduct and disruptions to market integrity; and to protect all market participants from fraud, manipulation, and abusive practices. The CFTC will continue do everything it can to promote and protect the integrity of derivatives markets.

Chairman Rostin Behnam at the 2023 Chairman's Honorary Awards Ceremony.

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 foster innovation and adapt to changes in our markets.

CFTC staff fulfill the agency's mission with steadfast dedication. The U.S. derivatives markets have met historically unprecedented volume and volatility with the powerful benefits of central clearing, capital and margin requirements, data, and transparency. FY 2023 and recent years demonstrated that the post-2008 financial crisis reforms prepared the agency and the marketplace for events and externalities, such as the COVID-19 pandemic, monetary and fiscal policy shifts, environmentally and geopolitically driven supply chain disruptions, and Fintech growth, evolution, and risks. However, the agency's work is never done, and the CFTC remains vigilant and responsive to emerging risks, utilizing every tool that it has, remaining flexible, and coordinating domestically and abroad from a market resiliency and financial stability standpoint.

FY 2023

This past fiscal year provided numerous opportunities to demonstrate the agency's 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. The CFTC 2022 – 2026 Strategic Plan, published in March 2022, addresses the new and significant impacts on derivatives markets such as the ongoing and long-term direct and indirect impacts of the global pandemic, the Russian invasion of Ukraine, and extreme weather conditions. In addition, the Commission thoughtfully and within the bounds of the CEA continues to address the rapidly evolving digital asset markets. As the Commission continues to incorporate risk identification, mitigation, and management into every aspect of operations, enforcement efforts detect, deter, and address misconduct that would otherwise undermine our jurisdictional markets and mission. This is especially true where the CFTC finds significant misconduct in the derivatives and underlying cash markets for digital and other emerging assets which are increasingly designed and marketed to the general public.

While this message cannot provide a full description of the FY 2023 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.

Enforcement

The CFTC's enforcement program continued to detect and deter misconduct by enforcing the law and the Commission's rules. In FY 2023, the CFTC filed 96 actions, and obtained orders imposing over $4.3 billion in total monetary relief, including civil monetary penalties, disgorgement, and restitution. Of these enforcement actions, 47 involved conduct related to digital asset commodities, representing more than 49 percent of all actions filed during that period. Cooperation and coordination with criminal authorities and other regulatory partners strengthened the program's effectiveness. The Whistleblower Office (WBO) continued to process and analyze tips, complaints, and referrals, and in FY 2023, the Commission granted seven applications for whistleblower awards. These awards totaled approximately $16 million, to be paid to individuals who voluntarily provided original information or analyses that led to successful enforcement actions.

Data

As the industry continues to migrate to the cloud, the agency accelerated its cloud migration efforts to keep pace. This migration is now almost entirely complete, and will allow the Commission to store, analyze, and ingest data more cost-effectively and efficiently. Last year, I directed our Division of Data (DOD) to transform the agency's analytics toolkit to leverage the cloud architecture with advancements in artificial intelligence (AI), machine learning (ML), and data analytics. This year, we continued on that trajectory with a focus on building a forward-looking data and analytics culture through talent. The CFTC hired its first Chief Data Scientist, whose duties include leading efforts to upskill CFTC staff. Embedded in all of the Division's objectives is a focus on opportunities to provide our already robust surveillance, enforcement, and monitoring capabilities with automated systems helping the Commission to find bad actors to ensure our markets have utmost integrity and transparency.

A Positive Agenda

Throughout 2023, the CFTC has worked to enhance oversight and protections in such areas as augmenting risk management and resilience across intermediaries, exchanges, and derivatives clearing organizations (DCOs); fostering sound and responsive practices regarding cybersecurity and the use of third-party vendors; strengthening customer protections; promoting efficiency and innovation; improving reporting and data policy; addressing duplicative regulatory requirements; and amplifying international comity and domestic coordination with both federal and state regulators.

In FY 2023, the Commission considered proposed and final rules as well as guidance addressing new and emerging issues, clarified long-standing policy and guidance, and responded to market structure and evolutionary changes. Additionally, we sought opportunities to engage more frequently with the public through requests for comments and information and meetings of the CFTC's advisory committees.

As an outgrowth of the increasing electronification and use of decentralized finance (DeFi), the Commission turned its attention to the growing trend towards vertical integration of the derivatives markets and the need to address how DeFi impacts conflicts of interest, the robustness of capital, margin and segregation requirements, the roles of and responsibilities of self-regulatory organizations, affiliate risk management, and customer protections. We are engaging with the public, our markets, and market participants to fully understand the range of issues.

Climate-Related Financial Risk

Climate change presents physical risk and transition risk, including possible sub-systemic shocks, that could negatively affect the U.S. financial system and the broader economy. This year, the CFTC's Climate Risk Unit (CRU) hosted its second Voluntary Carbon Markets (VCM) convening. The purpose of the meeting was to discuss: recent private sector initiatives for high quality carbon credits; current trends and developments in the cash and derivatives markets for carbon credits; public sector initiatives related to carbon markets; and market participants' perspectives on how the CFTC can promote integrity for high quality carbon credit derivatives. I welcome the opportunity to have candid discussions on potential courses of action, developing best practices, relevant data sources, potential public-private forum ideas, and any other topics that would benefit our derivatives markets' oversight.

Diversity

The CFTC continues its commitment towards implementing a more creative approach to source more diverse talent into the CFTC workforce through innovative media and marketing strategies and through building recruitment partnerships with law schools, universities, professional associations, and educational organizations. For example, the Office of Minority and Women Inclusion (OMWI), the Division of Administration (DA) and the DOD are partnering to implement data analytics and a diversity, equity, inclusion, and accessibility (DEIA) data dashboard to better track, assess, and hold ourselves accountable for progress. Further, in FY 2023, OMWI led the development of the CFTC's first agency-wide DEIA Strategic Plan, which will soon be subject to Commission approval. The plan encourages a whole-of-agency approach to DEIA to ensure all employees know that they have a role in creating an inclusive work environment.

Chairman Rostin Behnam

Agency Financials

The Financial Section in this report includes the results of the independent audit of our FY 2023 Financial Statements, which I am pleased to report is an unmodified opinion. I can also report that no CFTC material internal control weaknesses exist and that the financial and performance data in this report are reliable and complete under OMB guidance. Key management assurances and further details about internal controls are provided in the Management's Discussion and Analysis section.

Conclusion

This report provides an overview of the CFTC's work over this past fiscal year. 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
Chairman
November 15, 2023

Management's Discussion and Analysis

The Commission

The CFTC is an independent agency of the U.S. government that oversees the U.S. derivatives markets, which include futures, options, and swaps (for a list of abbreviations and acronyms, see page 104).

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 98 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.[2]

The Office of the Chairman oversees the Commission's principal divisions and offices that administer and enforce the CEA and the regulations, policies, and guidance thereunder. During FY 2023, the Commission was structured as shown in the organizational chart above and described in the sections that follow. The Office of the Chairman included: The Office of Public Affairs, the Office of Legislative and Intergovernmental Affairs, the Office of Technology Innovation, and the OMWI.

During FY 2023, the four programmatic divisions were the Division of Clearing and Risk, the Division of Enforcement, the Division of Market Oversight, and the Market Participants Division. The programmatic divisions are supported by a number of divisions and offices, including the Office of the Chief Economist, the Division of Administration, the Office of General Counsel, and the Office of International Affairs. The Office of the Inspector General is an independent office of the Commission. A brief summary of each CFTC division and office as they operated in FY 2023 follows.[3]

[2] *Information about the CFTC's Chairman & Commissioners can be found at: https://www.cftc.gov/About/Commissioners/index.htm*

[3] *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 his or her 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.

Executive Leadership Team

The CFTC's Executive Leadership Team consists of the heads of each operating division and office, the agency's Chief of Staff/Chief Operating Officer, and the CFTC Chairman in his or her capacity as the agency's Chief Executive. These individuals are responsible for carrying out the CFTC's administrative, regulatory, and enforcement agenda as directed by the Chairman.

Division of Clearing and Risk (DCR)

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

Division of Enforcement (DOE)

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 (WBO), which administers the CFTC's whistleblower program.

Division of Market Oversight (DMO)

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

Market Participants Division (MPD)

The MPD primarily oversees derivatives market intermediaries, including commodity pool operators (CPOs), commodity trading advisors (CTAs), FCMs, introducing brokers, retail foreign exchange dealers, SDs, and MSPs, as well as designated self-regulatory organizations (SROs).

Division of Data (DOD)

The 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.

Division of Administration (DA)

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 (OCE)

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 the General Counsel (OGC)

The OGC 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. The OGC also houses the Freedom of Information Act (FOIA), Ethics, Secretariat, Privacy, Records, Library, and E-discovery programs of the Commission.

Office of International Affairs (OIA)

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 (IOSCO), 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 (FSB), and U.S. Department of the Treasury (Treasury); negotiates cooperative arrangements; and provides technical assistance to foreign market authorities, including advice, training, and an annual meeting and symposium.

Office of Public Affairs (OPA)

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 brand in order to promote public trust.

■ Office of Customer Education and Outreach (OCEO)

The OCEO, housed in OPA, develops and administers the CFTC's customer and public education initiatives. The office is responsible for helping the public spot, avoid, and report fraud that involves commodities or derivatives trading.

Office of Legislative and Intergovernmental Affairs (OLIA)

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 (OMWI)

The OMWI leads the CFTC's civil rights, equal employment opportunity, and diversity and inclusion programs, including supporting the Commission's six affinity groups. The CFTC has expanded its OMWI to include a diversity, equity, inclusion and accessibility (DEIA) program led by the Commission's first Chief Diversity Officer.

Office of Technology Innovation (OTI)

The OTI serves as the CFTC's financial technology innovation hub, driving change and enhancing knowledge through innovation, consulting/collaboration, and education (ICE). OTI fosters innovation in CFTC's regulatory oversight and mission critical functions by supporting the operating divisions and the Commission's participation in domestic and international coordination. OTI regularly advocates for the advancement of responsible innovation, industry collaborations, and public outreach and education.

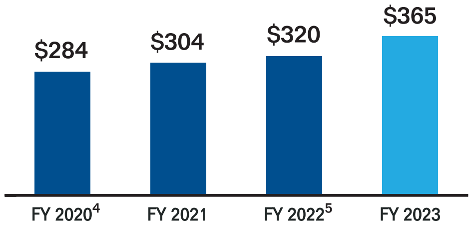
Office of the Inspector General (OIG)

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.

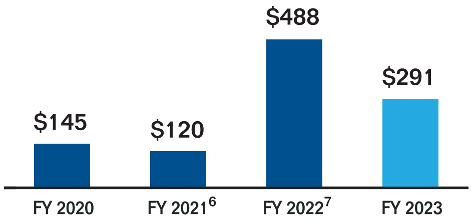
CFTC Staffing and Funding Resources

The CFTC is funded through the Salary and Expenses (S&E) Appropriation and the Customer Protection Fund (CPF, also the Fund). 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 CFTC Customer Protection Fund section in the Appendix for more information on the CPF).

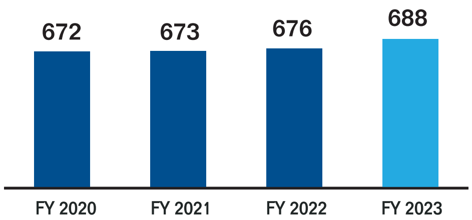
Salaries and Expenses Appropriations by Fiscal Year
($ in millions)



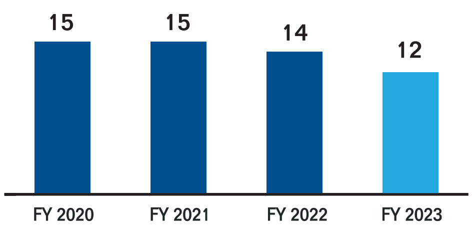
Customer Protection Fund Budgetary Resources by Fiscal Year
($ in millions)



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 101-103.

4 *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 regional 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.*

5 *In addition to the $320 million annual budget, the CFTC received a one-time, no-year appropriation of $62 million in FY 2022 to cover the move, replication, and related costs associated with the replacement leases for CFTC headquarter facility, resulting in a grand total of $382 million. The $62 million has been omitted from the FY 2022 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.*

6 *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. Per Public Law 117-328, these resources are available until October 1, 2024 at which time all unobligated amounts will be returned to the primary Fund.*

7 *Per the Dodd-Frank Act, whenever the fund balance falls below $100 million, qualified transfers within that fiscal year are allowed. In FY 2022, the Customer Protection Fund received a transfer of $398 million from CFTC's Civil Monetary Penalties, Fines and Administrative Fees receipt account which covered the payment of significantly large whistleblower awards. Prior to this, the most recent transfer into the fund was in FY 2014.*

CFTC Fiscal Year 2023 Highlights

Issued 4 Final Rulemakings, including:

- Adopted Part 143 final rule: Annual Adjustment of Civil Monetary Penalties to Reflect Inflation – 2023.
    - The Commission amended its rule that governs the maximum amount of civil monetary penalties imposed under the CEA, to adjust for inflation. This rule sets forth the maximum, inflation-adjusted dollar amount for civil monetary penalties (CMPs) assessable for violations of the CEA and Commission rules, regulations and orders thereunder. The rule, as amended, implements the Federal Civil Penalties Inflation Adjustment Act of 1990 (FCPIA), as amended.
- Adopted Part 23 final rule: Reporting, Recordkeeping, Daily Trading Records, and Swap Documentation Requirements for Swap Dealers and Major Swap Participants; Corrections.
    - The Commission made correcting amendments in its regulations concerning swap documentation, swap reporting, and daily trading records requirements to conform those regulations to previous amendments of other regulations, and to correct other minor errors. These correcting amendments do not substantively affect any Commission requirements.

From left, Commissioner Kristin Johnson, the Honorable Rodney Hood, Chairman Rostin Behnam, and Chief Diversity Officer Tanisha Cole Edmonds at the 2023 Black History Month Program.

- Adopted Part 39 final rule: Governance Requirements for Derivatives Clearing Organizations.

    - The CFTC adopted amendments to its rules to require DCOs to establish and consult with one or more risk management committees (RMCs) comprised of clearing members and customers of clearing members on matters that could materially affect the risk profile of the DCO. In addition, the Commission adopted minimum requirements for RMC composition and rotation, and requiring DCOs to establish and enforce fitness standards for RMC members. The CFTC also adopted requirements for DCOs to maintain written policies and procedures governing the RMC consultation process and the role of RMC members. Finally, the Commission adopted requirements for DCOs to establish one or more market participant risk advisory working groups (RWGs) that must convene at least two times per year, and adopt written policies and procedures related to the formation and role of the RWG.

- Adopted Parts 39 and 140 final rules: Reporting and Information Requirements for Derivatives Clearing Organizations.

    - The CFTC amended certain reporting and information regulations applicable to DCOs. These amendments, among other things, updated information requirements associated with commingling customer funds and positions in futures and swaps in the same account, revised certain daily and event-specific reporting requirements in the regulations, and codified in an appendix the fields that a DCO is required to provide on a daily basis under the regulations. In addition, the Commission adopted amendments to certain delegation provisions in its regulations.

Effective Enforcement

- The CFTC filed 96 enforcement actions charging significant violations in diverse markets resulting in over $4.3 billion in penalties, restitution and disgorgement. These results include a record setting number of digital asset cases, actions to hold registrants to their regulatory obligations, manipulation and spoofing actions, and precedent-setting court decisions in complex litigations. This effort demonstrates the CFTC's unwavering commitment to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets.

- The CFTC cemented its reputation as a premier enforcement agency in the digital asset space. It filed high-profile complaints addressing frauds by major exchanges, individual Ponzi-scheme operators, and others; obtained a first-of-its-kind litigation victory against a decentralized autonomous organization; charged and won another litigation victory against a digital asset futures platform; brought an innovative litigation involving cross-market manipulation in blockchains; and continued its efforts to protect the public in the decentralized finance space.

- These results also included obtaining orders requiring the defendants in a fraud action to pay over $1.7 billion in restitution to victims and a $1.7 billion CMP, which is the highest CMP ever ordered in any CFTC case. In all, 49 percent of the all actions the CFTC filed involved conduct related to digital asset commodities. These 47 actions are over 35 percent of the 133 total of digital asset actions brought by the Commission since 2015.

- The CFTC granted seven applications for whistleblower awards, totaling approximately $16 million, for individuals who voluntarily provided original information that led to successful enforcement actions. Since the inception of the Whistleblower Program through FY 2023, the CFTC has issued 41 orders granting awards totaling almost $350 million. The total sanctions ordered in all whistleblower-related enforcement actions has surpassed the $3 billion milestone.

- The Commission established the Cybersecurity and Emerging Technologies Task Force and the Environmental Fraud Task Force. The Cybersecurity and Emerging Technologies Task force will help ensure the derivatives markets are as secure as possible and that essential customer and market information remains confidential and protected. The Environmental Fraud Task force will focus on addressing fraud and manipulation in carbon credit markets and other forms of greenwashing, including material misrepresentations about Environmental, Social, and Governance (ESG) investment strategies.

- The CFTC detected, investigated, and prosecuted misconduct—fraud, manipulation, spoofing, or other forms of disruptive trading—that undermine market integrity. The CFTC:
  - Found that a SD engaged in manipulative and deceptive trading related to swaps with bond issuers, spoofing, and supervision and mobile device recordkeeping failures and imposed a $45 million penalty;
  - Found that a CPO and CTA engaged in spoofing involving Chicago Board of Trade soybean futures, soybean meal futures, and soybean oil futures contracts;
  - Charged a CTA/CPO and its associated person (AP) with spoofing in a scheme involving crude oil and natural gas futures contracts; and
  - Charged two CPOs with deception and manipulation in a $30 million scheme to illegally trigger payouts on two large binary option contracts that were swaps.
- The CFTC simultaneously filed and settled charges against several financial institution affiliates for swap data reporting and other failures relating to their business as SDs; found that a registered DCO failed to comply with DCO Core Principles to establish, implement, maintain and enforce certain policies and procedures reasonably designed to manage its operational risks; found that multiple registrants, including the SD and FCM affiliates of financial institutions, committed recordkeeping and supervision violations by failing to stop their employees from communicating using unapproved communication methods, bringing the total penalties imposed in such CFTC actions since FY 2022 to $1.117 billion.
  - After substantial litigation, including two appeals to the Ninth Circuit—the CFTC obtained an order imposing $33 million in restitution and a $5 million CMP in an illegal off-exchange precious metals fraud action;
  - Brought its first case involving a romance scam, commonly known as "Pig Butchering," (as in fattening a pig before butchering) a type of fraud that is growing in popularity;
  - Obtained an order imposing $112.7 million in restitution and a $33 million CMP in connection with a fraudulent silver leasing program;
  - Charged defendants with fraudulently soliciting at least $310 million in fees from more than 135,000 customers to trade leveraged, margined, or financed retail forex, and leveraged retail commodity transactions; and
  - Filed solely, and also jointly with state civil authorities, multiple actions that charged defendants with fraudulently soliciting millions from elderly persons to purchase precious metals, including gold and silver coins; and conducted an enforcement sweep simultaneously filing and settling charges against eight entities that fraudulently claimed to be CFTC-registered FCMs and Retail Foreign Exchange Dealers.

Improvements to Commission Data and Analytic Capacity

- The Commission made significant investments to enhance its data-driven approach to policy making, supervision, and enforcement. These investments include hiring the Commission's first Chief Data Scientist; migrating the Commission's data to cloud-based data repositories; and staff training that focuses on advanced data analytics techniques.
- Data investments have allowed the Commission to leverage advancements in data analytics, including AI, to more effectively use the Commission's data.
- The Commission's migration to a cloud environment improves efficient allocation of crucial resources and fosters advanced analytics. Resource efficiency results from the cloud's data storage capacity to expand or contract usage depending on need.

Addressing Diversity and Inclusion

- Led the development of the CFTC's first agency-wide DEIA Strategic Plan with a project team of liaisons from each CFTC operating division, the Office of the Chairman, and each of the Commissioners' offices. The CFTC anticipates

Commissioner Caroline Pham at the 2023 Chairman's Honorary Awards Ceremony.

issuing its DEIA Strategic Plan, which will be subject to Commission approval, by the end of the 2023 calendar year.

- Led the development of a Strategic Recruitment Plan, including the launch of a fall outreach and recruitment schedule, to build relationships with students and recent graduates from colleges, universities and law schools across the country with degree-earning programs aligned to CFTC mission critical occupations, including Minority Serving Institutions, women's colleges, and rural colleges and universities.

- Outreach and Engagement Specialists began conducting pre-recruitment strategy sessions with hiring managers to develop tailored talent-sourcing strategies to attract a high-quality, diverse applicant pool for pending vacancies.

Addressing Systemic Risk in the Clearing Process

- The Commission finalized a DCO Governance rule, which provides DCOs with discretion on governance implementation while ensuring that clearing members and customers have their voices heard with regard to proper risk management. This Governance rule establishes a new, enhanced level of communication among participants in the clearing ecosystem that will serve to bridge differences in multiple areas of disagreement, ultimately strengthening our financial markets.

- The Commission proposed a rule that sets out requirements related to recovery and orderly wind-down and resolution planning for systemically important DCOs (SIDCOs) and other DCOs that elect to comply with higher SIDCO standards (known as "Subpart C DCOs"). The Commission will consider codifying and expanding existing staff guidance and will propose specifying the types of information that these DCOs may be required to provide to the Commission to also share with the Federal Deposit Insurance Corporation (FDIC) for resolution planning. This proposal aims to build consistency, awareness, and preparedness across SIDCOs and Subpart C DCOs by providing greater predictability should an unlikely event prevent a DCO from meeting its obligations, provide critical member services, or needs to wind-down operations in an orderly manner.

- The Commission issued the DCO reporting rule, which provides streamlined reporting requirements for intermediaries and market participants, achieving the regulatory goals of simplification, clarity, certainty and efficiency. The updated reporting information requirements addressed commingling customer funds and positions in futures and swaps in the same account, addressed certain systems-related reporting obligations regarding exceptional events, revised certain daily and event-specific reporting requirements, and included in an appendix the fields that a DCO is required to provide on a daily basis.

Registrant and Intermediary Oversight

- The Commission issued an Advance Notice of Proposed Rulemaking (ANPRM) to seek public comment regarding potential regulatory amendments under the CEA governing the risk management programs of SDs, MSPs, and FCMs. The notice sought information and public comment on several issues stemming from the adoption of certain risk management programs, including the governance and structure of such programs, the enumerated risks these programs must monitor and manage, and the specific

Commissioner Christy Goldsmith Romero at the 2023 Chairman's Honorary Awards Ceremony.

risk considerations they must consider. The notice also requested comments on how the related periodic risk reporting regime could be altered or improved. The feedback will be critical to inform MPDs' views on any rule amendments to its risk management rules it may recommend to the Commission, or on potential staff guidance to clarify existing requirements.

- Commission staff prepared a notice of proposed rulemaking to address challenges identified in the implementation of the CFTC's margin requirements for uncleared swaps ("Margin Rule"). The amendment addresses uncleared swap transactions between SDs and certain counterparties that are seeded investment funds and also addresses the use of certain money market funds as initial margin collateral. Preparing the proposal required in-depth review and analysis of associated risks and drafting conditions designed to narrowly tailor the proposed changes and safeguard against a potential increase in risk for the financial system.

- A multidivisional CFTC team issued a request for comment to better inform the Commission of potential issues that may arise because of affiliations of CFTC-registered entities with market participants. The request specifically asks about affiliations between DCOs, DCMs, or SEFs with intermediaries, such as FCMs, or other market participants. Under the CEA and CFTC regulations, DCOs, DCMs, and SEFs have responsibilities for supervising their participants. An affiliation with an intermediary or other market participant raises questions as to how these supervisory responsibilities will be carried out.

Collaboration and Coordination

- The CFTC co-chaired an international working group tasked with developing carbon markets policy proposals. International interest in VCMs has increased substantially in recent years. CFTC demonstrated its global leadership by spearheading the work through the IOSCO that identified good practices in regulatory approaches to foster sound, well-functioning voluntary carbon markets.

- The Commission made significant progress in its long-running efforts to harmonize the Commission's swap reporting requirements with those of other Financial FSB member jurisdictions. Notably, the Commission issued an order designating the Unique Product Identifier (UPI) for use in swaps recordkeeping and reporting. Culminating years of Commission work, the order defines and creates a swaps product classification system that will be used throughout FSB jurisdictions. The Commission expects the order will lead to increased swaps market transparency, enabling it to better fulfill its regulatory responsibilities, while simplifying swap transactions reporting for entities required to report to authorities in multiple FSB jurisdictions.

- The CFTC co-chaired an international working group tasked with developing policy proposals concerning margin in cleared derivatives. Prompted by the unprecedented market volatility caused by the onset of the pandemic and market disruptions stemming from Russia's invasion of Ukraine, regulators and market participants seek to enhance preparedness by better understanding the responsiveness of margin calls to market movements and transparency into margin calls. The CFTC led the international work to develop balanced policy proposals to further foster the vibrancy and resiliency of the cleared derivatives markets.

- The Commission unanimously approved amended orders to exempt from CFTC SEF registration requirements: two multilateral trading facilities (MTFs), two organized trading facilities authorized within the European Union (EU), and three recognized market operators authorized within Singapore. The Commission also amended its Brexit no-action position to include an additional MTF authorized in the United Kingdom (UK). Such recognition of trading venues helps to ensure that our global markets are safe, transparent, and free of fragmentation.

- The CRU hosted a VCM convening in July 2023. The purpose of the meeting was to discuss: recent private sector initiatives for high quality carbon credits; current trends and developments in the cash and derivatives markets for carbon credits; public sector initiatives related to carbon markets; and market participants' perspectives on how the CFTC can promote integrity for high quality carbon credit derivatives. Carbon credits are the commodity that is the underlying for CFTC jurisdictional products listed on CFTC-registered exchanges and cleared at CFTC-registered clearinghouses. The Commission is developing a guidance on VCMs standards for carbon credit derivatives.

Improving Market Oversight

- The Commission proposed to amend Parts 17 and 40 of Commission regulations that it approved for publication and public comment. The Part 17 Notice of Proposed Rulemaking (NPRM), unanimously approved by the Commission, would revise the Commission's futures and options large trading reporting requirements to modify the information and format required for large trader reports submitted to the Commission. The Part 40 NPRM, also approved by the Commission, would clarify, simplify and enhance the utility of the part 40 regulations for registered entities, market participants and the Commission by revising Commission regulations governing how registered entities submit self-certifications and requests for approval of their rules, rule amendments, and new trading and clearing products. These amendments would also revise the Commission's review and processing of such submissions.

- The Commission reviewed political event contracts based on partisan control of each chamber of Congress. The review led to the Commission issuing a detailed order disapproving the contracts.

- The Commission issued an extension of its no-action position related to the implementation of post-initial block thresholds and cap sizes, in which swap trades beyond a certain threshold is reported to the public at a capped amount instead of the actual size. This no-action position will expire in July of 2024, at which time the post-initial block thresholds and cap sizes would be implemented for the first time since the initial thresholds were adopted in 2013.

- Data users in several CFTC divisions and offices coordinated with the Alternative Reference Rate Committee (ARRC) in the preparation and publication of a no-action position related to the reporting of transactions subject to the fallback protocols facilitating the transition away from the London Interbank Offered Rate (LIBOR). Specifically, DMO and DOD issued a staff no-action letter regarding certain Part 43 and Part 45 swap reporting obligations for certain swaps.[8]

- The Commission approved a made-available-to-trade (MAT) determination, which was an important milestone in the transition away from the LIBOR to alternative reference rates and represents the application of the key G20 commitment for mandatory exchange trading to alternative reference rates. The MAT determination applied to certain U.S. Dollar (USD) Secured Overnight Financing Rate (SOFR) overnight index swaps (OIS) and Pound Sterling (GBP) Sterling Overnight Index Average (SONIA) OIS. These swaps are therefore now subject to the trade execution requirement under CEA section 2(h)(8). All transactions involving swaps subject to the trade execution requirement must be executed on a registered swap execution facility (SEF), designated contract market, or a SEF the CFTC has exempted from registration under CEA section 5h(g). Separately, swaps referencing LIBOR were removed from this requirement.

---

[8] *For details, see CFTC press release at: CFTC Staff Issues a No-Action Letter Regarding Certain Reporting Requirements for Swaps Transitioning from USD LIBOR and Other Rates to Risk-Free Rates | CFTC (https://www.cftc.gov/PressRoom/PressReleases/8737-23)*

Commissioner Kristin Johnson at the 2023 Black History Month Program.

Economic Research

- The CFTC's OCE published *Do Banks Hedge Using Interest Rate Swaps?* Data from the largest 250 U.S. banks show that the average bank has a large notional amount of swaps, more than 10 times the amount of its assets. However, after accounting for offsetting swap positions, the average bank has almost no exposure to interest rate risk from its swap positions. While there is some variation across banks—some bank swap positions decreasing and some increasing with rates—aggregating swap positions at the level of the banking system reveals that most swap exposure are offsetting. As a description of prevailing practice, the authors conclude that swap positions are not economically significant in hedging the interest rate risk of bank assets.

- The Uncleared Margin Rule (UMR) is a global regulation that requires entities to post a minimum amount of collateral (margin) on their uncleared swaps. The rule serves to provide greater security for uncleared swaps and to encourage central clearing of swaps. While the trade press suggested that imposition of the rule on the last two phases of entities would inhibit trading, OCE research finds little evidence of that. The research shows that trading volume was largely unaffected by the extension of the rule to these additional entities. Further, it finds evidence that some of the newly in-scope entities reacted to the UMR by increasing their use of central clearing; from less than 9 percent of trades prior to phase 5 to over 15 percent after phase 6 went into effect.

- The OCE used granular regulatory data to examine how high-frequency traders (HFTs) affect market quality. Panel estimation evidence shows that greater participation by HFTs is strongly associated with improvements in market quality, whereas higher rates of aggressive, directional trading produce an adverse, partially offsetting effect. While futures contracts are sensitive to market uncertainty, as measured by the Chicago Board Options Exchange Volatility Index (VIX), they are even more sensitive to own price volatility.

- An OCE paper provides a comprehensive overview of the activity in the foreign exchange (FX) derivatives markets, including futures, swaps, and options. We analyze the behavior of various market participant groups before, during, and in the aftermath of the COVID-related market stress. Certain client sectors (e.g., sovereigns and hedge funds), along with dealers, stepped in to provide USD liquidity in March 2020 by significantly increasing their long-USD swap positions. Client sectors are heterogeneous with respect to their liquidity needs and their aggregate positions are small compared to dealer inventories. The paper also highlights the heterogeneity of firms within a client sector by focusing on hedge funds' USD/Euro swap positions—the most active client sector and currency pair in our data.

Improving Operational and IT Effectiveness

- Completed CFTC Headquarters and Regional office Wi-Fi implementation, providing staff network access throughout CFTC buildings, permitting continued access to their government furnished laptop and network resources while their laptops are undocked. This functionality enables employees to access their resources untethered, anywhere in the buildings, facilitating collaboration during in-person meetings in conference rooms and common areas.

- Successfully transitioned Commission information technology (IT) services contract from previous to current vendor without a break or degradation of service. IT services include customer support, mobile device management, network services, and laptop/application management. The new contract is designed to improve the Commission's IT support and enhance operational effectiveness.

- The CFTC has successfully migrated all Commission employee and contractor users to a cloud-based email archive platform. Archived emails are now accessible on a familiar platform that increases efficiency, reduces costs, enhances data accessibility, improves data loss prevention, and facilitates e-discovery.

- The CFTC became fully compliant with OMB Memorandum M21-31, *Improving the Federal Government's Investigative and Remediation Capabilities Related to Cybersecurity Incidents*. Commission compliance indicates that the CFTC has a centralized system for security event logging, log management and retention, giving the Commission detailed insight into the inter-working's of network activities, enhancing their abilities to detect, respond and recover from a security incident.

- The CFTC has focused on phishing exercises to reduce the risk posed by phishing attacks, conducting phishing exercises monthly to assess the effectiveness of the Commission's phishing awareness training. Continuous exercises and detailed debriefs educate Commission employees and contractors on various kinds of phishing attacks, what a phishing email looks like, how to respond to emails that request personal information, including actions that could affect or negatively impact CFTC or partners and users.

- In response to Executive Order 14028, *Enhancing the Nation's Cybersecurity*, the CFTC implemented an endpoint detection and threat response (EDR) capability which continuously monitors end-user devices to allow the CFTC to detect and respond to cyber threats such as ransomware and malware. EDR also provides CFTC enhanced threat intelligence, proactive defense capabilities and real time and historical visibility into network activity. This enhances the CFTC's ability to effectively track sophisticated attacks, uncover incidents, conduct triage, validate and prioritize attacks and perform faster and precise remediation activities.

Innovation and Fintech

- The Commission made critical strides in developing a CFTC AI and ML Roadmap. The Roadmap is grounded in filling the Commission's current gaps identified in AI/ML capabilities and knowledge. The Commission also teamed with the U.S. Agency for International Development (USAID) to develop materials for an upcoming consulting trip to Ho Chi Minh to advise Vietnam's State Securities Commission on AI in the financial markets.

- The Commission developed and administered an internal survey that assessed several crucial elements comprising the CFTC's data analytics capacity, including current levels of knowledge and skills in relevant data science methods and techniques, external and internal data availability, programming skills, data applications, and data visualization tools. Analysis of the survey results specified the gaps in each of these elements that contribute to the Commission's capacity to conduct the data analysis necessary to meet CFTC's strategic goals and achieve its mission. The survey results are being used by the Commission's Chief Data Scientist to guide creation of a CFTC data training program.

- The Commission contributed to a notable collaboration leading to a cross-agency crypto asset training effort. Participants included federal regulatory and law enforcement agencies, SROs, and state financial regulators. After helping organize this novel cross-agency crypto asset training, the CFTC was well-represented with speaking roles for several Commission thought leaders.

What is on the Horizon?

This goal structure reflects the CFTC 2022 – 2026 Strategic Plan, adopted in March 2022.

1

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.

2

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.

3

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.

4

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.

5

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.

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 embodying 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 also continues to build on its efforts to attract and retain diverse top talent at the CFTC and implement a DEIA vision and strategy that reflects the CFTC's commitment to DEIA as a strategic priority critical to CFTC mission success.

The Commission's work furthers strategic goals outlined in the CFTC 2022 – 2026 Strategic Plan. 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, sending 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, SROs, trade groups, and other stakeholders.

Over the past three years, the world has experienced economic pressures from a global pandemic, the Russian invasion of Ukraine, and extreme weather conditions, all of which led to record volatility for essential commodities, such as food and fuel. This perfect storm of externalities directly impacted commercial end-users and ultimately consumers, and tested the resilience of the derivatives markets and the efficacy of post-financial crisis reforms. During this time, the CFTC stayed focused on using its regulatory flexibility to be responsive to the needs of market participants, while keeping in mind appropriate risk tolerances and guardrails. Our market structures, regulations, and thoughtful yet assertive approach to oversight have served the American people and markets as intended. Farmers and ranchers continue to be able to manage price risk during planting season by locking in a price to protect against price fluctuations between planting and harvest that result from weather-related conditions, geopolitics and other factors beyond their control. Large manufacturers, pension funds, and other commercial end-users needing to manage for currency and interest rate risk, among others, as they sell American-made goods across the globe are also able to rely on the derivatives markets to provide business certainty.

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.

Strategic Goal 1 – Strengthen the Resilience and Integrity of Our Derivatives Markets While Fostering Their Vibrancy

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.

For instance, the CFTC focuses on promoting the strength and resilience of Commission-registered CCPs (known as 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 and oversight. A failure or disruption to the functioning of a CCP could create or increase the risk of liquidity or credit problems that could spread at a systemic level to other financial institutions.

It is essential that DCOs' governance arrangements and fitness standards evolve to match the pace and complexity of the evolution of DCOs' risk landscape, which includes novel clearing structures, new product innovation, and emerging risks, such as climate change. Robust DCO risk management is particularly critical because of the systemic nature of clearinghouses and the integral role that DCOs have in promoting financial stability. Near-term actions that will aid in strengthening clearing include finalizing the DCO governance rule on risk management and resilience, revising the regulatory frameworks for clearing organizations (part 39) and for registered entities (part 40), and codification of guidance and no action letters. In addition to this ongoing agency work, the CFTC continues to participate in international bodies focused on ensuring coordination and consistency of risk oversight across geographical regions. Part of these efforts is focused on lessons learned from recent periods of volatility such as early COVID and the invasion of Ukraine. Consultation on additional key refinements on DCO risk management and margin model design is currently under active discussion.

Also essential to the stability of the derivatives markets are financial requirements for registered market participants. The Commission has now fully adopted robust capital and financial reporting requirements for SDs and FCMs, critical market intermediaries in the derivatives marketplace. These comprehensive financial requirements give the Commission and SROs the ability to monitor SDs and FCMs to ensure that they not only hold required capital amounts, but retain the financial resources to support their dealing activities with existing counterparties and brokerage activities for their customers respectively. The Commission continues to work with SROs, other U.S. regulators, and existing intermediaries to ensure that all capital and financial reporting requirements remain balanced and appropriate given natural developments in the derivatives marketplace.

Safeguarding the stability of the U.S. and global financial system requires ongoing international coordination and collaboration in a way that neither compromises the Commission's capital and financial reporting requirements nor defers to foreign regulatory authority. In 2020 the Commission adopted a regulatory substituted compliance framework for non-U.S. domiciled nonbank SDs. Substituted compliance allows, after application and approval, these SDs to satisfy certain CEA and CFTC regulatory requirements through a Capital Comparability Determination to establish that the non-U.S. jurisdiction has comparable financial reporting requirements. Once a determination is made, the Commission still retains examination and enforcement authority, as well as all financial and event specific reporting—which has been determined as comparable—so that the CFTC can maintain direct oversight of nonbank SDs located throughout the world. To date, the Commission has proposed SD comparability determinations for capital requirements established by Japan and Mexico and is in the process of reviewing requests for comparability determinations for the applicable swap dealer capital requirements in the UK and the EU. As the future unfolds, the CFTC will continue to partner with international counterparts to identify and address the potential impacts of developments associated with emerging issues.

CFTC rules requiring margin for uncleared swaps, and similar rules around the world, are a foundation of derivatives market integrity. Since fall 2022, after a series of six phases of increasing breadth, this margin exchange has been required for all but the smallest participants active in uncleared derivatives. By ensuring that collateral is available to offset potential counterparty losses, as well as the daily exchange of collateral to cover current market losses, margin requirements provide confidence in times of market stress and volatility. Requirements to post margin discourage firms from taking on excessive risk and provide collateral to cover counterparty risk. As such, margin requirements are a necessary back-stop, protecting customers, bolstering the safety and soundness of SDs and MSPs, and safeguarding the integrity of the financial system.

Having these crucial rules in place does not, by itself, guarantee financial system integrity. Continued efficient and stable functioning of derivatives markets requires sound implementation of and faithful adherence to margin and capital requirements. The Commission will continue to collaborate with registered SDs and the National Futures Association (NFA)[9] to promote compliance with these requirements. In addition to establishing and effectively implementing margin and capital requirements domestically, the Commission will team with international counterparts to analyze the impact of various margin practices in centrally and non-centrally cleared markets and to both participate in and sometimes lead standard-setting bodies to advance strong, effective, and practicable margin and capital requirements.

Strategic Goal 2 – Regulate Our Derivatives Markets to Promote the Interests of All Americans

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 always rapidly evolving, whether driven by technological innovations or in response to emerging areas of regulatory awareness like environmental, social, and governance issues.

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 and geopolitical events.

It is important that the CEA recognize and address the specific needs of end-users who are hedging commercial risk in the derivatives markets with the goal of maintaining strong, competitive businesses and providing affordable goods and essentials, such as food and fuel to the American people. The OLIA continues to work with the House and Senate Agriculture Committees on a bill to reauthorize the agency. In reauthorizing the CFTC, the Commission can ensure that our governing statute, the CEA, is current in terms of how it addresses risk to the U.S. derivatives markets and the U.S. financial system. The CEA should also foster innovation and competitiveness globally.

[9] The NFA is the SRO for the U.S. derivatives industry, and designated by the CFTC as a registered futures association.

The Agriculture Advisory Committee (AAC) continues to play an integral role in advising the Commission on issues involving agricultural commodity futures and options trading and facilitating communications between the Commission, the agricultural community, and agriculture-related organizations. Future AAC agendas will focus on topics related to agricultural economy, such as geopolitical issues, sustainability, technology advancements, and risk management practices. An April 2024 AAC meeting is in the final planning stages and will be announced soon.

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 SROs, 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 CTAs regarding offered trading programs and registered foreign exchange dealers and FCMs regarding FX and futures accounts, respectively.

In early FY 2024, the Commission aims to update amendments to a regulation originally adopted in 1992. Today this regulation is widely used by CPOs and CTAs for compliance relief with respect to their commodity pools and trading programs offered to sophisticated investors. The Commission articulated its goals of modernizing and reorganizing the provision in recognition of the increasing complexity and novelty of commodity interest investment products. Amendments should account for the wide spectrum of bargaining power these sophisticated investors hold to demand information and also the need to ensure a minimum level of disclosure to participants. Therefore, the Commission's amendments would:

- Increase existing financial thresholds determining investor sophistication in a manner that accounts for 30 years of inflationary effects;
- Allow all prospective pool participants and advisory clients to make better informed investment decisions through *required minimum disclosures*. This is the first time such minimum disclosures would be required for these pools and trading programs, and would help them to more readily evaluate and compare offerings' trading strategies, principal risk factors, fee structures, and past performance;
- Codify a periodic reporting schedule currently only available to certain commodity pools via exemptive letter relief from Commission staff; and
- Make several technical amendments and modifications intended to improve the regulation's readability and overall utility by market participants and investors.

The OCEO develops content to educate customers on new and novel fraud trends that are identified through OCEO research or information provided by the DOE and the WBO. Instead of relying on customers seeking information, the OCEO actively engages customers through a combination of social and traditional media to enhance OCEO's impact by delivering information directly into their newsfeeds. In addition to using social media, the OCEO also hosts events to inform customers about prevalent fraud instances and trends. As part of educational efforts, the OCEO partners with other regulators and financial educators, such as the Consumer Financial Protection Bureau or the Defense Department's Office of Financial Readiness, to pool resources and expand its reach. The OCEO will continue to play an important role in helping customers to arm themselves and avoid being defrauded.

In FY 2024 and beyond, the OCEO looks forward to continuing its efforts to add fraud prevention content to CFTC.gov, as well as highlight and share that information with customers on social media and in the press. The OCEO plans to explore additional programming that focuses on retail speculators, specifically in the areas of digital assets, over-the-counter (OTC) foreign exchange trading, and precious metals investing.

The Commission is developing policy to address FCM, SD, and MSP operational resilience, further fortifying CFTC markets against cyber-attacks and strengthening their ability to withstand successful attacks. Once enacted, these policies would complement the suite of system safeguards currently in place for CFTC registered DCOs, DCMs, SEFs, and SDRs. The CEA and CFTC's system safeguards regulations require these entities to have appropriate system safeguards, controls, and testing to address all types of cybersecurity and operational

risk to the reliability, security, and capacity of their automated systems and to support the confidentiality, integrity, and availability of their data. They must also maintain and test appropriate business continuity and disaster recovery plans and resources. Accompanying these policies will be rulemakings, guidance, and other policy statements that address SD and FCM risk management, the use of third-party service providers, enhanced intermediary reporting requirements and cross-border matters aimed at mitigating duplicative requirements. Commission staff expect to have the first rule proposal regarding this issue before the Commission for consideration before the end of 2023.

The CFTC is uniquely poised as the regulator at the forefront of climate-related risk management, as firms and individuals will increasingly turn to the derivatives markets to mitigate climate change-induced physical and transition risk and seek price discovery for new and evolving risk management products. In March 2021, then Acting Chairman Behnam created the CRU within the CFTC to leverage the agency's resources and expertise to better understand the role of derivatives in pricing and mitigating climate-related risk, and support the orderly transition to a net-zero economy through market-based initiatives. In June 2022, the CFTC published a Request for Information on all aspects of climate-related financial risk, including scenario testing and risk management, as this risk may pertain to the derivatives markets, underlying commodities markets, and related market participants. The Commission may use this information to issue new or amend existing guidance, interpretations, policy statements, and regulations, or take other potential Commission action. The Commission's focus is to ensure that market participants are equipped to manage their risks from increasingly severe and frequent weather events as well as the transition to a net-zero, low-carbon economy.

Strategic Goal 3 – 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.

The accelerated engagement with Fintech through LabCFTC fulfilled its mission as set forth by former Chairman Giancarlo, and the clear intersection between financial innovation and our markets required an updated strategy. Therefore, CFTC created the OTI, the successor to LabCFTC. OTI provides a crucial 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. As such, OTI incorporates innovation and technology into the Commission's regulatory oversight mission, supporting staff with resources, education, opportunities, and a pipeline to collaborate internally and externally, domestically and abroad. As the CFTC's financial technology innovation hub, OTI drives change and enhances knowledge through innovation, consulting/collaboration, and education. For example, AI has recently gained prominence with the release of ChatGPT, a Large Language Model. AI is evolving quickly and CFTC will need to keep pace with the use cases and risks associated with the use of AI in the financial markets. OTI will help drive innovation within CFTC by introducing advanced analytic tools, including AI, and data sets, providing consulting services within CFTC, collaborating with other state, federal, and international regulatory bodies, and providing education on advances in financial innovation, particularly in the AI and crypto sphere.

One area of continual innovation is the emergence of digital assets and the use of DeFi. Compared to the historical intermediation by regulated entities, DeFi is characterized by the use of computer protocol in peer-to-peer issuance, exchange, and settlement.

The CFTC facilitates customer protections through its principles-based market oversight and disclosure regime aimed at ensuring transparency, integrity, and security of transactions. These structures inform customers about who they are dealing with and provide clarity on the risks of participating in our markets. Critically, all regulated derivatives and futures platforms must maintain adequate financial, operational, and managerial resources, segregate customer funds, and comply with Commission requirements for the treatment of customer assets. These tools have proven effective in preserving customer funds and market operations in times of instability, uncertainty, or market misconduct.

However, digital asset commodity cash markets, which have significant speculative retail participation and rely heavily on platform-based custody arrangements are outside of the traditional regulated banking sector and are outside the CFTC's jurisdiction, as well. Although many participants in these markets perceive themselves to be interacting with exchanges and intermediaries structured and regulated like those in other financial markets, the reality is quite different. The lack of a comprehensive regulatory regime means that traditional market-based disclosures and bankruptcy protections are frequently absent, and such arrangements increase the likelihood of disruptions involving conflicts of interest, data reporting, and cybersecurity breaches resulting in unprotected customer losses.

The CFTC's efforts related to digital assets have evolved with the market, and we are now engaged in a more proactive and comprehensive effort across the agency to prosecute fraud in these markets with the tools currently available to us. Also, many digital asset-related companies now operate CFTC-registered exchanges, and CFTC is regularly reviewing products tied to digital assets both from these new entrants and from more traditional registrants.

Strategic Goal 4 – Be Tough on Those Who Break the Rules

The CFTC remains vigilant against those who violate the CEA or CFTC regulations. The Commission's strong enforcement program emphasizes being tough on those who break the rules, while being fair and consistent. Pursuing those that break the law is critical to market participants who depend on the futures and swaps marketplace, and more broadly, 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 authority to pursue enforcement actions to protect the public interest against fraud and manipulation. This authority extends to any commodity in interstate commerce, as well as futures and options contracts and other derivatives, including swaps.

The Commission's exercise of its enforcement authorities to address misconduct has a direct impact on CFTC jurisdictional markets, affects the larger economy, reduces public harm, and bolsters market integrity. Our enforcement program's effectiveness in holding individuals and institutions accountable promotes confidence in U.S. derivatives markets, which continue to be the premier mechanism for global price discovery and risk management.

Further, while the CFTC does not have direct statutory authority to regulate cash markets, the CFTC maintains anti-fraud, false reporting, and anti-manipulation enforcement authority over commodity cash markets in interstate commerce. When the CFTC becomes aware of potential fraud or manipulation in an underlying market, we investigate and address misconduct through our enforcement authority. In particular, since 2014, the CFTC has aggressively exercised this enforcement authority in the digital asset space.

To the extent that market integrity preservation and protecting the public relies on deterrence, there is a strong case for ensuring that every matter we file, and public action we take, brings about greater compliance and makes the next violation less likely to occur. This makes a market regulator's success a function of not only authority, but also professionalism, dedication, and commitment of its staff in honing their investigative and analytical craft, developing leads and forming relationships that bring conduct—good and bad—to the surface, expanding cooperative efforts, and providing more clarity and transparency to markets and market participants.

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 Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) established the whistleblower program and set up the CPF to pay awards to whistleblowers and to fund customer education initiatives.

Strategic Goal 5 – Focus on Our Unique Mission and Improve Our 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. Our dedicated workforce continues to rise to any challenge through thoughtful communication strategies, continual workforce engagement, and innovative technology solutions.

In its ongoing effort to attract, retain, and promote a diverse workforce of the best and brightest individuals, the CFTC has expanded its OMWI to include a DEIA program led by the Commission's first Chief Diversity Officer. The Commission established a DEIA vision that embraces diversity as a strength and understands that transparency, fairness, and equity must guide decision-making. Further, the CFTC DEIA vision further states that everyone is accountable for contributing to a respectful, safe, inclusive, accessible, and collaborative workplace culture so that opportunities and means to excel are available to all. The CFTC Chief Diversity Officer is providing leadership and executive direction on this priority and also on the Commission's efforts to integrate DEIA into every aspect of our talent and business operations. To integrate DEIA principles and best practices throughout the Commission, the CFTC has prioritized developing and implementing the first agency-wide DEIA Strategic Plan with a focus on attracting and retaining a diverse workforce and developing a culture where all employees feel valued, safe, empowered, and respected. The DEIA strategic plan will encourage a global approach to DEIA—ensuring that all CFTC employees know their role to create an inclusive work environment.

The Chief Diversity Officer and OMWI staff are partnering with the Executive Director, and human resources leadership to implement a creative outreach and recruitment approach to: build a pipeline of more diverse talent into the CFTC workforce using innovative media and marketing strategies; ensure a hiring process that is equitable and transparent; and build recruitment partnerships with law schools, universities,—including rural colleges and universities—women's colleges, minority serving institutions, professional associations, and other educational organizations.

OMWI, DA, and DOD are partnering to implement data analytics and a DEIA data dashboard, which will encompass a series of key DEIA metrics that will foster a strategic approach to meeting DEIA goals and to ensure that the Commission recruits and retains the best and brightest regardless of background.

The CFTC's Information Security Program mitigates risks and enhances the information security posture in a world of rapidly expanding threats and evolving complex regulations. The Commission is actively engaged in protecting confidential trading and clearing data held by the CFTC and the entities we regulate. In accordance with Executive Order 14028, *Improving the Nation's Cyber Security*, the CFTC continues to modernize and address security vulnerabilities in the Commission's IT infrastructure. The CFTC plans to implement three programs to support the cybersecurity focus areas outlined in various executive orders:

- Zero Trust Architecture to provide network-level protections against attackers pivoting from a compromised system.
- Data Protection Program to establish data loss prevention technologies and processes to manage access to sensitive data to ensure it is tightly controlled and monitored.
- Examine the application of generative AI and ML in cybersecurity threat protection and detection to mitigate against exploits that may put the CFTC data and infrastructure at risk.

In addition, the Commission will continue to ensure the protection of sensitive market participant data through continuing to implement the Federal Information Security Modernization Act (FISMA) and related OMB security mandates.

Required by OMB Circular A-123, Enterprise Risk Management (ERM) provides an enterprise-wide, strategically-aligned view of organization risks that promotes improved planning and decision-making through a structured analysis of opportunities and threats. The CFTC's ERM program strives to proactively identify, manage, and mitigate risks that threaten achievement of the CFTC's strategic objectives and mission. The CFTC ERM program is a priority that aims to strengthen its practices, expand and embed risk management principles into Commission practices.

The Commission is making significant investments to enhance its data-driven approach to policy making, supervision, and enforcement. These investments include hiring the Commission's first Chief Data Scientist; migrating the Commission's data to cloud-based data repositories; and staff training that focuses on advanced data analytics techniques. These investments have allowed the Commission to leverage advancements in data analytics, including AI, to more effectively use the Commission's data. Using a cloud environment for data storage and processing enables these advanced analytics techniques and allows the Commission to expand or contract its usage based on need. This allows the Commission to more efficiently allocate its resources.

The CFTC must take full advantage of its incredible institutional knowledge. The Commission has deep expertise, skills, and knowledge in a variety of mission-necessary disciplines. However, in many of these areas, we do not have a "deep bench." Additionally, our skills must move in lock step with quickly evolving markets. A detailed and strategic succession planning program will create a path forward to ensure that institutional knowledge is shared, expanded, and retained.

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 towards 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 2023, the Commission invested $56.7 million.

Key Indicator Performance Results

Objective 1.1: Ensure our central counterparties remain among the soundest and most resilient in the world.

PERFORMANCE INDICATOR: Aggregate cleared swaps, futures, and options positions into a comprehensive risk surveillance process and conduct analysis for each material market participant.			
Why this is relevant: The Commission has a comprehensive program in place to aggregate and conduct risk surveillance of market participants' futures and options positions. The Commission is developing procedures to aggregate swap positions across multiple DCOs and the asset classes for which such DCOs offer clearing services. Upon the development of such procedures, the Commission will be in a position to aggregate the risk of market participants that trade futures, swaps, and options and conduct risk surveillance for that aggregate portfolio.			
Data Source: For futures, options on futures, and swaps, the source of trader data is currently large trader data that the Commission receives daily from FCMs and Part 39 margin and position data that the Commission receives daily from DCOs. DCR worked with DCOs to have them transmit account level data with their Part 39 transmissions. This work is now complete as all DCOs submit account level data. DCR receives additional supplementary data such as delta ladders for swaps.			
Verification and Validation: The Standard Portfolio Analysis of Risk application can stress test futures positions.			
Target: DCR will aggregate risk of market participants' interest rate swap (IRS) & interest rate (IR) futures to get full IR exposure.			
FY 2020	**FY 2021**	**FY 2022**	**FY 2023**
Aggregated the risk of 100 IRS and IR futures accounts	Aggregated the risk of thousands of accounts across multiple asset classes*	Aggregated the risk of thousands of accounts across multiple asset classes*	Aggregated the risk of thousands of accounts across multiple asset classes* and regularly estimate aggregate losses for major accounts under extreme market conditions
** 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 2023, the Commission invested $56.3 million.

Key Indicator Performance Results

Objective 2.3: Increase protections for customer assets and information.

PERFORMANCE INDICATOR: Examine compliance by exchanges, DCOs, and SDRs with the system safeguards and cybersecurity requirements of the CEA Core Principles and Commission regulations, prioritizing systematically important entities.			
Why this is relevant: Utilizing both risk-based and Core Principles-based approaches, the Commission conducts comprehensive examinations of system safeguards and cybersecurity programs at exchanges and SDRs, and prepares examinations reports when deficiencies are identified. Exchanges and SDRs are notified, and staff monitor their remediation efforts. A system safeguards examination (SSEs) has four main stages: (1) Initiating letter; (2) On-site exam, includes data review and interviews with both senior staff and technical expert staff; (3) Review of initial observations, follow up questions, followed by development of examination report with findings and recommendations and an overall rating (Adequate/Needs Improvement/Inadequate); and (4) Presentation of findings/recommendations to Commission for Commission "acceptance," followed by transmittal of report to entity.			
Data Source: DMO and DCR maintain a list of SSEs commenced and completed each year.			
Verification and Validation: Management recordkeeping.			
FY 2020**	**FY 2021****	**FY 2022**	**FY 2023**
• 2 SSEs initiated and staff interviews conducted; • 1 additional SSE initiated; • 4 additional SSEs issued*	• 3 entity SSEs initiated, staff interviews conducted; • 3 entity SSEs with staff interviews conducted and report issued; • 3 additional entity SSEs initiated; • 9 entity Targeted Maturity Assessments [TMA – a new type of DMO review] with on-site interviews conducted and report issued; • 3 additional entity TMAs initiated	• 2 systemically important DCO SSEs; • 1 SSE at another DCO; • 1 DCO & 1 DMO application for entities that wish to clear or hold crypto products; • 5 entity SSEs initiated, staff interviews conducted; • 3 entity SSEs with staff interviews conducted and report issued; • 8 entity TMAs initiated; • 8 designation or registration reviews initiated; with 4 completed system safeguards portion of the checklist complete	• 4 SSEs completed and issued (1 DCM, 5 SEFs, and 1 SDR); • 4 SSEs initiated and staff interviews completed (1 DCM and 4 SEFs); • 2 additional SSEs initiated, with staff interviews pending (1 DCM and 1 SEF); • 7 designation or registration reviews completed (7 DCMs); • 2 systemically important DCO SSEs; • 2 data center reviews; • 6 DCO application reviews

* *DCR also conducts comprehensive SSEs for central clearing counterparties (CCPs), also known as clearing houses. During FY 2021, DCR completed systems examinations for 2 systemically important CCPs and 2 additional CCPs.*

** *By necessity, due to COVID-19, staff interviews were conducted over telephone or via video.*

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 2023, the Commission invested $45.7 million.

Key Indicator Performance Results

Objective 3.2: Ensure that the CFTC's actions result from well-defined, transparent, and consistent processes, with regulatory development that complies with applicable laws and regulations, and is consistent with standards agreed upon by international bodies.

PERFORMANCE INDICATOR: Percentage of contract and rule submissions received by the CFTC through the organizations, products, events, rules, and actions (OPERA) portal.			
Why this is relevant: This indicator captures the efficiency with which staff can receive and process exchange submissions related to contracts and rules. Through the portal, exchanges are able to electronically file submissions directly with the Commission. 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.			
Data Source: The FILAC database indicates whether a filing was made via email or the OPERA portal.			
Verification and Validation: The OPERA portal automatically assigns a submission number to all filings made through the portal. Filings made via email are not assigned a submission number.			
FY 2020	**FY 2021**	**FY 2022**	**FY 2023**
99.88%	99%	99%*	99.7%
* *Provisional*			

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 2023, the Commission invested $90.6 million.

Key Indicator Performance Results

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

PERFORMANCE INDICATOR: Leverage the impact of its enforcement program through coordination with SROs and active participation in domestic and international cooperative enforcement efforts.			
Why this is relevant: This indicator reflects the Commission's continued participation in regular meetings with the SROs and with domestic and international cooperative partners. The Commission's enforcement program regularly meets with the SROs to discuss matters of common interest; including investigations, enforcement actions, and the sanctioning of violative conduct. The Commission's enforcement program also works cooperatively with both domestic and international authorities to maximize its ability to detect, deter, and bring sanctions against wrongdoers involving U.S. markets, registrants, and customers. These cooperative efforts bolster the effectiveness of the enforcement program by allowing it to investigate and litigate more efficiently, and seek penalties that provide the appropriate punitive and deterrent effect.			
Data Source: Meeting records.			
Verification and Validation: Management recordkeeping.			
FY 2020	**FY 2021**	**FY 2022**	**FY 2023**
Participated in 81 domestic and international cooperative enforcement meetings, task forces, etc.	Participated in 73 domestic and international cooperative enforcement meetings, task forces, etc.	Participated in 92 domestic and international cooperative enforcement meetings, task forces, etc.	Participated in 96 domestic and international cooperative enforcement meetings, task forces, etc.

Objective 4.3: Focus market surveillance on areas where fraud and manipulation are most likely.

PERFORMANCE INDICATOR: Develop comprehensive communication strategy, geared for internal and external stakeholders, relating to role of whistleblowers and the function of the WBO.			
Why this is relevant: The Commission participates in public forums and trade shows annually, including the national Futures Industry Association Conference. This measure reflects the need of the WBO to communicate effectively to external audiences. Outreach is an essential part of the program. The WBO sends the message that the program is in place and emphasize in its message the rewards and protections offered by Section 23 of the CEA and the Commission regulations. Whistleblowers provide the Commission with the opportunity to receive timely information relating to potential violations of the CEA that may not otherwise be available.			
Data Source: *https://www.whistleblower.gov/news/events* *https://www.whistleblower.gov/whistleblower-alerts*			
Verification and Validation: Management recordkeeping.			
FY 2020	**FY 2021**	**FY 2022**	**FY 2023**
Participated in 5 public forums and trade shows Posted one new "trending topic" alert to WBO website	Presented virtually at 5 public events Posted one new "trending topic" alert to WBO website	Presented at 4 public events, 3 virtual and 1 live	Presented or exhibited at 5 public events Attended at 4 other public events Posted two new "trending topic" alerts to WBO website: • Romance scams • Manipulation in the carbon markets

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 2023, the Commission invested $87.9 million.

Key Indicator Performance Results

Objective 5.1: Embracing and embedding equal opportunity, diversity, equity, inclusion, and accessibility (DEIA) principles and best practices into all Commission operations.

PERFORMANCE INDICATOR: Number of Special Emphasis Programs observed within the Commission.			
Why this is relevant: 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.			
Data Source: Meeting records.			
Verification and Validation: Management recordkeeping.			
FY 2020*	**FY 2021***	**FY 2022***	**FY 2023***
7	8	8	7
** Some of the observance activities are virtual and others are in person/hybrid.*			

FINANCIAL HIGHLIGHTS

FINANCIAL OVERVIEW

The following table presents an overview of the Commission's financial position, net costs, and budgetary resources as of and for the fiscal years ending September 30, 2023, and September 30, 2022.

HIGHLIGHTS	2023	2022
CONDENSED BALANCE SHEETS		
Fund Balance with Treasury	$ 210,945,449	$ 174,854,209
Investments	279,441,910	286,000,000
Accounts Receivable, Net	50,312	27,175
Custodial Fines and Interest Receivable, Net	123,954,833	659,190,181
General Property, Plant, and Equipment, Net	34,683,576	39,477,653
Advances and Prepayments	13,309,672	6,640,433
TOTAL ASSETS	**$ 662,385,752**	**$ 1,166,189,651**
Accounts Payable	$ 26,227,638	$ 16,602,824
Accrued Payroll and Unfunded Annual Leave	28,685,262	29,167,978
FECA and Unemployment Liabilities	533,322	582,869
Liability to the General Fund of the U.S. Government for Custodial Assets	123,954,833	659,190,181
Liability for Non-Fiduciary Deposit Funds	205,143	73,353
Deferred Lease Liabilities	11,248,874	15,703,225
Liability for Whistleblower Awards	31,464,775	45,000
Total Liabilities	**$ 222,319,847**	**$ 721,365,430**
Unexpended Appropriations – Funds from Other than Dedicated Collections	$ 170,059,674	$ 137,086,524
Cumulative Results of Operations – Funds from Dedicated Collections	263,291,994	301,921,114
Cumulative Results of Operations – Funds from Other than Dedicated Collections	6,714,237	5,816,583
Total Net Position	**$ 440,065,905**	**$ 444,824,221**
TOTAL LIABILITIES AND NET POSITION	**$ 662,385,752**	**$ 1,166,189,651**
CONDENSED STATEMENTS OF NET COST		
Gross Costs	$ 391,880,359	$ 328,486,481
Earned Revenue	(166,018)	(49,179)
TOTAL NET COST OF OPERATIONS	**$ 391,714,341**	**$ 328,437,302**
NET COST BY STRATEGIC GOAL		
Strategic Goal 1: Strengthen Derivatives Markets & Foster their Vibrancy	$ 58,000,047	$ 56,519,959
Strategic Goal 2: Regulate Derivatives Markets in Interest of All Americans	57,552,037	55,239,147
Strategic Goal 3: Encourage Innovation & Enhance Regulatory Experience of All	46,661,951	44,368,661
Strategic Goal 4: Be Tough on Those Who Break the Rules	139,657,096	84,360,406
Strategic Goal 5: Focus on Unique Mission & Improve Operational Effectiveness	89,843,210	87,949,129
TOTAL NET COST OF OPERATIONS	**$ 391,714,341**	**$ 328,437,302**
CONDENSED STATEMENTS OF BUDGETARY RESOURCES		
Prior Year Budget Authority	$ 304,772,904	$ 52,805,900
New Budget Authority	377,576,086	759,106,348
TOTAL BUDGETARY RESOURCES	**$ 682,348,990**	**$ 811,912,248**
New Obligations and Upward Adjustments	$ 356,004,047	$ 511,348,819
Apportioned, Unexpired Accounts	349,995,605	350,040,567
Unapportioned, Unexpired Accounts	(35,103,079)	(57,983,358)
Expired Unobligated Balances	11,452,417	8,506,220
TOTAL BUDGETARY RESOURCES	**$ 682,348,990**	**$ 811,912,248**
Agency Outlays, Net	$ 333,039,255	$ 126,645,815

The overview on the previous page 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.

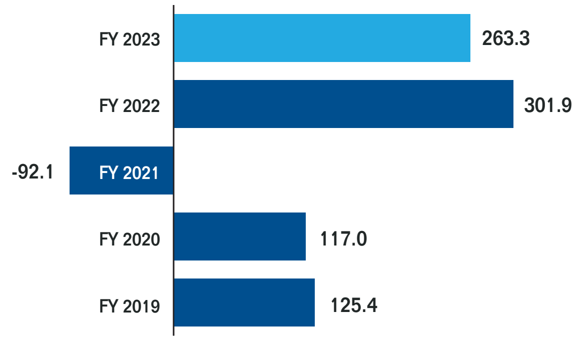
Understanding the Financial Statements

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, 2023, compared to September 30, 2022.

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 above, the balance in the Fund can change significantly as a result of transfers of eligible collections into the Fund and 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 $1.0 million are imposed.

Customer Protection Fund Net Position

($ in millions)



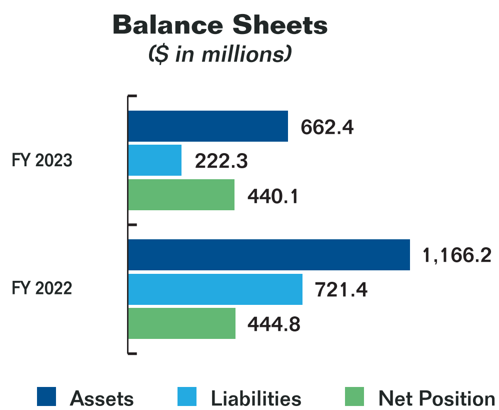
The $38.6 million decrease in the net position of the Fund in FY 2023 was due to $51.8 million in expenses for whistleblower awards and administrative costs to operate the fund, partially offset by $13.2 million in investment interest earned. The $394.0 million increase in the net position of the Fund in FY 2022 was primarily due to eligible collections of $398.5 million that were transferred into the Fund during the fiscal year. When the available balance in the Fund is less than or equal to $100.0 million, the Fund is replenished by eligible sanctions collected by the Commission in accordance with the provisions of the Dodd-Frank Act.

Key Financial Statement Line Items	2023	2022	$ Change	% Change
Total Assets	$ 662,385,752	$1,166,189,651	$ (503,803,899)	(43.2%)
Total Liabilities	$ 222,319,847	$ 721,365,430	$ (499,045,583)	(69.18%)
Total Net Position	$ 440,065,905	$ 444,824,221	$ (4,758,316)	(1.07%)
Total Net Cost of Operations	$ 391,714,341	$ 328,437,302	$ 63,277,039	19.27%
Total Budgetary Resources	$ 682,348,990	$ 811,912,248	$ (129,563,258)	(15.96%)
New Obligations and Upward Adjustments	$ 356,004,047	$ 511,348,819	$ (155,344,772)	(30.38%)
Apportioned	$ 349,995,605	$ 350,040,567	$ (44,962)	(0.01%)
Unapportioned	$ (35,103,079)	$ (57,983,358)	$ 22,880,279	39.46%
Agency Outlays, Net	$ 333,039,255	$ 126,645,815	$ 206,393,440	162.97%
Custodial Receivables/Liabilities	$ 123,954,833	$ 659,190,181	$ (535,235,348)	(81.2%)

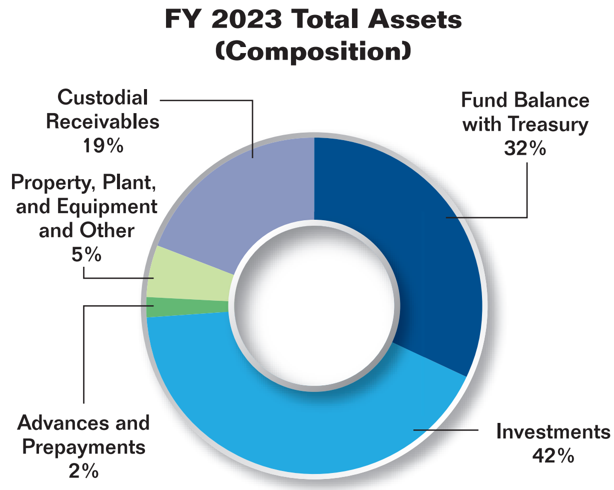
As of September 30, 2023, the available balance of the Fund, which consists of amounts apportioned for use but not yet obligated for other purposes, was $261,359,298.[10] The Fund's individual balance sheets, statements of net cost, and statements of changes in net position are reported separately in 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 by Major Account* 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, 2023, the Balance Sheet reflects total assets of $662.4 million. This is a decrease of $503.8 million, or 43.2 percent, over FY 2022, primarily due to decreases of $535.2 million in Custodial Receivables, $6.6 million in Investments, and $4.8 million in Property, Plant, and Equipment, offset by increases of $36.1 million in Fund Balance with Treasury and $6.7 million in Advances and Prepayments.



The $535.2 million, or 81.2 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, 2023. 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 $659.2 million in outstanding Custodial Receivables as of September 30, 2022, $636.0 million, or 96.5 percent, was collected in October 2022 from 10 entities for civil monetary penalties related to recordkeeping and supervision failures for widespread use of unapproved communication methods that resulted from a Commission order dated September 27, 2022.[11]

Excluding Custodial Receivables, Investments of $279.4 million comprised approximately 51.9 percent of the Commission's total assets as of September 30, 2023. 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 $6.6 million, or 2.3 percent, decrease in Investments was due to the redemption of investments to cover eligible expenses and obligations of the Customer Protection Fund in excess of investment interest collected during FY 2023.

The $4.8 million, or 12.1 percent, decrease in Property, Plant, and Equipment was the result of depreciation and disposals exceeding new asset purchases.

[10] *The apportioned balance on the Fund's Statement of Budgetary Resources totals $270,241,275, consisting of $261,359,298 in the Fund and $8,881,977 that has been set aside in a separate account to fund non-whistleblower costs when the unobligated balance of the Fund is insufficient.*

[11] *11 entities were fined in the order totaling $710.0 million but the Commission collected $75 million from one entity prior to September 30, 2022.*

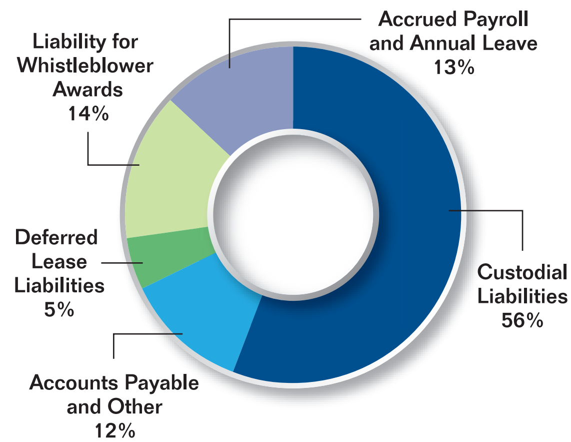
The $36.1 million, or 20.6 percent, increase in Fund Balance with Treasury is made up of a $22.1 million increase in the non-Customer Protection Fund balance and a $14.0 million increase in the Customer Protection Fund balance. The non-Customer Protection Fund balance primarily increased due to $24.5 million excess of appropriations and other offsetting collections over outlays due to a $45.0 million increase in appropriations received in FY 2023 and the timing of cash payments, less $2.6 million in Fund Balance with Treasury returned to the U.S. Department of the Treasury from the 2018 canceled appropriations. The Customer Protection Fund balance primarily increased due to $13.2 million in investment interest collected and $6.6 million in investment redemptions, partially offset by disbursements of $3.8 million for payroll, $1.3 million for contract payments, and $670.0 thousand for whistleblower awards.

The $6.7 million, or 100.4 percent, increase in Advances and Prepayments was primarily due to a $7.3 million increase in prepayments to the Department of the Interior for contract support, partially offset by less subscriptions and maintenance agreements prepaid in FY 2023 than FY 2022.

Total Liabilities: As of September 30, 2023, the Balance Sheet reflects total liabilities of $222.3 million. This is a decrease of $499.0 million, or 69.2 percent, over FY 2022. The decrease was primarily due to decreases of $535.2 million in Custodial Liabilities, $4.5 million in Deferred Lease Liabilities, and $1.3 million in Unfunded Annual Leave, partially offset by increases of $31.4 million in Liability for Whistleblower Awards and $9.6 million in Accounts Payable.

The $535.2 million, or 81.2 percent, decrease in Custodial Liabilities was directly related to the decrease in Custodial Receivables discussed previously. 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 less than or equal to $100.0 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 2023 Total Liabilities (Composition)



Consistent with the utility of its office space, the Commission records deferred lease liabilities representing lease expense amounts in excess of payments to date. The $4.5 million, or 28.4 percent, decrease in Deferred Lease Liabilities was due to the recognition of these deferred costs spread over the life of the Commission's lease for its headquarters office in D.C. (non-federal) and occupancy agreements with the General Services Administration (GSA) for its regional offices in Chicago, Kansas City, and New York (federal).

The decrease in Unfunded Annual Leave of $1.3 million, or 7.5 percent, was primarily due to decreases of 13.9 percent in the average number of annual leave hours accrued per employee, partially offset by a 2.6 percent increase in average salary. The large decrease in annual leave hours is due to the expiration of the 80-hour increase in the individual leave ceiling temporarily granted to employees during the COVID-19 pandemic. Employees who elected to carryover up to 80 hours more than their previous individual leave ceiling were required to use the extra leave or forfeit it by December 31, 2022.

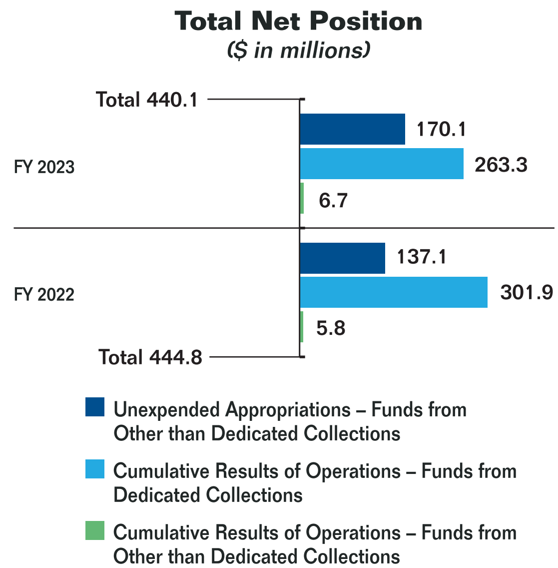
The $31.4 million, or 69,821.7 percent, increase in Liability for Whistleblower Awards is directly related to an increase in the estimated amount of pending awards for valid whistleblower claims that are in preliminary determination status as of the end of the reporting period. The amount of whistleblower awards is driven by the amount of sanctions actually collected on the related judgments and the extent to which information provided by the whistleblowers contributed 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 $9.6 million, or 58.0 percent, increase in Accounts Payable is primarily the result of a $15.0 million increase in final whistleblower awards outstanding at the end of FY 2023, a $4.5 million reduction in unbilled amounts owed to GSA for construction work related to the Commission's facility relocations in New York and Chicago, and the timing of cash payments.[12] 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.

Total Net Position: As of September 30, 2023, the Balance Sheet reflects a total net position of $440.1 million, a decrease of $4.8 million, or 1.1 percent, over FY 2022. 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 $33.0 million, or 24.1 percent, due primarily to FY 2023 appropriations received of $365.0 million in excess of appropriations used of $329.4 million as a result of the $45.0 million increase in FY 2023 appropriations and the timing of actual cash payments. In addition, approximately $2.6 million unexpended appropriations in cancelled funds were returned to Treasury on September 30, 2023.

Cumulative Results of Operations—Funds from Dedicated Collections decreased by $38.6 million, or 12.8 percent, due to Customer Protection Fund expenses of $51.8 million for whistleblower awards and administrative costs to operate the Fund and implement customer education initiatives, partially offset by $13.2 million in investment interest revenue.



Cumulative Results of Operations—Funds from Other than Dedicated Collections increased by $897.7 thousand, or 15.4 percent, due to total financing sources exceeding net cost of operations.

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 $63.3 million, or 19.3 percent, increase in the total net cost of operations over FY 2022.

Excluding increases of $47.1 million in whistleblower awards, FY 2023 gross costs increased by a total of $16.2 million over FY 2022. This increase was due to increases of $12.0 million for payroll, $3.9 million for unfunded payroll-related accruals, $1.2 million for contracts for goods and services, and $748.2 thousand for travel, offset by decreases of $1.5 million for leases and $117.4 thousand for depreciation. This overall increase in non-whistleblower award expenses is deemed reasonable given the $45.0 million increase in FY 2023 appropriations and the timing of cash payments.

[12] *Whistleblower awards that have been signed by the Secretary of the Commission and issued as final are obligated and reported as Accounts Payable until paid. Whistleblower awards that have not yet been issued as final awards, but are in preliminary determination status (i.e., the recommended award amount has been communicated to the whistleblower(s) but not yet approved by the Commission), are reported in the unfunded Liability for Whistleblower Awards.*

Gross Costs by Strategic Goal						
Strategic Focus	**2023**	**2022**	**2023%**	**2022%**	**% Change**	**$ Change**
Strategic Goal 1 – *Strengthen Derivatives Markets & Foster Their Vibrancy*	$ 58,027,988	$ 56,528,423	16.83%	17.21%	(0.38%)	$ 1,499,565
Strategic Goal 2 – *Regulate Derivatives Markets in Interest of All Americans*	$ 57,579,762	$ 55,247,419	16.70%	16.82%	(0.12%)	$ 2,332,343
Strategic Goal 3 – *Encourage Innovation & Enhance Regulatory Experience of All*	$ 46,684,430	$ 44,375,305	13.54%	13.51%	0.03%	$ 2,309,125
Strategic Goal 4 – *Be Tough on Those Who Break the Rules* (excluding Whistleblower Awards)	$ 92,610,324	$ 84,349,211	26.86%	25.68%	1.18%	$ 8,261,113
Strategic Goal 5 – *Focus on Unique Mission & Improve Operational Effectiveness*	$ 89,886,491	$ 87,962,299	26.07%	26.78%	(0.71%)	$ 1,924,192
Gross Costs Excluding Whistleblower Awards	**$ 344,788,995**	**$ 328,462,657**	**100.0%**	**100.0%**		**$ 16,326,338**
Whistleblower Awards	$ 47,091,364	$ 23,824				$ 47,067,540
GROSS COSTS	**$ 391,880,359**	**$ 328,486,481**				**$ 63,393,878**

In line with the Strategic Plan in effect for both FY 2023 and FY 2022, the Commission allocates expenses reported in the Statement of Net Cost to the following five Strategic Goals:

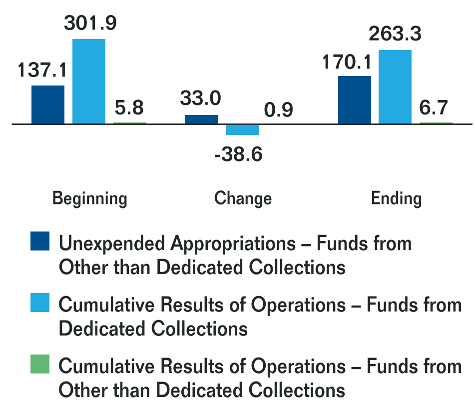
- Strategic Goal One – Strengthen Derivatives Markets & Foster Their Vibrancy
- Strategic Goal Two – Regulate Derivatives Markets in Interest of All Americans
- Strategic Goal Three – Encourage Innovation & Enhance Regulatory Experience of All
- Strategic Goal Four – Be Tough on Those Who Break the Rules
- Strategic Goal Five – Focus on Unique Mission & Improve Operational Effectiveness

To aid the financial statement reader in more fully understanding the Commission's strategic focus and how it changed from FY 2022 to FY 2023, the table above presents the gross costs by Strategic Goal excluding whistleblower awards. In FY 2023, CFTC allocated slightly more costs to Strategic Goals Three and Four and less costs to Strategic Goals One, Two, and Five. After adding back the whistleblower awards, the total gross costs in the table above ties to the total gross costs on the Commission's Statements of Net Cost for FY 2023 and FY 2022.

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)



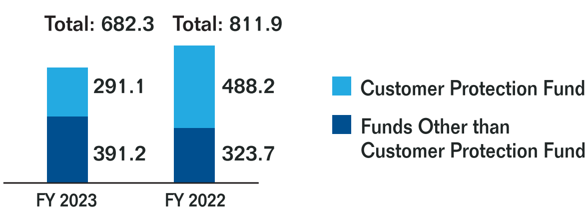
Statements of Budgetary Resources

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 2023.

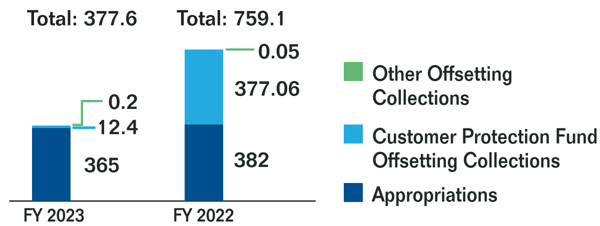
The changes in the Commission's total budgetary resources from September 30, 2022, to September 30, 2023, can mostly be explained by the following three events:

- In FY 2022, the Commission transferred $398.5 million in eligible monetary sanctions from its custodial receipt account to the Customer Protection Fund when the available balance of the Fund fell below $100.0 million and collected $1.4 million in investment interest. After reducing available budgetary authority by $22.8 million for temporary sequestration (5.7 percent of all offsetting collections), and expending $209.5 million for whistleblower awards and administrative expenses to operate the Fund, the budgetary authority for the Customer Protection Fund increased by approximately $167.5 million.
- The Commission received $45.0 million more in annual appropriations for salaries and expenses in FY 2023 than FY 2022.
- The Commission reduced its outstanding unfunded lease deficiency by $19.0 million in FY 2023 and $22.1 million in FY 2022 (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 in the subsequent fiscal year.

Total Budgetary Resources[13]
($ in millions)



New Budget Authority
($ in millions)



For the year ending September 30, 2023, the Commission's Total Budgetary Resources decreased by $129.6 million, or 16.0 percent. This decrease is primarily due to a $381.5 million decrease in new budget authority, offset by a $251.9 million increase in unobligated balances brought forward.

For the year ending September 30, 2023, the Commission's new budget authority decreased by $381.5 million, or 50.3 percent, primarily due to a $364.7 million, or 96.7 percent decrease, in Customer Protection Fund Offsetting Collections and a $17.0 million decrease in total appropriations.

When the balance of the Customer Protection Fund fell below $100.0 million in FY 2022, the Commission deposited all eligible monetary sanctions collected into the Fund until it was replenished. As a result, new budget authority increased by $375.8 million in FY 2022 ($398.5 million in collections reduced by $22.7 million in temporary sequestration of 5.7 percent on all offsetting collections). No such collections were deposited into the Fund during FY 2023 because the balance of the Fund did not fall below $100.0 million.

This large decrease in new budget authority for the Customer Protection Fund was partially offset by an $11.8 million increase in offsetting collections from investment interest collected. During FY 2021, the Commission redeemed $117,000,000 in investments to make funds readily available

[13] *"Customer Protection Fund" includes the no-year revolving fund that is used to pay whistleblowers and administrative and customer education expenses as well as the separate three-year account that may be used to pay administrative and customer education expenses when the balance of the no-year fund is insufficient. "Funds Other than Customer Protection Fund" include salaries and expenses, reimbursable, office space relocation, and remaining unobligated amounts set aside for Information Technology appropriations received in FY 2019 and prior.*

for the needs of the Fund. Such redemptions resulted in the liquidation of investments owned at September 30, 2020. In the fourth quarter of FY 2022, the Commission began investing again once there were sufficient funds to satisfy all outstanding whistleblower obligations. The significant increase in interest collected was due to a full 12 months of interest earned in FY 2023 versus two and a half months of interest earned in FY 2022 plus a two-fold increase in the average interest rate earned (4.6 percent in FY 2023 versus 2.3 percent in FY 2022).

While total appropriations received in FY 2023 decreased by $17.0 million over FY 2022, total appropriations for salaries and expenses actually increased by $45.0 million. The $282.0 million in appropriations received in FY 2022 included $62.0 million in no year-funds to be used for move, replication, and related costs associated with a replacement lease for the Commission's D.C. Headquarters office space.

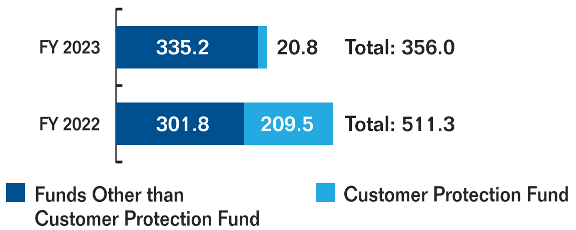
As discussed previously, the Unobligated Balance from Prior Year Budget Authority, Net increased by $167.5 million due to net collections transferred into the Customer Protection Fund in excess of amounts obligated and $22.1 million for the lease deficiency that was funded in FY 2022 through current year appropriations. In addition, unobligated amounts brought forward increased by $56.8 million remaining unobligated for the relocation of the D.C. Headquarters office space and $8.0 million in unobligated balances in prior year funds. These increases were slightly offset by $2.4 million budgetary authority in cancelled funds returned to Treasury.

New Obligations and Upward Adjustments decreased by $155.3 million, or 30.4 percent. This decrease was primarily the result of decreases in amounts obligated for whistleblower awards of $188.3 million, partially offset by increases in amounts obligated for contracts, payroll, leases, and travel of $19.1 million, $12.1 million, $924.9 thousand, and $659.4 thousand, respectively. The overall increase in obligations is expected given the increase in appropriations received of $45.0 million in FY 2023 and $78.0 million in FY 2022 ($62.0 million of the $78.0 million increase in FY 2022 appropriations were no year-funds for facility relocation expenses of which only $1.4 million has been obligated or expended as of September 30, 2023) as well as the timing of obligations due to no-year and two-year appropriations received.

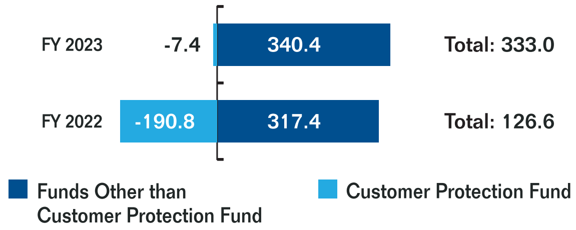
The $22.9 million, or 39.5 percent, increase in Unapportioned, Unexpired Accounts was primarily the result of the $19.0 million reduction in unfunded lease obligations. As noted previously, the Commission reduced its outstanding unfunded lease deficiency through funding from current year appropriations of $19.0 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. The total unfunded lease obligations remaining as of September 30, 2023, and 2022, are $39.1 million and $58.0 million, respectively. In addition, Unapportioned, Unexpired Accounts increased by $3.9 million in the Customer Protection Fund due to FY 2023 investment interest collected in excess of what was anticipated and apportioned for use.

Agency Outlays, Net increased by approximately $206.4 million, or 163.0 percent. The increase primarily resulted from a $195.8 million increase in net outlays for whistleblower awards (due to the reduction in offsetting collections which reduced net outlays in FY 2022 by $364.5 million) and increases in outlays of $12.7 million for payroll, $11.1 million for contracts, and $703.9 thousand for travel. These increases were partially

New Obligations and Upward Adjustments
($ in millions)



Agency Outlays, Net
($ in millions)



offset by a decrease in outlays of $2.2 million for leases and an increase in investment interest collected of $11.8 million, which reduces net outlays. Offsetting collections offset gross outlays so a decrease in offsetting collections generally results in higher net outlays; however, outlays in any given fiscal year are impacted by such things as appropriations available for obligations in the current and prior fiscal year, 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. All collections received during the fiscal year that are not transferred to the Customer Protection Fund when the available balance is less than or equal to $100.0 million are transferred to the Treasury general fund on September 30th. 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 miscellaneous general receipts and registration, filing, and appeal fees. The Statement of Custodial Activity reflects total cash collections for FY 2023 in the amount of $1,053.1 million, an increase of $448.4 million, or 74.1 percent, over FY 2022. These custodial collections are driven by enforcement actions in any given fiscal year as well as the violators' ability to pay. Of the $1,053.1 million in FY 2023 cash collections, all $1,053.1 million was transferred to the Treasury general fund.

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.

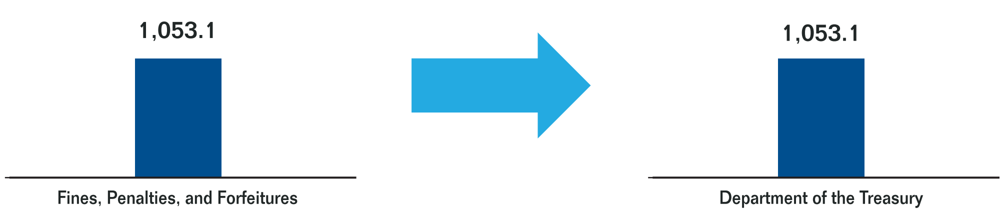
Financial Risks Occurring During the Reporting Period

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 (P.L.) 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

FY 2023 Total Cash Collections[14]
($ in millions)

FY 2023 Total Disposition of Collections
($ in millions)



[14] *Total cash collections include $1.7 thousand and $6.0 thousand, or <$0.1, in registration and filing fees and general proprietary receipts, respectively.*

of the Fund is insufficient to pay non-awards expenses and expenses for customer education initiatives. On December 29, 2022, P.L. 117-328 extended the availability of the separate account to October 1, 2024, and provided the Commission with discretionary authority to transfer an additional $10,000,000 from the Customer Protection Fund to the separate account, if needed.

In October 2021, the Commission issued a final whistleblower award of nearly $200,000,000, resulting in an obligation that exceeded the available balance of the Fund. The Commission has the authority to make obligations for whistleblower awards without taking into consideration the available balance of the Fund under the provisions of the Dodd-Frank Act. As a result, the Commission obligated non-whistleblower costs from this separate account until the negative balance in the Fund was offset by current year collections of eligible sanctions. This separate account, of which $8.9 million currently remains unexpended, will be available until the account expires, 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 2021 and 2022, the financial impact during FY 2023 resulting from the COVID-19 pandemic was minimal (less than $25 thousand).

Limitations of Financial Statements

Management has prepared the accompanying financial statements to report the financial position and operational results for the CFTC for FY 2023 and FY 2022 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

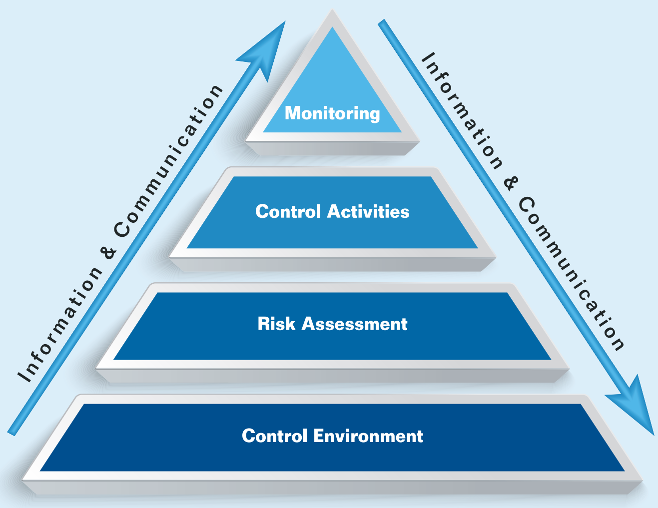
Analysis of CFTC's Systems, Controls, and Legal Compliance

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, 2023. 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, 2023. 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, 2023."

Rostin Behnam
Chairman
November 7, 2023

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 2023, 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 2023 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 FISMA.

FMFIA Section 2, Management Control

The Commission has no declared material weaknesses under FMFIA for FY 2023 and FY 2022 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 2023 and FY 2022. The independent auditors' reports for FY 2023 and FY 2022 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 24-01, *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:

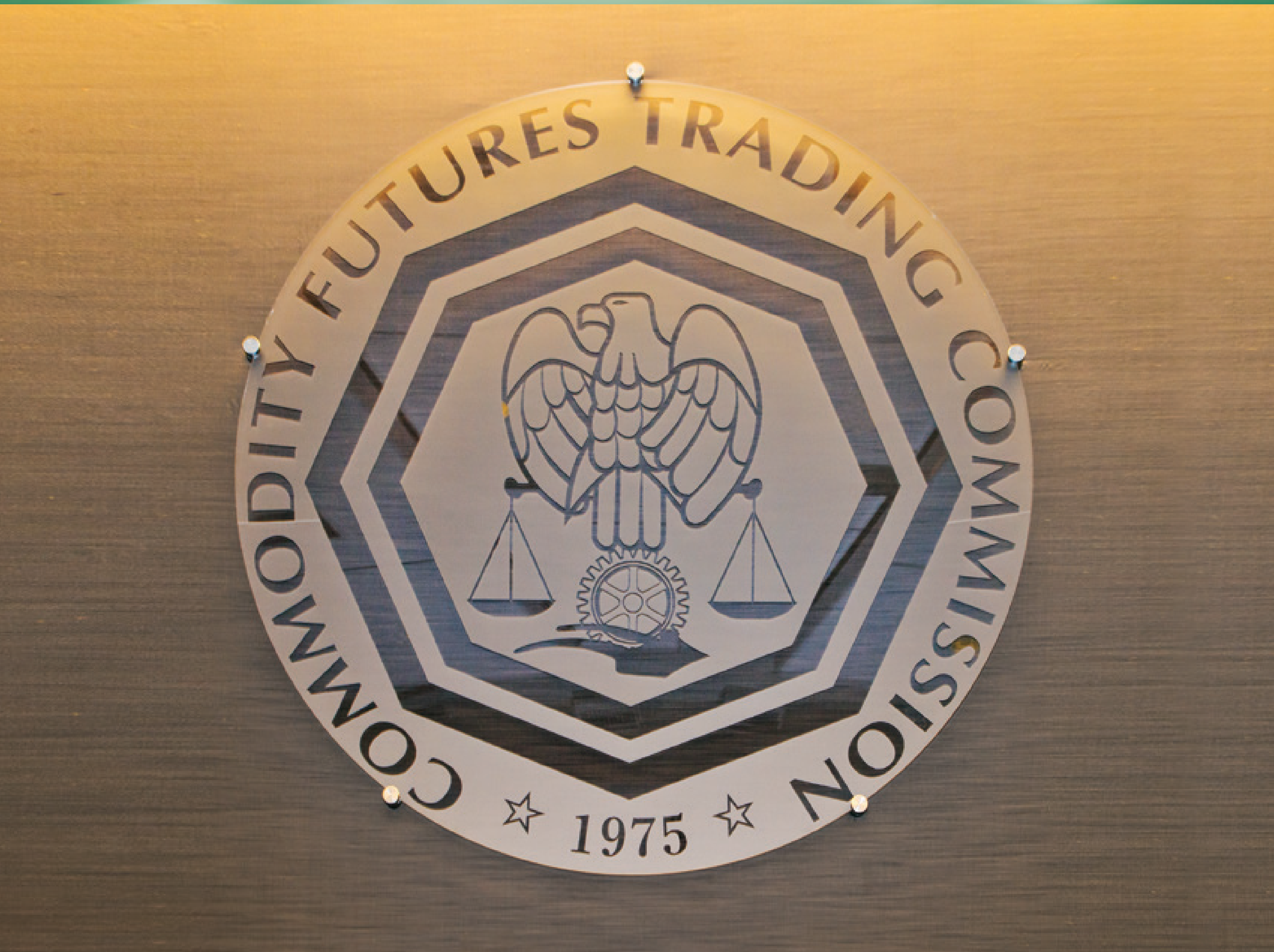
- Federal financial management system requirements;
- Applicable federal accounting standards; and
- The U.S. Standard General Ledger (USSGL) at the transaction level.

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. 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 government-wide requirements. The Commission's financial management systems strategy for FY 2024 includes the continued monitoring, evaluation and oversight of the financial management system operated by its shared services provider.

THIS PAGE LEFT INTENTIONALLY BLANK

Financial Section


COMMODITY FUTURES TRADING COMMISSION
1975

A Letter from the Chief Financial Officer

On behalf of the CFTC, it is an honor to present the Commission's FY 2023 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 2023 continued to present unique challenges that tested the execution of the Commission's public service responsibilities. Their efforts 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 2023 financial statements. The audit result represents the Commission's seventeenth 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 2023, the Commission was recognized by the Association of Government Accountants with the distinguished Certificate of Excellence in Accountability Reporting (CEAR) for its FY 2022 AFR.[15]

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, 2023

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

WILLIAMS ADLEY

Independent Auditor's Report

Chairman
U.S. Commodity Futures Trading Commission

Inspector General
U.S. Commodity Futures Trading Commission

In our audits of the fiscal years 2023 and 2022 financial statements of the U.S. Commodity Futures Trading Commission (CFTC), we found:

- CFTC's financial statements as of and for the fiscal years ended September 30, 2023, and 2022, 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[1]; and
- no reportable noncompliance for fiscal year 2023 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, required supplementary information (RSI)[2], and other information included with the financial statements[3]; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial Statements

Opinion
In accordance with *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*, we have audited CFTC's financial statements. CFTC's financial statements comprise the balance sheets as of September 30, 2023, and 2022**;** the related statements of net cost, changes

[1] 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.

[2] The RSI consists of the "Management's Discussion and Analysis" and the "Combined Statement of Budgetary Resources", which are included with the financial statements.

[3] Other information consists of information included with the financial statements, other than the RSI and the auditor's report.

WILLIAMS, ADLEY & COMPANY-DC, LLP
Certified Public Accountants/ Management Consultants
1030 15th Street, NW, Suite 350 West • Washington, DC 20005 • (202) 371-1397 • Fax: (202) 371-9161
www.williamsadley.com

in net position, budgetary resources, and custodial activity for the fiscal years then ended; and the related notes to the financial statements. In our opinion, CFTC's financial statements present fairly, in all material respects, CFTC's financial position as of September 30, 2023, and 2022, and its net cost of operations, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the U.S. and the U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CFTC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

CFTC management is responsible for:

- the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles;
- preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles;
- preparing and presenting other information included in CFTC's Agency Financial Report, and ensuring the consistency of that information with the audited financial statements and the RSI; and
- designing, implementing, and maintaining effective 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to our audit 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 CFTC's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the financial statement audit.

<u>Required Supplementary Information</u>
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. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it 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. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our 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.

<u>Other Information</u>
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. Management is responsible for the other information included in CFTC's Agency Financial Report. The other information comprises the Inspector General's Assessment, Summary of Audit and Management Assurances, and Civil Monetary Penalty Adjustment for Inflation but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated.

If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audits of CFTC's financial statements, we considered CFTC's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting
Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies[4] or to express an opinion on the effectiveness of CFTC's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Basis for Results of Our Consideration of Internal Control over Financial Reporting
We performed our procedures related to CFTC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget audit guidance[5].

Responsibilities of Management for Internal Control over Financial Reporting
CFTC management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting
In planning and performing our audit of CFTC's financial statements as of and for the fiscal year ended September 30, 2023, in accordance with U.S. generally accepted government auditing standards, we considered CFTC's internal control relevant to the financial statement audit 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 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 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 internal control over financial reporting are to provide reasonable assurance that:

---

[4] 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.

[5] Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*, issued on October 19, 2023. According to the guidance, for those controls that have been suitably designed and implemented, the auditor should perform sufficient tests of such controls to conclude on whether the controls are operating effectively (i.e., sufficient tests of controls to support a low level of assessed control risk). OMB audit guidance does not require the auditor to express an opinion on the effectiveness of internal control.

- 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
- 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.

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 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 audits of CFTC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

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 2023 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.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements
We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements
CFTC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to CFTC.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements
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 to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to CFTC. We caution that noncompliance may occur and not be detected by these tests.

<u>Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements</u>

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.

Williams, Adley & Company-DC, LLP

Washington, District of Columbia
November 7, 2023

Commodity Futures Trading Commission

BALANCE SHEETS

As of September 30, 2023 and 2022

	2023	2022
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 210,945,449	$ 174,854,209
Investments, Net:		
Federal Investments (Note 3)	279,400,000	286,000,000
Interest Receivable – Investments	41,910	–
Accounts Receivable, Net (Note 4)	31,599	–
Advances and Prepayments (Note 1H)	10,642,790	3,383,000
Total Intragovernmental	**$ 501,061,748**	**$ 464,237,209**
With the Public:		
Accounts Receivable, Net:		
Custodial Fines and Interest Receivable, Net (Note 4)	$ 123,954,833	$ 659,190,181
Accounts Receivable, Net (Note 4)	18,713	27,175
General Property, Plant, and Equipment, Net (Note 5)	34,683,576	39,477,653
Advances and Prepayments (Note 1H)	2,666,882	3,257,433
Total With the Public	**$ 161,324,004**	**$ 701,952,442**
TOTAL ASSETS	**$ 662,385,752**	**$1,166,189,651**
LIABILITIES		
Intragovernmental:		
Accounts Payable	$ 665,783	$ 5,512,199
Other Liabilities:		
Employer Contributions and Payroll Taxes Payable	2,253,469	2,099,711
Unfunded FECA and Unemployment Liability (Note 1N)	80,539	83,864
Other Liabilities (Without Reciprocals)	339,860	307,247
Deferred Lease Liabilities (Note 7)	3,349,387	4,394,626
Liability to the General Fund of the U.S. Government for Custodial Assets	123,954,833	659,190,181
Total Intragovernmental	**$ 130,643,871**	**$ 671,587,828**
With the Public:		
Accounts Payable	$ 25,561,855	$ 11,090,625
Federal Employee Benefits Payable:		
Actuarial FECA Liabilities (Note 1N)	452,783	499,005
Unfunded Annual Leave	16,423,448	17,747,317
Funded Employee Benefits	435,958	403,232
Other Liabilities:		
Accrued Funded Payroll	9,232,527	8,610,471
Liability for Non-Fiduciary Deposit Funds	205,143	73,353
Deferred Lease Liabilities (Note 7)	7,899,487	11,308,599
Liability for Whistleblower Awards (Note 8)	31,464,775	45,000
Total With the Public	**$ 91,675,976**	**$ 49,777,602**
Total Liabilities	**$ 222,319,847**	**$ 721,365,430**
Contingent Liabilities (Note 9)		

continued on next page

Balance Sheets continued from previous page

	2023	2022
NET POSITION		
Unexpended Appropriations – Funds from Other than Dedicated Collections	$ 170,059,674	$ 137,086,524
Total Unexpended Appropriations	**$ 170,059,674**	**$ 137,086,524**
Cumulative Results of Operations – Funds from Dedicated Collections	$ 263,291,994	$ 301,921,114
Cumulative Results of Operations – Funds from Other than Dedicated Collections	6,714,237	5,816,583
Total Cumulative Results of Operations	**$ 270,006,231**	**$ 307,737,697**
Total Net Position	**$ 440,065,905**	**$ 444,824,221**
TOTAL LIABILITIES AND NET POSITION	$ 662,385,752	$1,166,189,651

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, 2023 and 2022

	2023	2022
NET COST BY STRATEGIC GOAL		
STRATEGIC GOAL 1: STRENGTHEN DERIVATIVES MARKETS & FOSTER THEIR VIBRANCY		
Gross Costs	$ 58,027,988	$ 56,528,423
Less: Earned Revenue	(27,941)	(8,464)
NET COST OF OPERATIONS – STRATEGIC GOAL 1	**$ 58,000,047**	**$ 56,519,959**
STRATEGIC GOAL 2: REGULATE DERIVATIVES MARKETS IN INTEREST OF ALL AMERICANS		
Gross Costs	$ 57,579,762	$ 55,247,419
Less: Earned Revenue	(27,725)	(8,272)
NET COST OF OPERATIONS – STRATEGIC GOAL 2	**$ 57,552,037**	**$ 55,239,147**
STRATEGIC GOAL 3: ENCOURAGE INNOVATION & ENHANCE REGULATORY EXPERIENCE OF ALL		
Gross Costs	$ 46,684,430	$ 44,375,305
Less: Earned Revenue	(22,479)	(6,644)
NET COST OF OPERATIONS – STRATEGIC GOAL 3	**$ 46,661,951**	**$ 44,368,661**
STRATEGIC GOAL 4: BE TOUGH ON THOSE WHO BREAK THE RULES		
Gross Costs	$ 139,701,688	$ 84,373,035
Less: Earned Revenue	(44,592)	(12,629)
NET COST OF OPERATIONS – STRATEGIC GOAL 4	**$ 139,657,096**	**$ 84,360,406**
STRATEGIC GOAL 5: FOCUS ON UNIQUE MISSION & IMPROVE OPERATIONAL EFFECTIVENESS		
Gross Costs	$ 89,886,491	$ 87,962,299
Less: Earned Revenue	(43,281)	(13,170)
NET COST OF OPERATIONS – STRATEGIC GOAL 5	**$ 89,843,210**	**$ 87,949,129**
GRAND TOTAL		
Gross Costs	$ 391,880,359	$ 328,486,481
Less: Earned Revenue	(166,018)	(49,179)
TOTAL NET COST OF OPERATIONS	**$ 391,714,341**	**$ 328,437,302**

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, 2023 and 2022

2023	DEDICATED COLLECTIONS	ALL OTHER FUNDS	CONSOLIDATED TOTAL
UNEXPENDED APPROPRIATIONS:			
BEGINNING BALANCES	**$ –**	**$ 137,086,524**	**$ 137,086,524**
Appropriations Received	–	365,000,000	365,000,000
Other Adjustments (+/-)	–	(2,595,302)	(2,595,302)
Appropriations Used	–	(329,431,548)	(329,431,548)
Net Change in Unexpended Appropriations	–	32,973,150	32,973,150
TOTAL UNEXPENDED APPROPRIATIONS, ENDING	**$ –**	**$ 170,059,674**	**$ 170,059,674**
CUMULATIVE RESULTS OF OPERATIONS:			
BEGINNING BALANCES	**$ 301,921,114**	**$ 5,816,583**	**$ 307,737,697**
Appropriations Used	–	329,431,548	329,431,548
Nonexchange Interest Revenue (Note 3)	13,202,110	–	13,202,110
Financing Sources Transferred in from Custodial Statement Collections (Note 12)	–	–	–
Imputed Financing Sources (Note 1M)	–	11,349,217	11,349,217
Net Cost of Operations	(51,831,230)	(339,883,111)	(391,714,341)
Net Change in Cumulative Results of Operations	**(38,629,120)**	**897,654**	**(37,731,466)**
TOTAL CUMULATIVE RESULTS OF OPERATIONS, ENDING	**$ 263,291,994**	**$ 6,714,237**	**$ 270,006,231**
NET POSITION	**$ 263,291,994**	**$ 176,773,911**	**$ 440,065,905**

2022	DEDICATED COLLECTIONS	ALL OTHER FUNDS	CONSOLIDATED TOTAL
UNEXPENDED APPROPRIATIONS:			
BEGINNING BALANCES	**$ –**	**$ 87,459,663**	**$ 87,459,663**
Appropriations Received	–	382,000,000	382,000,000
Other Adjustments (+/-)	–	(1,750,242)	(1,750,242)
Appropriations Used	–	(330,622,897)	(330,622,897)
Net Change in Unexpended Appropriations	–	49,626,861	49,626,861
TOTAL UNEXPENDED APPROPRIATIONS, ENDING	**$ –**	**$ 137,086,524**	**$ 137,086,524**
CUMULATIVE RESULTS OF OPERATIONS:			
BEGINNING BALANCES	**$ (92,073,033)**	**$ (9,078,983)**	**$ (101,152,016)**
Appropriations Used	–	330,622,897	330,622,897
Nonexchange Interest Revenue (Note 3)	1,350,097	–	1,350,097
Financing Sources Transferred in from Custodial Statement Collections (Note 12)	398,498,439	–	398,498,439
Imputed Financing Sources (Note 1M)	–	6,855,582	6,855,582
Net Cost of Operations	(5,854,389)	(322,582,913)	(328,437,302)
Net Change in Cumulative Results of Operations	**393,994,147**	**14,895,566**	**408,889,713**
TOTAL CUMULATIVE RESULTS OF OPERATIONS, ENDING	**$ 301,921,114**	**$ 5,816,583**	**$ 307,737,697**
NET POSITION	**$ 301,921,114**	**$ 142,903,107**	**$ 444,824,221**

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, 2023 and 2022

	2023	2022
BUDGETARY RESOURCES		
Unobligated Balance from Prior Year Budget Authority, Net (Note 10A)	$ 304,772,904	$ 52,805,900
Appropriations	365,000,000	382,000,000
Spending Authority from Offsetting Collections	12,576,086	377,106,348
TOTAL BUDGETARY RESOURCES	**$ 682,348,990**	**$ 811,912,248**
STATUS OF BUDGETARY RESOURCES		
New Obligations and Upward Adjustments	$ 356,004,047	$ 511,348,819
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	349,995,605	350,040,567
Unapportioned, Unexpired Accounts	(35,103,079)	(57,983,358)
Unexpired Unobligated Balance, End of Year	314,892,526	292,057,209
Expired Unobligated Balance, End of Year	11,452,417	8,506,220
Unobligated Balance, End of Year (Total)	326,344,943	300,563,429
TOTAL BUDGETARY RESOURCES	**$ 682,348,990**	**$ 811,912,248**
OUTLAYS, NET		
Outlays, Net	$ 333,045,249	$ 126,661,665
Distributed Offsetting Receipts	(5,994)	(15,850)
AGENCY OUTLAYS, NET	**$ 333,039,255**	**$ 126,645,815**

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, 2023 and 2022

	2023	2022
TOTAL CUSTODIAL REVENUE		
SOURCES OF CASH COLLECTIONS:		
Registration and Filing Fees	$ 1,650	$ 1,141,644
Fines, Penalties, and Forfeitures	1,053,077,383	603,561,798
General Proprietary Receipts	5,994	15,850
Total Cash Collections	**1,053,085,027**	**604,719,292**
Change in Custodial Receivables	(535,235,348)	624,812,458
TOTAL CUSTODIAL REVENUE	**$ 517,849,679**	**$ 1,229,531,750**
DISPOSITION OF COLLECTIONS		
AMOUNTS TRANSFERRED TO:		
Department of the Treasury	$ (1,053,085,027)	$ (206,220,853)
CFTC Customer Protection Fund	–	(398,498,439)
Total Disposition of Collections	**(1,053,085,027)**	**(604,719,292)**
Change in Custodial Liabilities	535,235,348	(624,812,458)
CUSTODIAL REVENUE LESS DISPOSITION OF COLLECTIONS	**$ –**	**$ –**

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

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; the Futures Trading Practices Act of 1992; the CFTC Reauthorization Act of 1995; the Commodity Futures Modernization Act of 2000; and 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.

The Dodd-Frank Act significantly expanded 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 the payment of awards to whistleblowers; and 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*.

The financial statements have been prepared in all material respects 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 require all reporting entities to disclose that 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.

The Balance Sheets present the financial position of the agency. The Statements of Net Cost present the agency's operating results and the Statements of Changes in Net Position display the changes in the agency's net position. 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 for goods and/or services provided. 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 program activities. All appropriations are subject to quarterly apportionment as well as Congressional restrictions.

The CFTC's budgetary resources for FY 2023 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, such as deposit fund balances and 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 that have not been transferred to the Customer Protection Fund are returned to Treasury.

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. Additional information regarding the CFTC's Fund Balance with Treasury is provided in Note 2, *Fund Balance with Treasury*.

F. Investments

The CFTC is authorized to invest the portion of the Customer Protection Fund that is not, in the Commission's judgment, required to meet the current needs of the Fund. The Commission invests available funds through the U.S. Department of the Treasury's Bureau of the Fiscal Service.

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 information regarding Customer Protection Fund investments are provided in Note 3, *Investments*.

G. Accounts Receivable, Net

The CFTC's accounts receivable generally consists of amounts due from the public. The bulk of the CFTC's accounts receivable arise from the Civil Monetary Sanctions program and are reported on the Balance Sheet as "Custodial Fines and Interest Receivable, Net." The CFTC is responsible for collection, and recognizes a receivable, when an order of the Commission or a federal court directs payment to the CFTC. See Note 1T for additional information on the CFTC's custodial activity.

The remainder of the CFTC's accounts receivable, reported on the Balance Sheet as "Accounts Receivable, Net," consists of amounts owed to the CFTC by other federal agencies and employees. The CFTC's accounts receivable is valued net of an allowance for uncollectible amounts that is based on past experience in the collection of receivables and analysis of the outstanding balances. Additional information is provided in Note 4, *Accounts Receivable, Net*.

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. Additional information is provided in Note 5, *General Property, Plant, and Equipment, Net*.

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 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.

Additional information is provided in Note 6, *Liabilities not Covered by Budgetary Resources*.

K. Accounts Payable

Accounts payable consists primarily of liabilities for amounts due for goods and services received as of the end of the reporting period but not yet paid and whistleblower awards finalized by the Commission but not yet paid.

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 CFTC's operating leases consist of commercial property for the CFTC's headquarters and occupancy agreements with the General Services Administration for CFTC's regional offices. Lease expenses are recognized on a straight-line basis. Additional information is provided in Note 7, *Leases*.

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 financing sources over expenses since inception. Cumulative results of operations are derived from the net effect of capitalized assets, expenses, and revenue and the balance can be negative when unfunded expenses exceed appropriations and other financing sources received as of the end of the reporting period.

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 goal is based on the CFTC's current Strategic Plan established pursuant to the Government Performance and Results Act of 1993 (GPRA).

The mission of the CFTC is to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation. For FY 2023, 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

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 offsetting custodial liability, and therefore do not affect CFTC's net cost or net position. The receivables and the liability are reduced by amounts determined to be uncollectible. Revenues earned and the losses from uncollectible accounts 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 that were not transferred to the Customer Protection Fund are returned to Treasury. The CFTC does not retain any portion of custodial collections 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 (see Note 11).

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 applicable 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 $100,000,000.

No new legislation was enacted as of September 30, 2023, that significantly changed the purpose of the Customer Protection Fund or redirected a material portion of the accumulated balance. On July 6, 2021, Public Law (P.L.) 117-25 set aside $10,000,000 from the Customer Protection Fund in a separate account to fund non-whistleblower costs when the unobligated balance of the Customer Protection Fund is insufficient. This account is available for eligible costs until it expires, at which time all unobligated amounts will be returned to the Customer Protection Fund. On December 29, 2022, P.L. 117-328 extended the availability of the separate account to October 1, 2024, and provided the Commission with discretionary authority to transfer an additional $10,000,000 from the Customer Protection Fund to the separate account, if needed.

In October 2021, the Commission issued a final whistleblower award of nearly $200,000,000, resulting in an obligation that exceeded the available balance of the Fund. The Commission has the authority to make obligations for whistleblower awards without taking into consideration the available balance of the Fund under the provisions of the Dodd-Frank Act. As a result, the Commission obligated non-whistleblower costs from this separate account in FY 2022 until the negative balance in the Customer Protection Fund was offset by eligible collections.

Additional information is provided in Note 2, *Fund Balance with Treasury*, and Note 12, *Funds from Dedicated Collections*.

X. Reclassification

Available and unavailable amounts reported in the FY 2022 Note 2 have been reclassified to apply invested amounts against budgetary authority that is available for investment but unavailable for obligation before applying against budgetary authority that is available for obligations.

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, 2023, and 2022, consisted of the following:

	2023	2022
Unobligated Fund Balance		
Available	$ 97,359,270	$ 87,139,500
Unavailable	12,831,921	8,905,085
Obligated Balance Not Yet Disbursed	100,549,115	78,736,271
Non-Budgetary Fund Balance with Treasury	205,143	73,353
TOTAL FUND BALANCE WITH TREASURY	**$ 210,945,449**	**$ 174,854,209**

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.

Available unobligated balances as of September 30, 2023, and 2022, include amounts available for new obligations of $85,906,853 and $78,633,281, respectively, as well as amounts in expired funds that are available only for upward adjustments to prior year obligations of $11,452,417 and $8,506,219, respectively.

Unavailable unobligated balances as of September 30, 2023, and 2022, include amounts in excess of what has been apportioned for use of $3,949,944 and $23,108, respectively, as well as funds that have been set aside in a separate account to fund non-whistleblower costs only when the unobligated balance of the Customer Protection Fund is insufficient of $8,881,977.

Note 3. Investments

The CFTC invests amounts deposited in the Customer Protection Fund in Treasury one-day certificates of indebtedness that 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 interest rates or prices of the one-day certificates of indebtedness are calculated based on market yields of Treasury financial instruments issued and trading in the Secondary Market (exchanges and over-the-counter markets where securities are bought and sold subsequent to original issuance). 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. In the fourth quarter of FY 2022, the Commission began investing again once there were sufficient funds to satisfy all outstanding whistleblower obligations. The Commission's investments as of September 30, 2023, and 2022, were $279,400,000 and $286,000,000, respectively. Related nonexchange interest revenue for the years ended September 30, 2023, and 2022, was $13,202,110 and $1,350,097, respectively. The significant increase in interest revenue was due to a full twelve months of interest earned in FY 2023 versus two and a half months of interest earned in FY 2022 plus a two-fold increase in the average interest rate earned (4.6 percent in FY 2023 versus 2.3 percent in FY 2022).

Intragovernmental Investments in Treasury Securities

The Federal government does not set aside assets to pay future claims or other expenditures associated with funds from dedicated collections deposited into the Customer Protection Fund. The dedicated cash receipts collected by the Commission as a result of monetary sanctions are deposited in the Treasury, which uses the cash for general government purposes. As discussed above and in Note 1F, the Commission invests the majority of funds not needed for current operations of the Customer Protection Fund 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 (entity assets) primarily arise from unused advances to other agencies 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, 2023, and 2022:

	2023	2022
Custodial Receivables, Net:		
Civil Monetary Penalties, Fines, and Administrative Fees	$ 2,907,318,278	$ 1,674,333,533
Civil Monetary Penalty Interest	45,422,858	6,397,718
Registration and Filing Fees	2,514,359	1,367,648
Less: Allowance for Loss on Penalties, Fines, and Administrative Fees	(2,786,412,564)	(1,016,734,491)
Less: Allowance for Loss on Interest	(44,888,098)	(6,174,227)
Less: Allowance for Loss on Registration and Filing Fees	–	–
TOTAL CUSTODIAL RECEIVABLES, NET	**$ 123,954,833**	**$ 659,190,181**
Other Accounts Receivable	50,312	27,175
TOTAL ACCOUNTS RECEIVABLE, NET	**$ 124,005,145**	**$ 659,217,356**

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

Property, Plant, and Equipment as of September 30, 2023, and 2022, consisted of the following:

2023 Major Class	Service Life and Method	Cost	Accumulated Amortization/ Depreciation	Net Book Value
Equipment	5 Years/Straight Line	$ 35,549,052	$ (27,235,040)	$ 8,314,012
IT Software	5 Years/Straight Line	30,058,287	(27,346,175)	2,712,112
Software in Development	Not Applicable	7,105,061	–	7,105,061
Leasehold Improvements	Remaining Life of Lease/Straight Line	35,475,140	(19,754,710)	15,720,430
Construction in Progress	Not Applicable	831,961	–	831,961
TOTAL GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET		**$ 109,019,501**	**$ (74,335,925)**	**$ 34,683,576**

2022 Major Class	Service Life and Method	Cost	Accumulated Amortization/ Depreciation	Net Book Value
Equipment	5 Years/Straight Line	$ 38,367,021	$ (28,818,135)	$ 9,548,886
IT Software	5 Years/Straight Line	29,944,820	(26,988,898)	2,955,922
Software in Development	Not Applicable	5,946,778	–	5,946,778
Leasehold Improvements	Remaining Life of Lease/Straight Line	38,057,517	(17,033,641)	21,023,876
Construction in Progress	Not Applicable	2,191	–	2,191
TOTAL GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET		**$ 112,318,327**	**$ (72,840,674)**	**$ 39,477,653**

Note 6. Liabilities Not Covered by Budgetary Resources

As of September 30, 2023, and 2022, the following liabilities were not covered by budgetary resources:

	2023	2022
Liabilities Not Requiring Budgetary Resources:		
Intragovernmental – Liability to the General Fund of the U.S. Government for Custodial Assets	$ 123,954,833	$ 659,190,181
Intragovernmental – Deferred Lease Liabilities	3,349,387	4,394,626
Deferred Lease Liabilities	7,899,487	11,308,599
Liability for Non-Fiduciary Deposit Funds	205,143	73,353
Total Liabilities Not Requiring Budgetary Resources	$ 135,408,850	$ 674,966,759
Other Liabilities Not Covered by Budgetary Resources:		
Intragovernmental – Unfunded FECA and Unemployment Liability	$ 80,539	$ 83,864
Unfunded Annual Leave	16,423,448	17,747,317
Actuarial FECA Liabilities	452,783	499,005
Liability for Whistleblower Awards	31,464,775	45,000
TOTAL LIABILITIES NOT COVERED BY BUDGETARY RESOURCES	**$ 183,830,395**	**$ 693,341,945**

Liabilities not covered by budgetary resources of $183,830,395 and $693,341,945 represent 82.69 and 96.12 percent of the Commission's total liabilities of $222,319,847 and $721,365,430 as of September 30, 2023, and 2022, respectively.

Note 7. Leases

The CFTC has operating leases for its locations in Washington D.C., Chicago, Kansas City, and New York. 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, 2023, future estimated minimum lease payments are as follows:

Fiscal Year	Non-Federal (Non-Cancellable)	Federal (Cancellable)	Total
2024	$ 18,239,105	$ 2,501,481	$ 20,740,586
2025	18,603,371	2,501,481	21,104,852
2026	–	2,501,481	2,501,481
2027	–	2,501,481	2,501,481
2028	–	2,501,481	2,501,481
Thereafter	–	9,105,208	9,105,208
Total Future Scheduled Rent Payments	$ 36,842,476	$ 21,612,613	$ 58,455,089
Future Lease-Related Operating Costs *(Estimated)*	2,210,548	8,485,493	10,696,041
TOTAL FUTURE MINIMUM LEASE PAYMENTS	**$ 39,053,024**	**$ 30,098,106**	**$ 69,151,130**

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 and 2022 appropriations, the Commission received an additional $31,000,000 and $62,000,000, respectively, for move, replication, and related costs associated with replacement leases for the Commission's facilities. As of September 30, 2023, the Commission has entered into occupancy agreements with GSA for space in Kansas City, Chicago, and New York. These agreements may be cancelled with 120 days' notice. The last remaining location to transition from a non-cancellable non-federal lease to a cancellable federal occupancy agreement (Washington, D.C.) is planned for FY 2025.

CFTC recognizes lease 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. Federal deferred lease liabilities as of September 30, 2023, and 2022, were $3,349,387 and $4,394,626, respectively. Non-federal deferred lease liabilities as of September 30, 2023, and 2022, were $7,899,487 and $11,308,599, respectively.

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.
New York	Occupancy Agreement with GSA for office space from February 28, 2022, through February 27, 2032.
Chicago	Occupancy Agreement with GSA for office space from March 1, 2022, through February 28, 2032.
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[1] and including allowances for leasehold improvements and rent offsets.
Multifunction Devices (Federal)	
LOCATION	**LEASE TERMS**
Washington, D.C., New York, Chicago, and Kansas City	One-year rental of multifunction printers through the U.S. Government Publishing Office with four one-year options to renew.

[1] *If market rent were $100 per square foot with a 10 percent annual escalation and a $10 operating expense base, then 98 percent of the applicable market rent would be $98 per square foot with a 10 percent escalation and a $10 operating base.*

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 $1,000,000 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, the whistleblower has provided necessary banking information, and, in cases where the related sanction was collected in a prior year and subsequently swept by Treasury, or collected by a third party, the award will be paid as future collections become available.

As of September 30, 2023, and 2022, the Commission recorded liabilities for pending payments to whistleblowers of approximately $31,464,775 and $45,000, respectively. Of the $31,464,775 pending payments as of September 30, 2023, a whistleblower award of approximately $18,000,000 was issued as final on October 12, 2023.

During FY 2023, the Commission disbursed $670,000 in whistleblower awards, which consisted of $45,000 from pending payments and $625,000 from accounts payable at the end of FY 2022. Accounts payable as of September 30, 2023, and 2022, includes $15,628,065 and $626,476, respectively, for awards that have been finalized as of the end of the reporting period.

As of September 30, 2023, the Commission has 16 awards in pending or paid status for which the full collections have not been received, including five final $0 awards for which

continued on next page

Note 8 continued from previous page

no collections have been received to date. While additional collections on these matters are considered remote, the Commission would be required to pay whistleblowers an additional $28,281,924 if all collections were received on these matters. In addition to the pending and potential payments to whistleblowers, the Commission had 29 additional whistleblower claims currently under review as of September 30, 2023. 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 $1,020,561,061.

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. There were no legal matters deemed probable or reasonably possible as of September 30, 2023.

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, 2023, and 2022, consisted of the following:

	2023	2022
Unobligated Balance Brought Forward, October 1	$ 300,563,429	$ 51,601,852
Recoveries of Prior Year Obligations	6,804,777	2,954,290
Other Changes in Unobligated Balance	(2,595,302)	(1,750,242)
UNOBLIGATED BALANCE FROM PRIOR YEAR BUDGET AUTHORITY, NET	**$ 304,772,904**	**$ 52,805,900**

continued on next page

Note 10 continued from previous page

B. Undelivered Orders

The amount of budgetary resources obligated for undelivered orders as of September 30, 2023, and 2022, consisted of the following:

	2023	2022
Undelivered Orders – Federal		
Paid	$ 10,642,790	$ 3,383,000
Unpaid	10,063,602	5,896,535
Total Undelivered Orders – Federal	$ 20,706,392	$ 9,279,535
Undelivered Orders – Non-Federal		
Paid	$ 2,666,882	$ 3,257,433
Unpaid	91,049,085	102,822,715
Total Undelivered Orders – Non-Federal	$ 93,715,967	$ 106,080,148
TOTAL UNDELIVERED ORDERS	**$ 114,422,359**	**$ 115,359,683**

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, 2023, and 2022, as follows:

	2023	2022
Unfunded Lease Obligations Brought Forward, October 1	$ 58,006,466	$ 80,060,414
Change in Unfunded Lease Obligations	(18,953,442)	(22,053,948)
TOTAL REMAINING UNFUNDED LEASE OBLIGATIONS	**$ 39,053,024**	**$ 58,006,466**

continued on next page

Note 10 continued from previous page

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, 2022, and the actual amounts reported in the Budget of the U.S. Government for FY 2022. 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.

	Budgetary Resources
CFTC FY 2022 Statement of Budgetary Resources	**$ 811,912,248**
Less Amounts in Customer Protection Fund	(488,200,480)
Less Amount in Expired Accounts	(9,499,949)
Less New Budget Authority Used to Liquidate Deficiencies	(22,053,948)
Plus Unfunded Lease Obligations Brought Forward, October 1	80,060,414
Plus Rounding to Nearest Million (+/-)	(218,285)
BUDGET OF THE U.S. GOVERNMENT	**$ 372,000,000**

The Budget of the U.S. Government with actual numbers for FY 2023 has not yet been published. The expected publish date is February 2024. A copy of the Budget may be obtained from OMB's website.

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

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. This reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting.

The schedule presented in this note reconciles the Total Net Cost of Operations reported in the Statements of Net Cost (accrual basis) with Net Outlays reported in the Statements of Budgetary Resources (budgetary basis). 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.

	2023	2022
TOTAL NET COST OF OPERATIONS	**$ 391,714,341**	**$ 328,437,302**
Components of Net Cost That Are Not Part of Net Outlays:		
Depreciation and Amortization of Property, Plant, and Equipment	$ (5,915,953)	$ (6,365,293)
Amortization of Deferred Lease Liabilities	3,736,118	4,068,055
Gain/(Loss) on Disposal	(109,261)	(771,131)
Increase/(Decrease) in Assets:		
Accounts Receivable	23,137	192
Decrease in Advances and Prepayments	–	(7,055,139)
(Increase)/Decrease in Liabilities:		
Accounts Payable	(9,624,814)	(5,394,175)
Salaries and Benefits	(841,153)	(1,454,061)
Liability for Whistleblower Awards	(31,419,775)	203,925,000
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	1,373,416	825,043
Other Financing Sources:		
Federal Employee Retirement Benefit Costs Paid by OPM and Imputed to CFTC	(11,349,217)	(6,855,582)
Total Components of Net Cost That Are Not Part of Net Outlays	**$ (54,127,502)**	**$ 180,922,909**
Components of Net Outlays That Are Not Part of Net Cost:		
Acquisition of Capital Assets	$ 1,949,371	$ 17,149,990
Increase in Advances and Prepayments	6,669,239	–
Nonexchange Interest Revenue (Excluding Interest Receivable)	(13,160,200)	(1,350,097)
Financing Sources Transferred in from Custodial Statement Collections	–	(398,498,439)
Total Components of Net Outlays That Are Not Part of Net Cost	**$ (4,541,590)**	**$ (382,698,546)**
Outlays, Net	**$ 333,045,249**	**$ 126,661,665**
Distributed Offsetting Receipts	(5,994)	(15,850)
AGENCY OUTLAYS, NET	**$ 333,039,255**	**$ 126,645,815**

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. The Commission most recently issued revised regulations effective July 31, 2017.

No eligible collections were transferred into the Fund during FY 2023 because the available balance of the Fund did not fall below $100,000,000. Eligible collections of $398,498,439 were transferred into the Fund during FY 2022. The following table 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, 2023, and 2022:

	2023	2022
BALANCE SHEETS		
Fund Balance with Treasury	$ 32,185,446	$ 18,162,873
Investments	279,441,910	286,000,000
Advances and Prepayments	9,379	7,396
TOTAL ASSETS	**$311,636,735**	**$304,170,269**
Accounts Payable	$ 16,474,354	$ 1,647,537
Accrued Funded Payroll	188,020	211,452
Unfunded Annual Leave	217,592	345,166
Liability for Whistleblower Awards	31,464,775	45,000
Total Liabilities	**$ 48,344,741**	**$ 2,249,155**
Cumulative Results of Operations – Funds from Dedicated Collections	263,291,994	301,921,114
Total Net Position	**$263,291,994**	**$301,921,114**
TOTAL LIABILITIES AND NET POSITION	**$311,636,735**	**$304,170,269**
STATEMENTS OF NET COST		
Gross Costs	$ 51,831,230	$ 5,854,389
TOTAL NET COST OF OPERATIONS	**$ 51,831,230**	**$ 5,854,389**
STATEMENTS OF CHANGES IN NET POSITION		
Beginning Cumulative Results of Operations	$301,921,114	$ (92,073,033)
Nonexchange Interest Revenue	13,202,110	1,350,097
Transfers In/(Out) Without Reimbursement	–	398,498,439
Net Cost of Operations	(51,831,230)	(5,854,389)
Net Change in Cumulative Results of Operations	$ (38,629,120)	$393,994,147
TOTAL NET POSITION, ENDING	**$263,291,994**	**$301,921,114**

Required Supplementary Information (Unaudited)

Commodity Futures Trading Commission

Combining Statements of Budgetary Resources by Major Account

For the Years Ended September 30, 2023 and 2022

2023	CUSTOMER PROTECTION FUND	SALARIES AND EXPENSES	INFORMATION TECHNOLOGY	COMBINED
BUDGETARY RESOURCES				
Unobligated Balance from Prior Year Budget Authority, Net (Note 10A)	$ 278,676,220	$ 25,030,899	$ 1,065,785	$ 304,772,904
Appropriations	–	365,000,000	–	365,000,000
Spending Authority from Offsetting Collections	12,410,069	166,017	–	12,576,086
TOTAL BUDGETARY RESOURCES	**$ 291,086,289**	**$ 390,196,916**	**$ 1,065,785**	**$ 682,348,990**
STATUS OF BUDGETARY RESOURCES				
New Obligations and Upward Adjustments	$ 20,845,014	$ 335,159,033	$ –	$ 356,004,047
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	266,318,206	83,677,399	–	349,995,605
Unapportioned, Unexpired Accounts	3,923,069	(39,026,148)	–	(35,103,079)
Unexpired Unobligated Balance, End of Year	270,241,275	44,651,251	–	314,892,526
Expired Unobligated Balance, End of Year	–	10,386,632	1,065,785	11,452,417
Unobligated Balance, End of Year (Total)	270,241,275	55,037,883	1,065,785	326,344,943
TOTAL BUDGETARY RESOURCES	**$ 291,086,289**	**$ 390,196,916**	**$ 1,065,785**	**$ 682,348,990**
OUTLAYS, NET				
Outlays, Net	$ (7,422,573)	$ 340,479,810	$ (11,988)	$ 333,045,249
Distributed Offsetting Receipts	–	(5,994)	–	(5,994)
AGENCY OUTLAYS, NET	**$ (7,422,573)**	**$ 340,473,816**	**$ (11,988)**	**$ 333,039,255**

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, 2023 and 2022

2022	CUSTOMER PROTECTION FUND	SALARIES AND EXPENSES	INFORMATION TECHNOLOGY	COMBINED
BUDGETARY RESOURCES				
Unobligated Balance from Prior Year Budget Authority, Net (Note 10A)	$ 111,143,311	$ (59,919,104)	$ 1,581,693	$ 52,805,900
Appropriations	–	382,000,000	–	382,000,000
Spending Authority from Offsetting Collections	377,057,169	49,179	–	377,106,348
TOTAL BUDGETARY RESOURCES	**$ 488,200,480**	**$ 322,130,075**	**$ 1,581,693**	**$ 811,912,248**
STATUS OF BUDGETARY RESOURCES				
New Obligations and Upward Adjustments	$ 209,525,546	$ 301,791,260	$ 32,013	$ 511,348,819
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	278,674,934	71,365,633	–	350,040,567
Unapportioned, Unexpired Accounts	–	(57,983,358)	–	(57,983,358)
Unexpired Unobligated Balance, End of Year	278,674,934	13,382,275	–	292,057,209
Expired Unobligated Balance, End of Year	–	6,956,540	1,549,680	8,506,220
Unobligated Balance, End of Year (Total)	278,674,934	20,338,815	1,549,680	300,563,429
TOTAL BUDGETARY RESOURCES	**$ 488,200,480**	**$ 322,130,075**	**$ 1,581,693**	**$ 811,912,248**
OUTLAYS, NET				
Outlays, Net	$ (190,818,027)	$ 317,476,350	$ 3,342	$ 126,661,665
Distributed Offsetting Receipts	–	(15,850)	–	(15,850)
AGENCY OUTLAYS, NET	**$ (190,818,027)**	**$ 317,460,500**	**$ 3,342**	**$ 126,645,815**

Other Information

U.S. COMMODITY FUTURES TRADING COMMISSION
OFFICE OF INSPECTOR GENERAL
Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581

TO: Rostin Behnam, Chairman
Kristin Johnson, Commissioner
Christy Goldsmith Romero, Commissioner
Summer Mersinger, Commissioner
Caroline Pham, Commissioner

FROM: Dr. Brett M. Baker
Acting Inspector General

DATE: September 28, 2023

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

The Reports Consolidation Act of 2000 (RCA) requires the Inspector General to summarize the "most serious management and performance challenges facing the agency" and briefly assess the Agency's progress in addressing those challenges. 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. Mastering these opportunities can further transform the CFTC to anticipate and mitigate risks impacting the fulfillment of its mission.

The CFTC faces several management challenges that potentially hinder its ability to fulfill its mission effectively. For FY 2023, we have identified five challenges; three with opportunities for improvement. Recognizing CFTC's leadership initiatives for data harmonization completed and underway, for FY 2023 we focused on areas where the CFTC must adapt its regulatory framework to keep pace with technological advancements for risk intelligence and capitalizing on existing resources.

CFTC Management and Performance Challenges

1. Maturing Enterprise Risk Management Practices
   Enterprise risk governance is a shared responsibility at the highest levels of executive leadership. During FY 2023, CFTC responded to several unexpected risks impacting markets and operation such as crypto currency failures and malware impacting registrant reporting. A robust ERM program enhances CFTC's posture to better anticipate, prioritize, and respond to risk.

2. The Customer Protection Fund (CPF)
   The CPF is available to CFTC for the payment of awards to whistleblowers and the funding of customer education initiatives designed to help customers protect themselves against fraud or other violations of the Commodity Exchange Act. CFTC could use the CPF for increased educational initiatives, such as education of registrants and market professionals, and could interpret existing legislation to permit the CPF to fund education activities beyond fraud avoidance for customers.

3. Lease Space Savings
   During Fiscal Years (FY) 2020-22 CFTC completed the relocation of its three regional offices to facilities managed by the General Services Administration (GSA). During that period, and in response to observed declines in employee office attendance due to the novel COVID-19 (coronavirus) pandemic, CFTC has maintained its four (total) leased facilities with low occupancy levels since March 2020. When CFTC determines its post-pandemic return to work policy and updates office space requirements accordingly, significant cost savings may become available to support operational needs through right-sizing leased space.

4. Maintaining Cyber Security Successes
   We noted during FY 2023 that while CFTC cyber controls were effective and in line with the organization's established policy and procedures, an improvement opportunity existed to mitigate or accept the risk of aging critical and high vulnerabilities associated with its network servers and workstations.

5. Preparing for its Role for Regulating Digital Assets
   CFTC may be uniquely positioned to analyze risks posed by digital asset markets and to contribute to the work of the FSOC regarding risks posed by such markets. This presents a significant opportunity to coordinate responsibilities for spot markets, for example, as well as a significant management challenge to bolster capacity for data capture, analysis, monitoring, supervision, and regulation of crypto-asset activities.

Summary of Audit and Management Assurances

Summary of FY 2023 Financial Statement Audit

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

Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance:	Unmodified					
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
Total Material Weaknesses	0					0

EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
Statement of Assurance:	Unmodified					
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
Total Material Weaknesses	0					0

CONFORMANCE WITH FEDERAL FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)						
Statement of Assurance:	Federal systems conform to financial management system requirements					
NON-CONFORMANCES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
Total Non-Conformances	0					0

COMPLIANCE WITH SECTION 803(A) OF THE FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)		
	Agency	Auditor
1. Federal Financial Management System Requirements	No lack of substantial compliance noted	
2. Applicable Federal Accounting Standards	No lack of substantial compliance noted	
3. USSGL at Transaction Level	No lack of substantial 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.

Payment Integrity Information Act Reporting

The Payment Integrity Information Act of 2019 (PIIA) updated government-wide improper payment reporting requirements by repealing and replacing the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act of 2010, the Improper Payments Elimination and Recovery Act of 2012, and the Fraud Reduction and Data Analytics Act of 2015. The PIIA-related OMB guidance provided in Circular A-136, *Financial Reporting Requirements*, and Appendix C, *Requirements for Payment Integrity Improvement*, of Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, requires agencies report detailed information related to the Commission's efforts to eliminate improper payments, which is summarized below. Additional information about the Commission's payment integrity reporting may be found at *paymentaccuracy.gov*.

Payment Integrity Reporting

The Commission does not administer grant, benefit or loan programs. For FY 2023, CFTC's most significant payments were for payroll and benefits for its employees, which are administered by the U.S. Department of Agriculture's National Finance Center (NFC) and OPM, and payments to vendors for goods and services used during the course of normal operations. CFTC's other most significant payments are for monetary awards to eligible whistleblowers who voluntarily provided the CFTC with original information about violations of the CEA that led the CFTC to bring enforcement actions that resulted in monetary sanctions exceeding $1 million. However, in FY 2023, CFTC disbursed only $670,000 to a handful of whistleblowers. Even in years when CFTC disburses millions of dollars in whistleblower payments, the review of each individual award by the Commission's Claims Review Staff as well as multiple approval levels limit the likelihood that the whistleblower award program would be susceptible to significant improper payments.

Significant erroneous payments are defined as annual erroneous payments in the program exceeding both $10 million and 1.5 percent, or $100 million of total annual program payments. Based on the results of transaction testing applied to a sample of FY 2023 vendor payments, consideration of risk factors, and reliance on the internal controls in place over the payment and disbursement processes, the Commission has determined that none of its programs and activities carried out in the normal course of business are susceptible to significant improper payments at or above the threshold levels set by OMB.

In accordance with Appendix C of Circular A-123, the Commission is not required to determine a statistically valid estimate of erroneous payments or develop a corrective action plan if the program is not susceptible to significant improper payments.

Recapture of Improper Payments

As stated above, the Commission does not administer grant, benefit or loan programs. Implementation of recapture auditing, if determined to be cost-effective, would apply to the Commission's contract payments because payments to vendors total more than $10 million annually. The Commission determined that implementing a payment recapture audit program for contract payments is not cost-effective. In making this determination, the Commission considered its low improper payment rate based on testing conducted over the previous three years and determined that the costs of implementing and overseeing a payment recapture audit program, including staff time and payments to contractors, would exceed any benefits or recaptured amounts that might result.

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

In addition to contract payments, recapture auditing may also be considered for the Commission's monetary awards to whistleblowers, if determined to be cost-effective, when payments to whistleblowers total more than $10 million annually. The amount of whistleblower awards will vary depending on the number and amount of covered enforcement actions in a given year, as well as the extent of original information provided by whistleblowers that led to the actions. However, the Commission has determined that implementing a payment recapture audit program for monetary awards to whistleblowers would not be cost-effective due to the effective design and operation of the internal controls in place for the program. As noted on previous page, the review of each individual award by the Commission's Claims Review Staff and multiple approval levels limit the likelihood that the whistleblower award program would be susceptible to significant improper payments or that payment recapture audits would be beneficial.

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

Government-wide Do Not Pay Initiative

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

Table 1. Results of the Do Not Pay Initiative in Preventing Improper Payments
($ in thousands)

NUMBER (#) OF PAYMENTS REVIEWED FOR POSSIBLE IMPROPER PAYMENTS	DOLLARS ($) OF PAYMENTS REVIEWED FOR POSSIBLE IMPROPER PAYMENTS	NUMBER (#) OF PAYMENTS STOPPED	DOLLARS ($) OF PAYMENTS STOPPED	NUMBER (#) OF POTENTIAL IMPROPER PAYMENTS REVIEWED AND DETERMINED ACCURATE	DOLLARS ($) OF POTENTIAL IMPROPER PAYMENTS REVIEWED AND DETERMINED ACCURATE
3,636	$105,382	0	$–	0	$–

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 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 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 table on the following page.[16]

[16] *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 13(b). 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)[17]	Location for Penalty Update Details
CIVIL MONETARY PENALTIES IMPOSED BY THE COMMISSION IN AN ADMINISTRATIVE ENFORCEMENT ACTION					
For a civil penalty against any person (other than a registered entity, as that term is defined in Section 1a (4) of the CEA)	Section 6(c) of the Commodity Exchange Act (7 U.S.C. 9)	1/13/2022	1/11/2023	For penalties imposed by the Commission to administrative enforcement proceedings for violations from November 2015 to present, not more than the greater of $194,710 (for non-manipulation violations) or $1,404,520 (for manipulation or attempted manipulation violations) or triple the monetary gain to such person for each such violation.	Federal Register Vol. 88, Page 1501 (January 11, 2023) *https://www.cftc.gov/sites/default/files/2023/01/2023-00396a.pdf*
For a civil monetary penalty against any registered entity or any director, officer, agent, or employee of any registered entity, as that term is defined in Section 1a (40) of the CEA	Section 6b of the Commodity Exchange Act (7 U.S.C. 13a)	1/13/2022	1/11/2023	For penalties imposed by the Commission in administrative enforcement proceedings for violations from November 2015 to present, not more than the greater of $1,072,570 (for non-manipulation violations) or $1,404,520 (for manipulation or attempted manipulation violations) or triple the monetary gain to such person for each such violation.	Federal Register Vol. 88, Page 1501 (January 11, 2023) *https://www.cftc.gov/sites/default/files/2023/01/2023-00396a.pdf*
CIVIL MONETARY PENALTIES IMPOSED BY A DISTRICT COURT IN A CIVIL INJUNCTIVE ENFORCEMENT ACTION					
For a civil monetary penalty assessed against any person	Section 6c of the Commodity Exchange Act (7 U.S.C. 13a-1)	1/13/2022	1/11/2023	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 $214,514 (for non-manipulation violations) or $1,404,520 (for manipulation or attempted violations) or triple the monetary gain to such person for each such violation.	Federal Register Vol. 88, Page 1501 (January 11, 2023) *https://www.cftc.gov/sites/default/files/2023/01/2023-00396a.pdf*

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

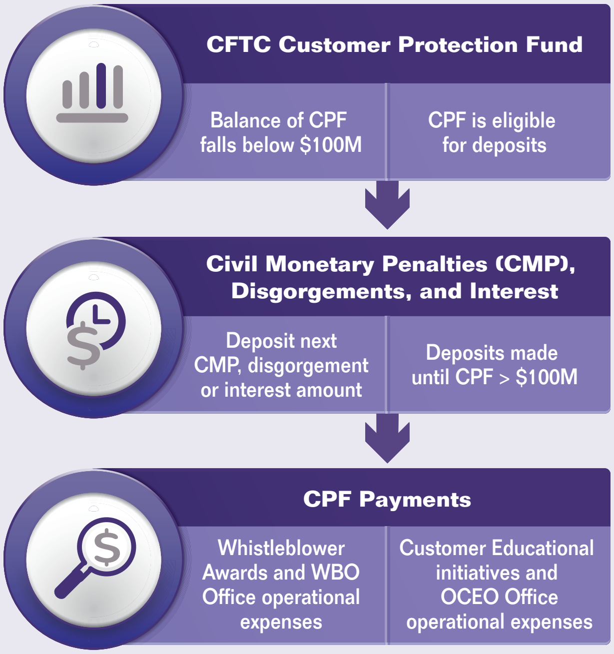
[17] *These adjusted penalties apply only with respect to violations occurring on or after November 2, 2015, the effective date of the 2015 Act.*

Appendix

CFTC Customer Protection Fund

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

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



FY 2023 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.[18] This website educates the public about the Whistleblower Program, serving as a comprehensive resource for information to answer frequently asked questions and to offer helpful guidance on navigating the program.[19]

During FY 2023, the WBO continued using its website to publicize *Whistleblower Alerts* on trending topics, posting two new alerts—one on romance scams and another on manipulation in the carbon markets. Previous alerts,

[18] *See https://www.whistleblower.gov.*

[19] *See, e.g., Things To Know: https://www.whistleblower.gov/news/thingstoknow.*

which remain available on the website, cover Bank Secrecy Act/anti-money laundering, corrupt practices (both foreign and domestic), insider trading, crypto/digital assets, and spoofing.[20] 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. These alerts also raise awareness of areas of particular interest to the DOE.

WBO staff presented or exhibited at five public events, and attended four other events hosted specifically for 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.

In FY 2023, the Commission granted seven applications for whistleblower awards, totaling approximately $16 million, to be paid to individuals who voluntarily provided original information or analyses that led to successful enforcement actions. The five Final Orders include one granting awards to multiple whistleblowers in one enforcement action. Among the award recipients in this fiscal year, some provided information that led the CFTC to open investigations, while others provided information that significantly contributed to already open investigations. Since the inception of the Whistleblower Program, the CFTC has issued 41 orders granting a total of almost $350 million in awards. To date, the total sanctions ordered in enforcement actions associated with those awards exceeds $3 billion.

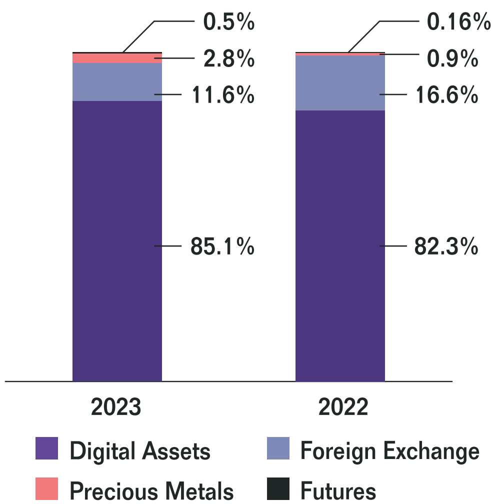
In FY 2023 and beyond, the WBO will continue to publicize and explain the Whistleblower Program through customer advisories and alerts on its website, and by speaking and exhibiting at relevant industry conferences. The WBO continues to look for ways to ensure the DOE is receiving the maximum benefit 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. The WBO plans to explore further staffing and technical enhancements for review and processing of whistleblower tips and award applications.

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.

OCEO also closely monitors complaint data to identify fraud trends and anti-fraud customer education priorities. Digital asset frauds dominated customer complaints again in FY 2023.[21] Despite a decline in overall complaint volume during the year, the percentage of complaints involving digital assets increased slightly. Of the nearly 2,600 fraud-related complaints received in FY 2023 that also identified a commodity cash-market or derivative product, more than 85 percent were digital-asset-related. That compares to 82 percent of frauds involving digital assets which customers reported in FY 2022.

Customer Complaints by Product Type



[20] *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.*

[21] *While the CFTC lacks general regulatory authority over cash commodity markets, it has asserted general anti-fraud and manipulation enforcement authority over bitcoin and other digital commodities since 2014. Since then, as a result of customer tips and complaints, the Commission has also brought fraud or manipulation-related enforcement actions against participants and companies in the digital asset markets.*

Educating the Educators

Anticipating that losses to digital asset frauds and hacks would continue, OCEO launched an effort in FY 2023 to encourage broader discussion about the risks associated with owning or trading digital assets by introducing traditional financial educators to the fundamentals and risks of this emerging asset class.

Many in the financial literacy community are still unfamiliar with digital assets, and there is a significant correlation between teacher knowledge of financial issues and their self-perceived ability to teach them.[22] Anecdotally, members of the Financial Literacy Education Commission's (FLEC) Digital Assets Working Group[23] heard from experts and financial education practitioners that digital asset risks and fraud were not being fully addressed because educators and advisors felt they did not know enough about the technology. Likewise, while social media influencers, trading platforms, and promoters flooded the web with the potential benefits of digital assets, few voices were addressing the fraud risks, market risks, operational risks, and cybersecurity risks. And, no one was addressing financial educators directly with messages or lessons they could use to speak to these risks.

To help fill this demand, OCEO undertook an initiative to help educate the educators. The initiative began with the development of three PDF fliers that provide introductory information about digital assets and their risks[24] and outreach to financial education organizations and associations whose members include financial education practitioners, public librarians who host financial education programming, and military personal finance managers, who provide financial counseling and support to military servicemembers and their families.

The effort kicked off on October 5 with a CFTC program about digital asset and other meme trading risk education and continued throughout the year with presentations to both educators and retail investor groups. In-person and virtual presentations included:

- *Meeting the Demand for Understanding Risk and Financial Education*, a virtual presentation of two one-hour panel discussions that explored teaching risk to active, risk-seeking investors and the future of digital assets. The event was produced to coincide with World Investor Week, a global campaign organized by the IOSCO. In all, nearly 200 people from 20 countries participated in the event. The event also generated significant social media engagement, with another 660 people viewing an online recording of the event throughout the year.
- A tele-town hall hosted by AARP Massachusetts that answered listener questions about the risks of digital assets, current fraud trends, and fraud avoidance. Nearly 750 Massachusetts AARP members participated.
- A Military OneSource podcast that spoke directly to servicemembers and their families about the risks associated with digital assets.
- *Blockchain Risk Education Symposium*, hosted by the Blockchain Foundation that engaged nearly 300 participants.
- *FPA Connect* webinar hosted by the Association for Financial Counseling & Planning Education (AFCPE) that spoke to nearly 150 AFCPE members about the fundamentals of digital assets and how counseling and financial planning professionals could best educate clients about digital asset risks.

[22] *Way, Wendy L. and Holden, Karen. 2010. "Teachers' Background & Capacity to Teach Personal Finance: Results of a National Study." National Endowment for Financial Education.*

[23] *The Digital Asset Working Group is a sub-unit of FLEC's Retirement Saving and Investor Education Working Group. OCEO leads the group, which currently consists of members representing 10 federal agencies: CFPB, Department of Labor Employee Benefits Security Administration (DOL/EBSA), Department of Defense Office of Financial Readiness (FINRED), Treasury, Federal Deposit Insurance Corp. (FDIC), Federal Trade Commission (FTC), National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), Office of Personnel Management (OPM), and Securities and Exchange Commission (SEC).*

[24] *See 14 Digital Asset Risks to Remember, https://www.cftc.gov/sites/default/files/2022-09/DigitalAssetRisks.pdf; Curious About Crypto? Watch Out for Red Flags, https://www.cftc.gov/sites/default/files/2022-10/DigitalAssetRedFlags.pdf; and 10 Digital Asset Terms You Should Know, https://www.cftc.gov/sites/default/files/2022-09/KeyTerms.pdf.*

- The Consumer Financial Protection Bureau (CFPB) Financial Education Exchange (FinEx) webinar on digital asset frauds and risk education in cooperation with the CFPB and SEC, reaching more than 250 financial education practitioners.

- The Department of Defense Office of Financial Readiness Educator Conference,[25] a two-day conference for military financial counselors and educators that attracted more than 300 participants from military installations around the world. OCEO taught four classes on the fundamentals of digital assets and their risks. This effort further led to invitations to speak to peer military educators and servicemembers at:

  - Norfolk Naval Station, Norfolk, Virginia
  - U.S. Coast Guard Base, Seattle, Washington
  - Joint-Base Lewis McChord, Tacoma, Washington
  - Naval Base Kitsap-Bangor, Silverdale, Washington
  - Naval Air Station Oceana, Virginia Beach, Virginia
  - Naval Air Station Corpus Christi, Texas

- A one-hour webinar for the Reference and User Services Association (RUSA), Financial Literacy Interest Group, a division of the American Library Association. The Financial Literacy Interest Group is comprised of public librarians who conduct financial literacy programs in their communities across the United States.

- A one-hour webinar for the Government Printing Office's Federal Depository Library Program (FDLP). The FDLP hosts a virtual academy to inform the nearly 1,150 federal depository libraries about government informational resources, and to deliver educational opportunities to the FDLP community.

In all, OCEO conducted more than 20 hours of presentations and reached nearly 2,500 educators and members of the public. The presentations also included links to the downloadable risk resources as well as other government information that could be shared with learners. The benefit of this approach is the exponential impact educators have in helping multiple clients, patrons, or customers protect themselves from fraud.

Web Metrics and Materials Published

Traffic to educational resources on CFTC.gov continued to climb in FY 2023, although at a slower pace than in FY 2022,[26] see table below:

CFTC.gov Content Area	FY 2023 Pageviews	% Change from FY 2022	% Change FY 2021 – FY 2022
Learn & Protect section[27]	514,557	+23.2%	+54.5%
Advisories & Articles page[28]	339,825	+10.22%	+98%
RED (Registration Deficient) List[29]	70,287	+26.48%	+22.3%
Reparations Program[30]	69,018	NA	NA
Check Registration & Disciplinary History[31]	50,382	+13.7%	+35%

[25] *Military servicemembers are demographically similar to digital asset owners and fraud victims, likewise, many serve overseas where use of digital assets as well as frauds and scams may be more prevalent. In addition to training service financial educators, the Department of Defense Office of Financial Readiness (FINRED) released a digital assets curriculum "to help guide service members in exploring and making informed financial decisions regarding digital (crypto) assets" (see https://finred.usalearning.gov/SPL/Training/BeyondTouchpoints). As chair of FLEC's Digital Assets Working Group, OCEO assisted FINRED by reviewing the curriculum, which also includes CFTC publications about digital asset key terms and red flags of fraud.*

[26] *The significant year-over-year increase for FY 2021-2022 was the result of a redesign of CFTC.gov's Learn and Protect section in 2020, which added more educational content and made the RED List tool more engaging and visible to mainstream search engines.*

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

[28] *See https://www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/index.htm*

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

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

[31] *See https://www.cftc.gov/check*

In terms of educational content, the top five items receiving the most traffic were:

Title	FY 2023 Pageviews
1. Article: 6 Steps to Take after Discovering Fraud[32]	114,784
2. Fraud Advisory: Foreign Currency (Forex) Fraud[33]	47,722
3. Article: Don't be Re-Victimized by Recovery Frauds[34]	18,806
4. Article: Basics of Futures Trading[35]	17,832
5. Fraud Advisory: Precious Metals Fraud[36]	15,768

Throughout the fiscal year, OCEO published the following materials:

- Curious About Crypto? Watch Out for Red Flags[37]
- Video: Meeting the Demand for Understanding Risk and Financial Education[38]
- Investor Bulletin: Investor Resilience – World Investor Week 2022[39]
- Customer Advisory: Beware Offers to Receive and Forward Money[40]
- 10 Signs of a Scam Crypto or Forex Trading Website[41]
- Article: Beware Imposters Posing as CFTC Officials[42]

Communicating with Customers

Last year, OCEO began tracking email responses to customers to monitor the types of questions being asked or related frauds. This touchpoint provides additional evidence that helps steer educational priorities. OCEO also collects and forwards tips to the Division of Enforcement's (DOE) team that develops CFTC's Registration Deficient (RED) List,[43] a joint OCEO-DOE initiative. Customer tips and questions are also forwarded to DOE for investigation or to other offices as needed.

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

[33] *See https://www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/fraudadv_forex.html*

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

[35] *See https://www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/FuturesMarketBasics/index.htm*

[36] *See https://www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/fraudadv_preciousmetals.html*

[37] *See https://www.cftc.gov/sites/default/files/2022-10/DigitalAssetRedFlags.pdf*

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

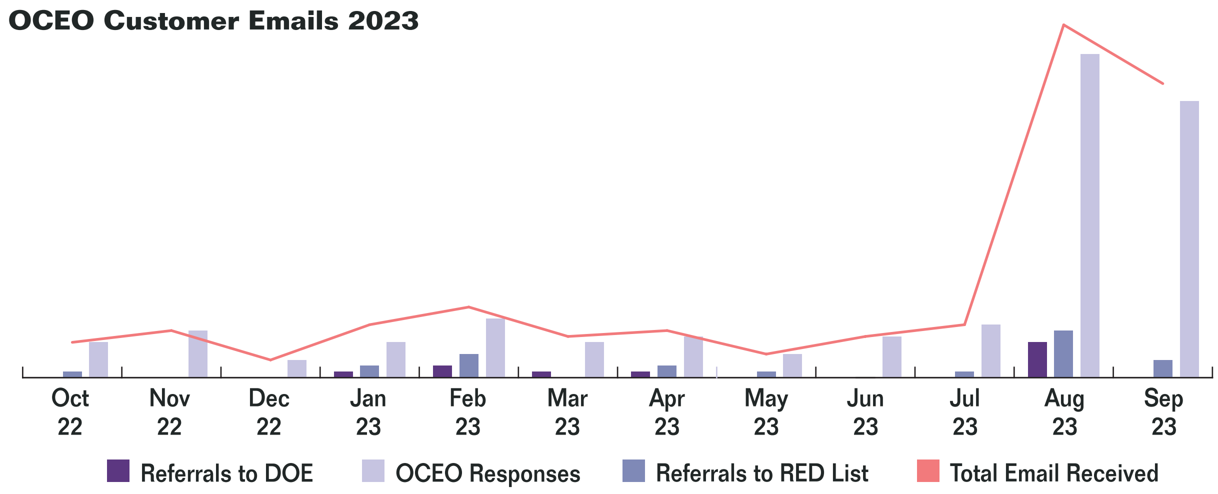
[39] *See https://www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/keytopicsforworldinvestorweek2022*

[40] *See https://www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/CustomerAdvisory_MoneyMuleFraud.html*

[41] *See https://www.cftc.gov/sites/default/files/2023-04/SpotFraudSites.pdf*

[42] *See https://www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/Beware_Imposters*

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



The effort proved especially effective when an uptick in imposter frauds occurred over the summer. Fraudsters were using the CFTC seal, logo, employee names, and other information to extort money from victims. In response, OCEO published a web article warning the public of the frauds, and added a warning to the CFTC.gov Contact Us page, with a link to the OCEO email address to help customers avoid fraud and verify communications. This new placement on the Contact page significantly increased customer interaction as evidenced by the accompanying chart. Email engagement with customers increased 87 percent year-over-year.

As in FY 2022, the majority of the questions and comments from customers involved digital asset-related frauds (50 percent), followed by frauds related to retail OTC foreign exchange trading (28 percent), binary options (4 percent), and precious metals (2 percent). OCEO responded to 82 percent of the emails received with links to educational materials and other resources, the remaining emails were forwarded to the RED List team, DOE, or other offices within the CFTC.

In FY 2024 and beyond, the OCEO looks forward to continuing its efforts to add fraud prevention content to CFTC.gov, as well as highlight and share that information with customers on social media and in the press. OCEO plans to explore additional programming that focuses on retail speculators, specifically in the areas of digital assets, OTC foreign exchange trading, and precious metals investing.

The OCEO will continue to develop its network of stakeholders across the financial education spectrum to quickly respond to customer education needs as they arise.

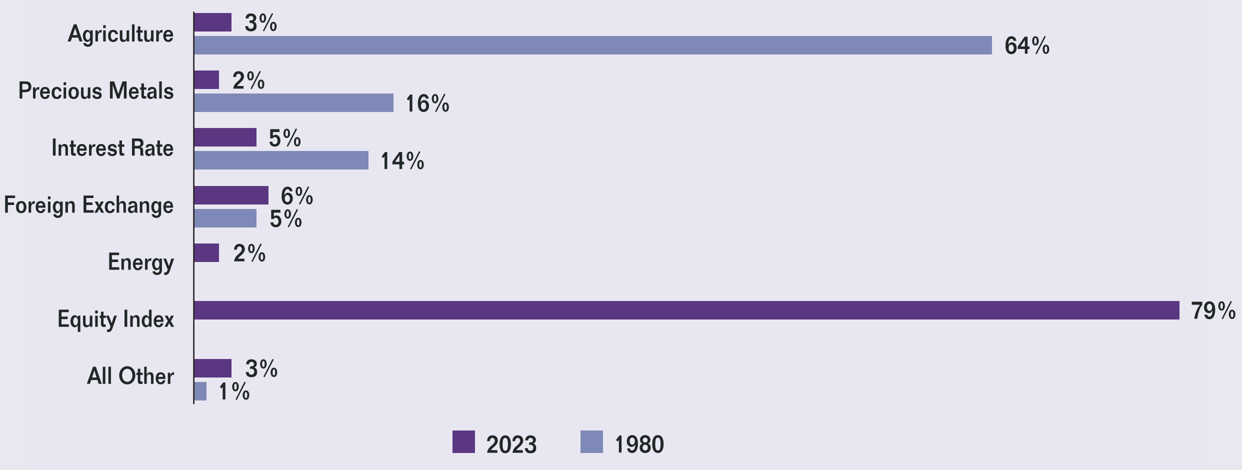
Why Are the Markets Important to Me?

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

Shares of Futures Trading by Sector



Source: Futures Industry Association; 2023 data as of September, 2023

Since 1980, the share of on-exchange commodity futures trading activity in the agricultural sector decreased from 64 percent of trading activity to 3 percent in 2023. 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 90 percent in 2023.

products. Finally, even though the actual price of wheat on December 1 (when the contract is fulfilled) may be greater or less than the price agreed upon in the December 1 contract, the contract price is fixed and both the farmer and the bakery are bound by their agreement. Most futures contracts are not settled with the actual physical delivery of the commodity, but by entering into opposite (offsetting) futures contracts, which serve to close out the original positions, with profits or losses dependent on the direction in which the price of the contracts have moved relative to those positions.

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

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

A Primer in Swaps Markets

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

For example, a company that manufactures metal bottles plans to buy 50 metric tons of aluminum from its regular suppliers in six months, but wants to hedge against the risk of rising aluminum prices. It can enter into a one-year swap, agreeing in six months to pay $2,000 per metric ton for

50 tons of aluminum, or $100,000, in exchange for receiving the price of 50 metric tons of aluminum that prevails in 6 months. This swap, which is separate from the purchase of aluminum, locks in a cost of $100,000 for the aluminum needs of this manufacturer in six months.

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

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

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

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

CFTC Oversight of Regulated Entities

Which Entities Does CFTC Regulate?

Associated Person—A natural person who is associated in certain capacities with a futures commission merchant, retail foreign exchange dealer, 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, for compensation or profit, and as part of a regular business, issues or promulgates analyses or reports concerning any of the foregoing, subject to certain exclusions.

Derivatives Clearing Organization (DCO)—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: FCMs, floor brokers, associated persons, CPOs, or CTAs) 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 systematically 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

TRADING ENTITIES

- **Designated Contract Market (DCM)**—Exchanges designated to list for trading futures, options, and/or swaps contracts.
  - *Number of DCMs as of 9/2023: 16*
- **Swap Execution Facility (SEF)**—A trading facility that operates under the regulatory oversight of the CFTC for the trading and processing of swaps.
  - *Number of SEFs as of 9/2023: 23*
- **Foreign Board of Trade (FBOT)**—Any board of trade, exchange or market located outside of the U.S. where foreign futures or foreign options transactions are entered. A foreign board of trade must register with the CFTC if it provides identified members or other participants located in the U.S. with direct access to its electronic trading and order matching system.
  - *Number of registered FBOTs as of 9/2023: 24*

CFTC Role: CFTC registers new exchanges and foreign boards of trade, conducts examinations of exchange compliance programs, including system safeguards, reviews products listed by exchanges and rules and rule amendments submitted by exchanges. CFTC shares regulatory authority with the FBOT's home regulator authority regarding oversight over direct access trading. CFTC also oversees DCMs in their SRO capacity.

CLEARING ENTITIES

- **Derivatives Clearing Organization (DCO)**—Enables parties to a contract to substitute the credit of the derivatives clearing organization for the credit of the parties, arranges for the settlement of netting of obligations, or provides clearing services.
  - *Number of Registered DCOs as of 9/2023: 15*
- **Exempt DCO**—A non-U.S. clearing organization clearing proprietary positions of U.S. persons may be exempt DCO from registration, subject to conditions established by the CFTC.
  - *Number of Exempt DCOs as of 9/2023: 4*
- **Systemically Important DCOs (SIDCO)**—A registered DCO that has been designated by the Financial Stability Oversight Council to be systemically important for which the CFTC is the Supervisory Agency.
  - *Number of SIDCOs as of 9/2023: 2*

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

DATA REPOSITORIES

- **Swap Data Repository (SDR)**—Any person that collects and maintains information or records with respect to transactions or positions in, or the terms and conditions of, swaps entered into by third parties for the purpose of providing a centralized recordkeeping facility for swaps.
  - *Number of SDRs as of 9/2023: 4*

CFTC Role: Registers SDRs, reviews filings and application amendments, receives direct electronic access to swap data, and conducts system safeguards examinations to ensure the safe storage of trade information.

REGISTERED FUTURES ASSOCIATION

- **National Futures Association (NFA)**—An independent self-regulatory organization (SRO) for U.S. futures and derivatives markets.
  - *Number of Registered Futures Associations as of 9/2023: 1*

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

REGISTERED MARKET PARTICIPANTS

- Certain market participants must generally be registered with the CFTC to participate in the commodity derivatives markets. The CFTC registration process is handled through the NFA.
  - *Number of Futures Commission Merchants as of 9/2023: 61*
  - *Number of Major Swap Participants as of 9/2023: 0*
  - *Number of Retail Foreign Exchange Dealers as of 9/2023: 4*
  - *Number of Swap Dealers as of 9/2023: 105*
  - *Number of Commodity Pool Operators as of 9/2023: 1,196*
  - *Number of Commodity Trading Advisors as of 9/2023: 1,279*
  - *Number of Associated Persons as of 9/2023: 41,607*
  - *Number of Introducing Brokers as of 9/2023: 952*
  - *Number of Floor Brokers as of 9/2023: 248*
  - *Number of Floor Traders as of 9/2023: 18*

CFTC Role: Develops regulations, orders, and interpretive statements with respect to swap dealers, futures commission merchants and other registered market participants. The CFTC conducts varying levels of review of regulatory applications, financial and other business data, and examinations to determine compliance with the CEA and Commission regulations. NFA, an SRO, conducts a direct examination program for swap dealers and other registered market participants. The Commission thereby leverages the significant resources of NFA to meet examination workload demands, while preserving and focusing finite CFTC resources. Through its direct oversight of NFA, the CFTC receives and takes necessary action based on the results of NFA examinations.

CFTC List of Abbreviations and Acronyms

Because the acronyms of many words and phrases used throughout the futures and swaps industries are not readily available in standard references, the Commission's OPA 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/LearnAndProtect/AdvisoriesAndArticles/CFTCGlossary/index.htm

Please note that List of Abbreviations and Acronyms included below 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.

AAC .... Agriculture Advisory Committee
AI .... Artificial Intelligence
AICPA .... American Institute of Certified Public Accountants
AFCPE .... Association for Financial Counseling & Planning Education
AFR .... Agency Financial Report
ANPRM .... Advance Notice of Proposed Rulemaking
AP .... Associated Person
ARRC .... Alternative Reference Rate Committee
CCP .... Central Counterparty
CEA .... Commodity Exchange Act
CEAR .... Certificate of Excellence in Accountability Reporting
CFPB .... Consumer Financial Protection Bureau
CFTC .... U.S. Commodity Futures Trading Commission
CMP .... Civil Monetary Penalties
CPF .... Customer Protection Fund
CPO .... Commodity Pool Operator
CRU .... Climate Risk Unit
CSRS .... Civil Service Retirement System
CTA .... Commodity Trading Advisor
DA .... Division of Administration
DATA Act .... Digital Accountability and Transparency Act of 2014
DCM .... Designated Contract Market
DCO .... Derivatives Clearing Organization
DeFi .... Decentralized Finance
DEIA .... Diversity, Equity, Inclusion, and Accessibility
DCR .... Division of Clearing and Risk
DMO .... Division of Market Oversight
DNP .... Do Not Pay
DOD .... Division of Data
Dodd-Frank .... Dodd-Frank Wall Street Reform and Consumer Protection Act
DOE .... Division of Enforcement
DOL .... U.S. Department of Labor
DQP .... Data Quality Plan
EBSA .... Department of Labor Employee Benefits Security Administration
EDR .... Endpoint Detection and Threat Response
ERM .... Enterprise Risk Management
ESC .... U.S. Department of Transportation's Enterprise Services Center
EU .... European Union
FASAB .... Federal Accounting Standards Advisory Board
FBOT .... Foreign Board of Trade
FCM .... Futures Commission Merchant
FCPIA .... Federal Civil Penalties Inflation Adjustment Act
FDIC .... Federal Deposit Insurance Corporation
FDLP .... Federal Depository Library Program
FECA .... Federal Employees' Compensation Act
FERS .... Federal Employees Retirement System
FFMIA .... Federal Financial Management Improvement Act
FILAC .... Filings and Actions Database
FinEx .... Financial Education Exchange

FINRED............Department of Defense Office of Financial Readiness

Fintech............Financial Technology

FISMA............Federal Information Security Modernization Act

FLEC............Financial Literacy and Education Commission

FMFIA............Federal Managers' Financial Integrity Act

FOIA............Freedom of Information Act

Forex............Foreign Currency

FSB............Financial Stability Board

FTC............Federal Trade Commission

FTE............Full-time Equivalent

FX............Foreign Exchange

FY............Fiscal Year

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

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

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

GBP............Pound Sterling

GPRA............Government Performance and Results Act

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

HFT............High-Frequency Trader

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

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

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

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

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

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

LIBOR............London Interbank Offered Rate

MAT............Made-Available-to-Trade

ML............Machine Learning

MPD............Market Participants Division

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

MTF............Multilateral Trading Facility

NCUA............National Credit Union Administration

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

NFC............National Finance Center

NPRM............Notice of Proposed Rulemaking

OCC............Office of the Comptroller of the Currency

OCE............Office of the Chief Economist

OCEO............Office of Customer Education and Outreach

OGC............Office of the General Counsel

OIA............Office of International Affairs

OIG............Office of the Inspector General

OIS............Overnight Index Swaps

OLIA............Office of Legislative and Intergovernmental Affairs

OMB............Office of Management and Budget

OMWI............Office of Minority and Women Inclusion

OPA............Office of Public Affairs

OPM............Office of Personnel Management

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

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

OTI............Office of Technology Innovation

PIIA............Payment Integrity Information Act

P.L.............Public Law

RCA............The Reports Consolidation Act of 2000

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

RMC............Risk Management Committee

RSI............Required Supplementary Information

RUSA............Reference and User Services Association

RWG............Risk Advisory Working Group

S&E............Salary and Expenses

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

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

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

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

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

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

SOFR............Secured Overnight Financing Rate

SONIA............Sterling Overnight Index Average

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

SSAE............Statements on Standards for Attestation Engagements

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

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

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

UCFE............Unemployment Compensation for Federal Employees

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

UMR............Uncleared Margin Rule

UPI............Unique Product Identifier

USAID............U.S. Agency for International Development

USD............U.S. Dollar

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

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

VCM............Voluntary Carbon Market

VIX............Volatility Index

WBO............Whistleblower Office

We Welcome Your Comments

Thank you for your interest in the CFTC's FY 2023 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* or to:

CFTC
Financial Management Branch
Three Lafayette Centre
1155 21st Street, N.W.
Room 4406
Washington, D.C. 20581

This FY 2023 Agency Financial Report and prior year documents are available on the CFTC website at: *https://www.cftc.gov/About/CFTCReports/index.htm*

Page Photo Credits

Photographs in this document are proprietary and prior permission from the photographer is required for any use or reproduction of the photographs.

CFTC Photos; Pages II, 1, 2, 4, 7, 12, 15, 16, *and* 18

Clark Day Photography; Pages 8, 10, 23, 25, *and* 50

Stock Images; Pages 27, 46, 99, *and* 102

Commodity Futures Trading Commission

Association of Government Accountants (AGA)
Awards the

Certificate of Excellence in Accountability Reporting

"In recognition of outstanding efforts in preparing the Commodity Futures Trading Commission Agency Financial Report for the fiscal year ended September 30, 2022"

Commodity Futures Trading Commission

Three Lafayette Centre • 1155 21st Street, N.W. • Washington, D.C. 20581

202.418.5000 • www.cftc.gov