



# President's Budget

FY 2021

February 2020



**U.S. Commodity Futures Trading Commission**  
Three Lafayette Centre, 1155 21st Street, NW, Washington, DC 20581  
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Chairman

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Chairman's Transmittal Letter

February 10, 2020

The Honorable Richard Shelby  
Chairman  
Committee on Appropriations  
U.S. Senate  
Washington, D. C. 20510

The Honorable Nita M. Lowey  
Chairwoman  
Committee on Appropriations  
U.S. House of Representatives  
Washington, D. C. 20515

The Honorable Patrick Leahy  
Vice Chairman  
Committee on Appropriations  
U.S. Senate  
Washington, D. C. 20510

The Honorable Kay Granger  
Ranking Member  
Committee on Appropriations  
U.S. House of Representatives  
Washington, D. C. 20515

Dear Chairman Shelby, Vice Chairman Leahy, Chairwoman Lowey, and Ranking Member Granger:

On behalf of the Commodity Futures Trading Commission (Commission or CFTC), I am pleased to transmit the Commission's budget estimate for fiscal year (FY) 2021. The CFTC is requesting a budget of \$304 million and 717 full-time equivalents (FTE) to operate the Commission effectively and advance priority initiatives in FY 2021. This request is an increase of \$20 million, or seven percent, above the 2020 President's Budget and includes an additional 10 FTE, or 1.4%, above the 2020 President's Budget.

This proposed budget reflects the level of resources needed for the CFTC to maintain and enhance its role as the primary regulator of the U.S. futures, swaps, and options markets. In FY 2021, I anticipate the Commission will pursue five strategic objectives. First, we will seek to strengthen the resilience and integrity of our derivatives markets while fostering their vibrancy. Second, we will aim to regulate our derivatives markets to promote the interests of all Americans. Third, we will encourage innovation and enhance the regulatory experience for market participants at home and abroad. Fourth, we will be tough on those who break the rules. And finally, we will focus on our unique mission and improve our operational effectiveness. All of these goals advance the American free-enterprise system. The proposed budget would fund our commitment to these efforts.

It may be helpful for me to provide a few concrete examples of the goals and objectives funded through the proposed budget. With these funds, the agency will enhance its oversight of markets by increasing the number and frequency of reviews and examinations of key market utilities and participants, such as clearinghouses, swap execution facilities, market intermediaries, and commodity pool operators. The proposed budget will also facilitate monitoring of the new and mostly unregulated virtual currency market, so the Commission can identify risks and, as appropriate, investigate and prosecute fraud and manipulation in that market. And with respect to technology, the agency is seeking to implement a cloud

strategy, strengthen IT security, and leverage other technologies to generate efficiencies and improve mission performance.

In conclusion, the proposed budget would help the CFTC build capacity to fulfill its mission as the derivatives markets evolve. Thank you for your consideration.

Sincerely,

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

Heath P. Tarbert

cc:

The Honorable John Kennedy  
Chairman  
Subcommittee on Financial Services  
and General Government  
Committee on Appropriations  
U.S. Senate  
Washington, D. C. 20510

The Honorable Sanford D. Bishop, Jr.  
Chairman  
Subcommittee on Agriculture, Rural  
Development, Food and Drug  
Administration, and Related Agencies  
Committee on Appropriations  
U.S. House of Representatives  
Washington, D. C. 20515

The Honorable Christopher Coons  
Ranking Member  
Subcommittee on Financial Services  
and General Government  
Committee on Appropriations  
U.S. Senate  
Washington, D. C. 20510

The Honorable Jeffrey Fortenberry  
Ranking Member  
Subcommittee on Agriculture, Rural  
Development, Food and Drug  
Administration, and Related Agencies  
Committee on Appropriations  
U.S. House of Representatives  
Washington, D. C. 20515

# The FY 2021 Budget Request

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## Executive Summary

The Commission is requesting a total of \$304.0 million and 717 FTE for FY 2021. The CFTC's request is a seven percent increase above the FY 2020 President's Budget Request and allows the Commission to maintain and enhance its role as the primary regulator of the U.S. futures, swaps, and options markets.

The summaries below provide information on some, but not all, organizations of the Commission and are intended to be for informational purposes only. The Commission considers the Salary and Expenses and the Office of the Inspector General programs to be its sole programs, projects, and activities (PPAs). All other budget displays contained in the justification material serve to provide clarification and are for informational purposes only.

### Highlights of the 2021 Budget

#### Division of Enforcement

The Commission requests \$60.0 million and 170 FTE for its enforcement program which seeks to ensure U.S. derivatives markets operate free from fraud, manipulation, and other trading abuses. The Commission has brought new impactful enforcement cases, and successfully resolved other important enforcement cases. In addition, the Commission maintains a robust program that develops and utilizes sophisticated systems to analyze trade data, respond to outlying events, and help identify trading or positions that warrant further enforcement inquiry.

A strong enforcement program is vital to maintaining public confidence in the financial markets. The Commission uses its authority to deter fraudulent and manipulative conduct and pursue cases if markets, firms, and others subject to the Commission's oversight do not meet their obligations. This is critical to market participants, including retail customers, who depend on the futures and swaps marketplace.

The advent of virtual currency futures contracts has presented several new challenges for the Commission in its efforts to carry out its mission. The virtual currency cash market is largely unregulated and the Commission has only limited authority over the cash market. In addition, substantial activity in these virtual currency markets take place outside the United States and any fraudulent or manipulative conduct is likely to take place across markets on multiple exchanges, including largely unregulated cash exchanges. Additional resources are required to address the potential for fraud and manipulation in these cash and futures markets posed by the nascent and relatively unregulated virtual currency markets.

The Commission also engages in cooperative enforcement work with domestic, state and Federal, and international regulatory and criminal authorities. When required, the Commission supports criminal prosecution of provable, willful violations of the Commodity Exchange Act (CEA). Based on the continued growth of innovative products and practices within the industry, the Commission anticipates more time-intensive and inherently complex investigations due to algorithmic, high-speed trading. As products innovate, the Commission must be ready with capable staff and supporting technology solutions to ensure it is maintaining parity with those that seek to exploit the systems and the markets the CFTC defends.

The Commission also maintains an active whistleblower program within the Division of Enforcement. The program receives tips, complaints and referrals of potential violations, and guides the handling of whistleblower matters as needed during investigation, litigation, and award claim processes.

### Division of Market Oversight

The Commission requests \$30.6 million and 93 FTE to continue its commitment to maintaining the integrity of the markets.

The Commission will conduct more examinations of derivatives platforms' self-regulatory programs to ensure that they are complying with the CEA and Commission regulations. Specifically, beginning in late 2019, the Commission expanded its Rule Enforcement Reviews (RER), in which exchange registrants' compliance with their rules is reviewed, beyond designated contract markets (DCM) to include swap execution facilities (SEF) registrants, doubling the number and scope of entities examined without an increase in examination staff. During FY 2021, CFTC will move from establishing a baseline examination program for registered SEFs to conducting risk based examinations tailored to the entities. This effort will require additional resources to ensure appropriate execution of the examination program across dozens of DCMs, SEFs and swaps data repositories (SDRs). In addition, the Commission's cybersecurity and system safeguards examinations, an essential component of the examination program, will remain crucial to the stability of the economy. Effective cybersecurity protection of regulated entities requires increased vigilance for the scope of examinations conducted each year.

The Commission will continue to regulate derivatives markets to promote the interests of all Americans in FY 2021 through, among other things, finalizing regulations for position limits on exchanges. End users depend on the derivatives markets to manage risk for their businesses that form the cornerstone of the U.S. agricultural economy. Implementing position limits regulations will help ensure that bona fide hedging is not restricted and that end users are able to manage their risk.

The Commission produces staff analytical reports for agency, inter-agency, and public use on sharp price movements in the markets, agricultural block trades, and other valuable policy and regulatory issues. The Commission has developed sophisticated analytics to identify trends and outlying events that warrant further study. The Commission will continue to leverage this work to ensure that the Commission stays ahead of market trends and that its regulations encourage innovation. In addition, the Commission will continue to connect with a broad range of market participants by communicating its insight on these developments through podcasts and reports.

The Commission will be establishing regulations to improve the utility of the real-time public swap pricing data feeds. SDRs provide real-time swap transaction data to the public to improve price transparency. Many entities use this data to provide insight on events that impact derivatives markets. The Commission is committed to improving the data feeds for these entities by establishing rules to standardize the data so it can be aggregated and compared easily across SDRs, and updating the block and cap sizes to ensure the right swap trades appear on the public tape without undue impact on liquidity.

In addition, the Commission will be finalizing rules to restrict or eliminate post-trade identity disclosure (termed "name give-up) on SEFs to put an end to an unfair practice and help ensure U.S. derivatives markets remain liquid, vibrant, and resilient.

### Division of Clearing and Risk

The Commission requests \$28.1 million and 80 FTE, reflecting the Commission's plans to expand its examination activities directed toward derivatives clearing organizations (DCOs) to reduce market risk and support the safety and soundness of clearing organizations. Regular examinations, in concert with the Commission's surveillance and other functions, are a highly effective method to maintain market integrity so that American businesses can rely on these markets. The Commission leverages resources by conducting joint examinations across Commission divisions, and coordinated examinations of DCOs with the U.S. Federal Reserve and the U.S. Securities Exchange Commission (SEC), where possible. This effort allows the Commission to be more efficient with its limited resources and at the same time reduce burdens for dual registrants.

Currently the Commission has 10 registered DCOs that are located in the U.S. including two DCOs that have been designated as systemically important by the Financial Stability Oversight Council. Examinations of DCOs help the Commission identify issues that may affect a DCO's ability to manage, control, and monitor its risks. DCOs have become critical single points of risk in the global financial system where the failure or disruption to the functioning of these DCOs could create or increase the risk of liquidity or credit problems spreading among other financial institutions. Furthermore, the number of DCOs, the scope and complexity of the examination issues, and the importance of these examinations to overall financial stability are all increasing.

In addition, the Commission regulates six registered DCOs located overseas, including some that are extremely important to the markets given the volume of swaps and futures cleared for U. S. entities. The Commission anticipates new applications for DCO registration resulting from the explosion of interest in digital assets, an area in which there is significant risk to mitigate.

There are other foreign clearinghouses that are not registered but are permitted to engage in certain types of activity for U.S. entities. Although the Commission relies principally on foreign authorities for oversight, it does engage in limited monitoring and surveillance of such clearinghouses.

The Commission has an active, data-driven daily risk surveillance function, and expects to continue investing additional resources in human capital, data, and technology to improve its current analytical capabilities to keep up with growth in both the scale and complexity of risk transmission in the derivatives markets, both cleared and uncleared. Given the emphasis on central clearing as a critical tool to help mitigate systemic risk in the global financial markets, the Commission expects to grow its stress testing program to help ensure that the clearing system continues to be resilient to absorb both market and systemic shocks.

#### Division of Swap Dealer and Intermediary Oversight

The Commission requests \$26.5 million and 80 FTE to maintain oversight of intermediaries and swap dealers' activities in CFTC-regulated markets. These resources will allow the Commission to provide effective oversight using current delegated authorities and improve cooperative oversight policies. The Commission oversees the registration and compliance of swap and futures market intermediaries and swap and futures industry self-regulatory organizations (SROs), including the Chicago Mercantile Exchange (CME) and the National Futures Association (NFA). With almost \$334 billion in customer funds held by futures commission merchants (FCMs) and thousands of registered introducing brokers (IBs), swap dealers and other types of registrants, market intermediaries serve as a cornerstone of the Commission's regulatory framework. As such, the Commission directs its registration and compliance resources to provide critical policy and regulatory guidance to market participants, both directly and in coordination with the SROs. In addition, these resources are also used to oversee NFA in its role of implementing delegated authority to register and oversee compliance by intermediaries. The Commission will also use these resources to ensure that registration rules, standards and reporting requirements keep pace with the needs of the evolving marketplace. The Commission is the primary financial regulator of 107 registered swap dealers, who collectively transact hundreds of trillions in notional value swap contracts annually, serving a vital source of liquidity for commercial end users seeking to hedge their risk.

The Commission is working to finalize several important rulemaking efforts. Notably, the Commission reopened the comment period on its proposed capital requirements for registered swap dealers not subject to prudential regulatory oversight and proposed rules related to the cross-border application of certain of its requirements for swap dealers. The Commission intends to finalize both rulemakings in 2020. The resulting regulatory framework will better align to the swaps market, reduce duplicative requirements for market participants, and help stimulate broad-based economic growth and stability.

The Commission will also continue its oversight of FCMs to ensure the protection of customer funds. In connection with this function, the Commission has launched supervisory activities related to the trading of Bitcoin futures contracts and continues to conduct oversight of the aforementioned FCMs,

and to review the activities of related SROs, on a regular basis. Upcoming examination priorities include accepted forms of non-cash margin, compliance with customer segregation requirements, and SD/major swap participant (MSP) relationships with third-party vendors.

#### Office of the Chief Economist

The Commission requests \$6.5 million and 20 FTE to continue its core economic expertise in order to conduct in-depth analytical and empirical studies of issues affecting all areas of Commission and regulatory interest. The FY 2021 budget request will allow the Commission to continue to address the large volumes of data collected as a result of the Dodd-Frank Act. The resulting work will further enhance the Commission's understanding of derivatives market participants, including end-users, intermediaries, trading and clearing entities; market structure; execution methods; liquidity; price discovery; hedging; market risk; counterparty risk; systemic risk; and connections between futures, cleared swaps, and uncleared swaps. Improved economic and econometric analysis will improve the analytical and empirical foundations of the Commission's policies and rules and better inform its cost-benefit considerations. Furthermore, this request will enable the Commission to provide more of its analysis to the public in the form of white papers on topics of current interest; recurring reports on aggregate market trends, trading activity, and positions; and high-quality research papers on fundamental properties of relevant markets and sectors of market participants.

#### Office of International Affairs

The Commission requests \$5.0 million and 13 FTE in the Office of International Affairs (OIA) to enable the Commission to advance its objectives in international policy development through bilateral and multilateral fora. Derivatives markets are global and the Commission's policies relating to the U.S. derivatives markets exists in an interdependent web of foreign markets, requiring constant coordination with international counterparts. OIA engages in critical work with foreign jurisdictions and through regulatory and standard-setting bodies to ensure that the policies, including rules and regulations, developed by key foreign jurisdictions and international standard setters are appropriate for the U.S. derivatives markets and consistent with the Commission's policies. Through this office, the Commission is able to lead and participate in globally recognized international standard setting and coordination bodies, such as the International Organization of Securities Commissions (IOSCO) and its committees and working groups of the Financial Stability Board (FSB). Moreover, as CFTC regulatory counterparts continue to implement requirements regarding derivatives in their markets, it is essential that Commission staff work to ensure that such requirements are appropriate for U.S. market participants operating in the U.S. and abroad and do not duplicate, unduly overlap with, or conflict with Commission requirements. OIA's work also mitigates the fragmentation of the global derivatives marketplace while developing apparatus to understand foreign regulatory developments and carry out successful outcomes-based regulatory coordination. OIA will continue to coordinate Commission efforts for supervisory cooperation and information-sharing arrangements with counterparts all over the world. OIA will continue to pursue new arrangements to encourage cross-border cooperation regarding FinTech and digital asset developments. To further the Commission's engagement and interaction with foreign counterparts, OIA will continue to host symposia and training involving counterparts across jurisdictions and undertake technical assistance in emerging markets.

#### Office of Data and Technology

The Commission seeks \$89.1 million and 83 FTE to support the continued operation, maintenance and expansion of CFTC's data and technology infrastructure. The markets the Commission supports are increasingly digitized and the need to integrate these new technologies into the CFTC mission and business operations will continue to grow. Through this request, the Commission plans to achieve the following key objectives:

- Maintain and strengthen cybersecurity and network defenses in ways that safeguard agency data and progress the Commission towards greater compliance with Federal Information Security Management Act (FISMA) and other core mandates.

- Maintain and expand the new cloud-based Order Book on Demand database, which provides the Commission with access to daily CME order book data, and incorporate similar market transaction data from Intercontinental Exchange (ICE) and other exchanges.
- Initiate the transition away from CFTC's legacy, on-premises IT infrastructure and associated data, computing, storage and other services, to a third party, cloud-based design.
- Improve data management and analytics capabilities by strengthening data governance/quality and leveraging new technologies such as machine learning to aid the Commission's enforcement, regulatory and policy-making functions.

# Overview of the FY 2021 Budget

## FY 2021 Budget Request by Program<sup>1 2 3 4</sup>

**Table 1: Summary of FY 2019 to 2021 by Program**

	FY 2019	FY 2020	FY 2021	
	Actual	Spend Plan	Request	Change
	\$ (000)	\$ (000)	\$ (000)	\$ (000)
Salaries and Expenses	\$214,016	\$280,800	\$300,432	\$19,632
Office of the Inspector General	\$2,947	\$3,200	\$3,568	\$368
Information Technology	\$51,685	\$0	\$0	\$0
<b>Total Annual Request</b>	<b>\$268,648</b>	<b>\$284,000</b>	<b>\$304,000</b>	<b>\$20,000</b>
Facilities Relocation and Replication <sup>5</sup>		\$31,000		(\$31,000)
<b>Grand Total Request</b>	<b>\$268,648</b>	<b>\$315,000</b>	<b>\$304,000</b>	<b>(\$11,000)</b>

Columns may not add due to rounding

<sup>1</sup> FY 2020 amounts provided in the Further Consolidated Appropriations Act, 2020, Public Law 116-94, Division B.

<sup>2</sup> The Salaries and Expenses program provides funding for all CEA-related activities. This includes funding for Federal staff salaries and benefits, leasing of facilities, information technology, travel, training, and general operations of the Commission.

<sup>3</sup> The Office of the Inspector General program provides audits, investigations, reviews, inspections, and other activities to evaluate the operations and programs of the Commission.

<sup>4</sup> The Commission considers the Salary and Expenses and Office of the Inspector General programs to be its sole PPAs. All other budget displays by division or any other depictions are for informational purposes only.

<sup>5</sup> Facilities Relocation and Replication resources are a separate no-year account from the Commission's other PPAs included in the FY 2020 appropriation.

FY 2021 Budget Request by Division<sup>6 7</sup>

**Table 2: Summary of FY 2019 to 2021 by Division**

	FY 2019 Actual		FY 2020 Spend Plan		FY 2021 Request		Change	
	FTE	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE	\$ (000)
Enforcement	160	\$53,642	169	\$58,189	170	\$59,977	1	\$1,788
Market Oversight	85	\$26,909	88	\$28,317	93	\$30,631	5	\$2,314
Clearing and Risk	66	\$21,440	71	\$23,006	80	\$28,095	9	\$5,089
Swap Dealer and Intermediary Oversight	73	\$22,921	76	\$24,650	80	\$26,532	4	\$1,883
Chief Economist	17	\$5,050	21	\$6,734	20	\$6,530	(1)	(\$204)
General Counsel	44	\$14,916	43	\$14,860	44	\$15,344	1	\$485
Office of International Affairs	11	\$4,305	14	\$4,963	13	\$4,976	(1)	\$13
Data and Technology	81	\$81,319	82	\$79,044	83	\$89,140	1	\$10,096
Office of the Executive Director	80	\$23,600	87	\$26,124	86	\$25,897	(1)	(\$227)
Office of the Chairman & Commissioners	32	\$11,600	42	\$14,758	39	\$13,309	(3)	(\$1,448)
Inspector General	7	\$2,947	9	\$3,356	9	\$3,568	0	\$212
<b>Total</b>	<b>657</b>	<b>\$268,648</b>	<b>702</b>	<b>\$284,000</b>	<b>717</b>	<b>\$304,000</b>	<b>15</b>	<b>\$20,000</b>

Columns may not add due to rounding

<sup>6</sup> The Commission considers the Salary and Expenses and Office of the Inspector General programs to be its sole annual PPAs. All other budget displays by division or any other depictions are for informational purposes only.

<sup>7</sup> FY 2020 amounts provided in the Further Consolidated Appropriations Act, 2020, Public Law 116-94, Division B.

FY 2021 Budget Request by Object Class

**Table 3: Summary of FY 2019 to 2021 by Object Class**

<b>Annual Baseline Request</b>	<b>FY 2019 Actual \$ (000)</b>	<b>FY 2020 Spend Plan \$ (000)</b>	<b>FY 2021 Request \$ (000)</b>	<b>Change \$ (000)</b>
11.0 Personnel Compensation	\$122,269	\$137,711	\$142,946	\$5,235
12.0 Personnel Benefits	\$39,655	\$47,350	\$47,224	(\$125)
13.0 Former Personnel Benefits	\$303	\$0	\$0	\$0
21.0 Travel and Transportation of Persons	\$1,679	\$1,687	\$2,057	\$370
22.0 Transportation of Things	\$28	\$49	\$50	\$1
23.1 Rental Payments to GSA	\$0	\$0	\$227	\$227
23.2 Rental Payments to Others	\$25,758	\$24,845	\$27,389	\$2,544
23.3 Communication, Utilities, & Misc.	\$2,119	\$2,620	\$2,661	\$41
24.0 Printing and Reproduction	\$698	\$619	\$631	\$12
25.0 Other Services	\$68,403	\$60,273	\$73,585	\$13,312
26.0 Supplies and Materials	\$2,919	\$2,582	\$2,421	(\$161)
31.0 Equipment	\$4,817	\$6,249	\$4,792	(\$1,457)
32.0 Building and Fixed Equipment	\$0	\$15	\$15	\$0
<b>Total</b>	<b>\$268,648</b>	<b>\$284,000</b>	<b>\$304,000</b>	<b>\$20,000</b>
<b>Facilities Relocation and Replication Request<sup>8</sup></b>				
21.0 Travel and Transportation of Persons		\$100		(\$100)
22.0 Transportation of Things		\$681		(\$681)
23.2 Rental Payments to GSA		\$20,086		(\$20,086)
25.0 Other Services		\$240		(\$240)
25.7 Operation & Maintenance - Equipment		\$225		(\$225)
26.0 Supplies and Materials		\$8		(\$8)
31.0 Equipment Purchase		\$9,660		(\$9,660)
<b>Total</b>	<b>\$0</b>	<b>\$31,000</b>	<b>\$0</b>	<b>(\$31,000)</b>
<b>Grand Total</b>	<b>\$268,648</b>	<b>\$315,000</b>	<b>\$304,000</b>	<b>(\$11,000)</b>

Columns may not add due to rounding

<sup>8</sup> Facilities Relocation and Replication resources are a separate no-year account from the Commission's other PPAs included in the FY 2020 appropriation.

## Crosswalk from FY 2020 to FY 2021

**Table 4: Crosswalk from FY 2020 to FY 2021**

	FY 2020 Spend Plan <sup>9</sup>	FY 2021 Request	Change
<b>Base Budget Authority (\$000)</b>	<b>\$284,000</b>	<b>\$304,000</b>	<b>\$20,000</b>
Facilities Relocation and Replication Request <sup>10</sup>	\$31,000		(-\$31,000)
Net Budget Authority (\$000)	\$315,000	\$304,000	(-\$11,000)
<b>Full-Time Equivalents (FTEs)</b>	<b>702</b>	<b>717</b>	<b>+15</b>

<u>Explanation of Change</u>	<u>FTE</u>	<u>Dollars (\$000)</u>
<b>Current Services Increases:</b> (Adjustments to FY 2020 Base)		
To provide for changes in personnel compensation & benefits:		\$1,132
To provide for the following changes in non-personnel costs:		\$2,812
--Space Rental/Communications/Utilities (\$2,812)		
<b>Program Increase:</b> (Adjustments to FY 2021 Current Services)	+15	\$16,055
--Addition of 15 FTE (\$3,978)		
--Travel/Transportation (\$371)		
--Other Services (\$11,706)		
<b>Program Decrease:</b> (Relocation and Replication)		(-\$31,000)
--Equipment and furniture for new facilities (\$9,660)		
--Payments to GSA for renovation of new facilities (\$20,086)		
--Relocation of existing equipment to new facilities (\$681)		
--Services and support to relocate to new facilities (\$573)		
<b>Total Change</b>	<b>+15</b>	<b>(-\$11,000)</b>

Columns may not add due to rounding

<sup>9</sup> FY 2020 amounts provided in the Further Consolidated Appropriations Act, 2020, Public Law 116-94, Division B.

<sup>10</sup> Facilities Relocation and Replication resources are a separate no-year account from the Commission's other PPAs included in the FY 2020 appropriation.

## Justification of the FY 2021 Budget by Division

### Division of Enforcement

#### Resource Overview

**Table 5: Enforcement Request**

	FY 2019 Actual	FY 2020 Spend Plan	FY 2021 Request	Change
BUDGET	\$53,642,463	\$58,188,904	\$59,977,022	+\$1,788,118
FTE	160	169	170	+1

Columns may not add due to rounding

#### Organization Description

The Division of Enforcement (DOE) investigates and prosecutes alleged violations of the CEA and Commission regulations. The Commission's enforcement efforts are necessary to protect the public and preserve market integrity by detecting, investigating, and prosecuting violations of the CEA and the Commission's regulations (Regulations). Strong enforcement is essential to realizing the CFTC's mission. Well-functioning commodities and derivatives markets should work for all Americans. These markets ensure the stability in prices that customers have come to expect, and the economic growth Americans enjoy. For the economy to grow, businesses and individuals need to have confidence they are competing on a level playing field. Unlawful activity puts honest businesses at a disadvantage. It impedes free and fair competition. It dampens economic growth. It undermines our democratic values, public accountability, and the rule of law. The Commission is committed to ensuring that all companies and individuals in our markets play by the rules, and to being tough on those who do not.

DOE utilizes its authority to, among other activities: 1) shut down fraudulent schemes and seek to immediately preserve customer assets through asset freezes and receivership orders; 2) uncover and stop manipulative and disruptive trading; 3) ensure that markets, firms, and participants subject to the Commission's oversight meet their obligations, including their financial integrity and reporting obligations, as applicable; 4) ban certain defendants from trading in its markets and bar them from being registered; and 5) obtain orders requiring defendants to pay restitution, disgorgement, and civil monetary penalties. Potential violations include, fraud, false statements to the Commission, misappropriation, price manipulation, use of a manipulative or deceptive device, disruptive trading practices, and other abuses concerning commodity derivatives and swaps that threaten market integrity, market participants and the general public.

DOE also engages in cooperative enforcement work with domestic (state and Federal) and international regulatory and criminal authorities.

The Whistleblower Office within DOE receives tips, complaints and referrals of potential violations, which allows the staff to bring cases more quickly and with fewer CFTC resources, and guides the handling of whistleblower matters as needed during investigation, litigation, and award claim processes.

The Commission also augments its enforcement program through both a robust market surveillance program, which, among other things, develops and utilizes sophisticated systems to analyze trade data, respond to outlying events, and identify trading or positions that warrant further enforcement inquiry; and forensic economic analysis, which includes extensive data analysis to develop evidence for investigations into potential market manipulation, disruptive trading practices (including spoofing), and other unlawful trade-based conduct.

## Justification of CFTC Request

DOE addresses the Commission's mandate to protect both customers and the integrity of the markets. The primary pillars of a robust enforcement function are the ability to rigorously and thoroughly investigate potential violations of the CEA and Commission regulations, and effectively prosecute such alleged violations, including the corresponding imposition of sanctions for the greatest deterrent effect. The additional resources will help the Commission meet the growing need for enforcement resources as reflected by the enforcement program's priorities, which, during FY 2021, are anticipated to include the following, among others.

**Spoofing and Manipulative Conduct.** The Commission has experienced a continuing upward trend in filings involving manipulative or disruptive trading, evidenced by the fact that approximately 65 percent of the matters filed in FY 2019 involved commodities fraud, manipulative conduct, false reporting, or spoofing. The Commission anticipates this upward trend will continue in FY 2021, which will require the enforcement program to commit additional resources to prosecute these cases targeting some of the most pernicious forms of misconduct in our markets—i.e., manipulative conduct, commodities fraud, and fraudulent misappropriation of confidential information.

**Digital Assets.** The Commission aggressively prosecutes misconduct involving digital assets that fit within the Act's definition of commodities. Among other cases filed in FY 2019, the Commission prosecuted for fraud in separate actions: the principal of a digital assets escrow fund; a Bitcoin trading firm and its principal; and a virtual currency trader. At the same time, CFTC successfully litigated cases involving digital assets it had previously charged, obtaining, among other things, rulings affirming the Commission's authority to prosecute fraud and manipulation involving digital assets. Chairman Tarbet has stressed the importance for U.S. leadership of blockchain and digital assets, and expressed his view that "CFTC's role is to ensure that there's integrity in the markets and we want these markets to develop in way that has integrity." The Commission's Digital Assets Task Force will fulfill that mandate, which, given the explosive growth of this technology, will require additional resources in FY 2021 to aggressively prosecute these cases.

**Cooperative Enforcement.** The Commission's enforcement program focuses on collaborative relationships with SROs, state, Federal, and international authorities, including achieving efficiencies through referrals, to meet its enforcement objectives. The parallel enforcement program starts with the premise that CFTC can most effectively protect markets when working together with colleagues in the enforcement and regulatory community. In particular, the CFTC believes a robust combination of criminal prosecution and regulatory enforcement is critical to deterring violators, punishing misconduct, preserving market integrity, and protecting market participants. During FY 2019, the Commission filed more cases in parallel with criminal authorities (sixteen) than any prior year. The Commission established a Foreign Corrupt Practices Task Force to work in collaboration, and in parallel with its enforcement partners to pursue this type of misconduct. This collective effort has already borne fruit and, by making cooperative enforcement a priority, the Commission's work in this area can be expected to grow in FY 2021.

**Forensic Capabilities and Data Analytics.** The Commission utilizes forensic economists to perform complex data analysis to develop evidence for investigations into potential market manipulation, disruptive trading practices (including spoofing), and other unlawful trade-based conduct. This analytical evidence is used to determine the nature and scope of the trading or activity at issue and informs the Commission's determination of whether to recommend an enforcement action. The enforcement program is engaging in a multi-year project to enhance our ability to detect misconduct with data analytics. As part of this effort, the Commission has developed an ability to identify, in the trading data, forms of misconduct that we might otherwise have been unable to detect. The significant increase in the number of cases involving manipulative conduct, and the significant increase in the percentage of the overall docket involving charges of manipulative conduct and commodities fraud, is directly tied to these data analytical efforts. The Commission anticipates that this demand for data analytics will further increase in FY 2021.

**Surveillance.** The Commission will maintain a robust market surveillance program that develops and utilizes sophisticated systems to help identify trading or positions that warrant further enforcement inquiry. During FY 2021, the Commission will:

- Conduct surveillance in all traded commodity classes on a prioritized basis, and perform discrete forensic analysis involving data reported to the Commission to confirm orderly operation of the markets and to identify conduct that may give rise to a potential violation of the CEA and Commission regulations;
- Evaluate compliance with federally-imposed position limits, conduct a forensic review of market activity to identify potential market and trading abuses;
- Coordinate with other federal regulators such as U.S. Department of Agriculture, U.S. Department of Energy, Federal Energy Regulatory Commission, and U.S. Environmental Protection Agency on market events involving their respective jurisdictions; and
- Communicate with market participants and the exchanges about market participant trading activities based upon aggregate data across markets.

**Risk Management and Adequate Compliance Programs.** The Commission's enforcement program seeks to ensure that registrants adopt and implement proper risk management processes and maintain an adequate compliance program. During FY 2019, the Commission brought a number of actions in this space, including the first of its kind actions against the following: a registered DCO charging violations of Core Principles involving financial risk management, operational requirements, and information-systems security; an exempt DCO for making a false statement to the Commission in connection with the DCO's risk management program; and a swap dealer for violating rules that require financial institutions to establish a governing body and internal policies to oversee data reporting for swap dealers. During FY 2019, the Commission also brought cases charging the following: a Chief Compliance Officer with engaging in fraud and making misleading statements; failures in the compliance function that either directly resulted in the underlying substantive misconduct, or led to failure to supervise charges; and a swap reporting for making misleading statements and material omissions to the Commission regarding the compliance inadequacies. In FY 2021, the Commission can only expect its efforts in this area to increase with the enforcement program's new bank secrecy act task force's focus on Commission registrants' compliance with their obligations under the Bank Secrecy Act and anti-money laundering rules, which significantly contribute to the Commission's ability to detect and prosecute the sort of misconduct that may flow through intermediaries like FCMs or IBs.

**Insider Trading and Protection of Confidential Information.** Illegal use of confidential information can significantly undermine market integrity and harm customers in our markets. This type of misconduct could include misappropriating confidential information, improperly disclosing a client's trading information, front running, or using confidential information to unlawfully prearrange trades. Recognizing the harm imposed by this type of misconduct, in FY 2019, the Commission charged an energy broker and its owner with misappropriating confidential customer information, which the owner used to take the other side of the customer's trades in his own proprietary trading account, benefiting the owner by hundreds of thousands of dollars. During FY 2021, the Commission will work to ensure our market participants are not unlawfully misappropriating confidential information for their own gain.

**Individual Accountability.** The Commission's enforcement program endeavors to hold individuals accountable for wrongdoing. In FY 2019, approximately 58 percent of the Commission's actions involved charges against one or more individuals. The Commission charged individuals at financial institutions, proprietary trading firms, and managed funds as primary wrongdoers, and those who facilitated the conduct as aiders and abettors. The Commission did not stop with low-level employees; we charged supervisors, desk heads, chief compliance officers, and chief executives. With increasing enforcement actions against primary wrongdoers, the enforcement program anticipates an increase in actions charging individuals during FY 2021.

Division of Market Oversight

Resource Overview

**Table 6: Market Oversight Request**

	FY 2019 Actual	FY 2020 Spend Plan	FY 2021 Request	Change
BUDGET	\$26,908,529	\$28,317,013	\$30,630,682	+\$2,313,669
FTE	85	88	93	+5

Columns may not add due to rounding

Organization Description

The Division of Market Oversight (DMO) is responsible for the regulation and oversight of the commodity futures, options on futures, and swaps marketplaces. Commodity futures, options on futures, and swaps markets are highly innovative and global in scope. The mission of the DMO is to foster open, transparent, fair, competitive, and secure markets through clear rules and effective oversight of derivatives markets and market participants. The DMO seeks to be the world's foremost authority on the rapidly evolving derivative markets. The DMO's principal functions are: 1) registering new exchanges, foreign boards of trade (FBOTs) and SDRs; 2) conducting examinations of exchange compliance programs, including system safeguards; 3) reviewing new and existing products listed by exchanges and rules and rule amendments submitted by exchanges; 4) overseeing SDRs and related data policy and practice; 5) analyzing current and emerging derivatives market dynamics, developments, and trends to assist the Commission in developing sound policy; and 6) developing rules, guidance, interpretations, and policies to promote fair, efficient, and vibrant markets and a sound market structure.

Justification of CFTC Request

**Enhancing Commission Rules**

In FY 2021, the Commission will use resources to develop and implement regulations to promote fair, efficient, vibrant markets, and a sound market structure. These policy improvements will encourage innovation, streamline regulations, improve market structure, increase trading liquidity, and remove barriers for new entrants and unburden the U.S. economy. These changes will ensure that the Commission's rules keep pace with the rapidly-changing digital transformation of markets. Specifically, the Commission anticipates implementing rules on swaps trading and position limits, among others. As part of this effort, the Commission will be implementing regulations that codify and eliminate current no-action letters and guidance.

The Commission seeks to finalize the implementation of its Swaps Data Roadmap by improving and streamlining several swaps data reporting rules, including creating more consistency with international harmonization standards and the Commission expects to propose rules clarifying block trading requirements. Finally, the Commission anticipates continuing to make progress on cross-border harmonization for trading platforms.

**Market Intelligence**

The CFTC will continue to analyze and communicate current and emerging derivatives market dynamics, developments, and trends to assist the Commission in developing sound policy, together with assisting other Federal agencies, Congress, the Administration, and the public in making informed decisions. This initiative includes conducting high value-added analysis using both

proprietary internal data and outside data to promote efficient and sound markets. Such market data is critical for proper market analysis, and its effective use is dependent on the ability to acquire large volumes of data and to utilize it through the development of sophisticated analytics to identify trends and/or outlying events that warrant further study. The CFTC will continue to work with internal and external stakeholders to ensure the Commission has complete, accurate, and high-quality futures and swaps data in order to fulfill its statutory responsibilities to safeguard the markets. The Commission will continue to publish information and reports to the public regarding several market structure issues, such as market liquidity, trading technologies, and convergence.

#### **Compliance Examinations and Cybersecurity**

The Commission will remain focused on fostering market integrity and security through robust oversight and reviews of DCMs, SEFs and SDRs. To do so, DMO will continue to conduct RERs of DCMs' self-regulatory programs to ensure compliance with the Commission's core principles and other regulations. In addition, the Commission anticipates fully implementing its SEF RER program, which was recently significantly expanded to include SEFs. The SEF RER initiative requires resources beyond those currently allocated to perform RER activities.

In the face of extensive change and cyber-attacks on the markets, the Commission's resources for system safeguard oversight are increasingly crucial to the stability of the economy and are a critical element of these examinations. Effective cybersecurity protection of regulated entities requires increased vigilance for the scope of examinations conducted each year. Additionally, swaps and futures data maintained by entities and available to regulators provides for systemic risk mitigation, transparency, and market supervision. The CFTC must dedicate resources to these responsibilities to ensure the accuracy and reliability of such data in order to carry out its mission and must invest in automating procedures and data to ingest and integrate it into its various functions.

#### **Virtual Currency, Swaps and other Product Reviews**

The Commission will continue to be involved in virtual currency derivatives issues, including reviewing new virtual currency derivatives listed for trading on DCMs and SEFs. There is a need for additional resources to meet the challenges related to virtual currency derivatives and ensure that these contracts are not readily susceptible to manipulation. The CFTC reviews these and other futures, options, and swaps contract filings by DCMs and SEFs primarily to verify that the contracts are not readily susceptible to manipulation and other price distortions, and that they are subject to appropriate position limits or position accountability standards as required by the CEA and Commission regulations. Virtual currency derivatives and the underlying cash markets present many unique risks and challenges, such as price volatility, market dislocations due to flash rallies, crashes, and other technology issues. Moreover, the swaps market has expanded exponentially in recent years, and CFTC seeks to augment its team of swaps experts to support product and rule review efforts, MIB's market analysis, and rulemaking.

#### **Registration and Compliance**

The Commission anticipates that it will continue to receive, analyze, designate, and register new DCM, SEF and FBOT applications. The CFTC anticipates that additional entities focused on virtual currency derivatives will seek registration as DCMs and SEFs, which may raise unique issues and challenges requiring further resources. At the same time, other entities, such as decentralized or peer-to-peer networks may seek to trade virtual currency derivatives and avoid registration, which would also raise novel issues. As described above, the examination program is being significantly expanded to cover SEFs, requiring additional resources. Lastly, once the enhancement of the Commission's swap data reporting rules are completed, CFTC will review the three provisionally registered SDRs for permanent registration status during FY 2020 and FY 2021.

Appendix 5 contains reference information such as trade volume data and the number of DCMs, SEFs, and SDRs.

Division of Clearing and Risk

Resource Overview

**Table 7: Clearing and Risk Request**

	FY 2019 <u>Actual</u>	FY 2020 <u>Spend Plan</u>	FY 2021 <u>Request</u>	<u>Change</u>
BUDGET	\$21,439,951	\$23,006,073	\$28,095,421	+\$5,089,348
FTE	66	71	80	+9

Columns may not add due to rounding

Organization Description

The Division of Clearing and Risk (DCR) oversees DCOs and other participants in the clearing process and oversees the clearing of futures, options on futures, and swaps by DCOs. The DCR staff: 1) prepare proposed regulations, orders, guidance, and other regulatory work products on issues pertaining to DCOs; 2) review applications for DCO registration and exemption from DCO registration and DCO rule submissions, and make recommendations to the Commission; 3) recommend which swaps should be required to be cleared; 4) evaluate the eligibility of a DCO seeking to clear swaps that it has not previously cleared; 5) assess compliance by DCOs with the CEA and Commission regulations, through the examination process, including examining systemically important derivatives clearing organizations (SIDCOs) at least once a year; 6) review and assess compliance of DCO monthly and quarterly financial resource reporting and ad-hoc notifications regarding hardware or software malfunctions, cyber-security incidents, or other incidents that impact the DCOs liquidity or financial; and 7) conduct risk assessment and financial surveillance through the use of risk assessment tools, including automated systems to gather and analyze financial information, and to identify, quantify, and monitor the risks posed by DCOs, clearing members, and market participants and their financial impact.

Justification of CFTC Request

This budget request supports the Commission's efforts to examine the different approaches to protecting digital assets used by DCOs. In addition, there is a need to supply technical training to our systems risk analysts so they are better equipped with the knowledge needed to identify these novel and unique risks.

The use of cloud service providers for the storage of data and the operation of clearing applications is a new technology development. As DCOs begin using this technology more broadly, this budget request will provide systems risk analysts with the appropriate knowledge to identify areas of concern regarding the security of cloud providers, and the DCOs' implementation of such technology. Of concern is the security that surrounds the clearing applications and data that are in the cloud, and the lack of information from the cloud providers.

From a risk assessment perspective, the expectation is that DCOs clearing digital asset products will need to be examined more frequently due to the unique challenges associated with operating in this space. The DCOs that are clearing these products may also be registered as DCMs or SEFs. To efficiently direct limited Commission resources and reduce burdens on dual registrants, CFTC staff discusses the scope of the examination and plans to address all requirements in the most efficient manner possible. To that end, CFTC has created common documents for use during the examination process making it easier for the DCO, DCM, or SEF to produce the documentation requested. In addition, CFTC staff coordinates fieldwork and harmonize their conclusions prior to the issuance of any examination report. This reduces burdens for dual registrants and streamlines the process. It will also maximize the limited number of risk analysts available for this type of examination.

As the number of DCOs has increased, so have the number of DCO filings and the potential number of required examinations under the CFTC's oversight responsibilities. The complexity of the counterparty risk management oversight programs and liquidity risk management procedures of the DCOs continues to grow. The Commission has an interagency project underway with the Board of Governors of the Federal Reserve in which the teams are collaborating to identify best practices in the areas of default management, liquidity risk management, and the performance of margin models. Teams are sharing analysis, information, and supervisory experiences in an attempt to define policies and to agree upon examination programs for SIDCOs regarding the various topics. Another goal of this effort is to identify areas where additional transparency surrounding our regulations may be of significant benefit to the DCO community.

The Commission's DCO examination function will continue to review DCOs' compliance with emerging risks in information security and the ability of the DCOs to identify, protect, detect, respond, and recover in the event of an intrusion. Notifications regarding hardware or software malfunctions and cyber intrusions will be monitored, and included as appropriate in the risk assessment when determining the scope of future systems examinations. Examinations of DCOs' compliance with the CEA and implementing regulations will necessitate use of new automated tools. Information technology tools will be especially important in evaluating compliance in the areas of liquidity, back testing, and stress testing. These new systems will aid examiners in identifying potential areas of concern regarding compliance and should significantly improve the effectiveness of the examination process.

Many DCOs are expanding their business to other jurisdictions around the world. Those jurisdictions look to the Commission to provide insight regarding the effectiveness of the programs implemented by the DCOs. The Commission supports information sharing and compliance discussions in the areas of cybersecurity, liquidity risk management, default management, and other significant risk management issues. The Commission will continue to share examination reports and discuss risk management and systems concerns with those jurisdictions in which the DCOs operate.

#### **Swap Clearing Requirement Product Reviews**

All registered and exempt DCOs are required to submit all swaps offered for clearing to the Commission. The Commission considers whether these swaps should be subject to a swap clearing requirement.

The CFTC promulgated the first rules associated with the required clearing of swaps in December 2012, and it expanded the interest rate swap clearing requirement in September 2016. This budget request will continue to support ongoing product reviews as new swaps and other contracts are offered for clearing in response to changing market needs.

Relying on new data from DCOs, SDRs, SEFs, and other market infrastructure and participants, the Commission will continue to analyze, by asset class, the percentage and volume of cleared and uncleared swaps, the level of risk transfer among market participants, the market dynamics with respect to new products, and the implied overall credit and market risk, in FY 2021. This will help ensure that the Commission has an appropriate understanding of risk within the swaps markets. The Commission also will review data to monitor market participants, including swap dealers, for compliance with the swap clearing requirement and its exceptions and exemptions.

#### **Registration and Compliance for DCOs**

The FY 2021 budget request continues to support the Commission's registration and compliance activities for DCOs. The Commission will devote effort to reviewing any new applications for DCO registration, as well as petitions for exemption from DCO registration for the clearing of swaps. These activities, in addition to oversight of registered DCOs, will continue to require regulatory coordination on both a domestic and cross-border basis. As additional DCOs are registered or exempted, these coordinated efforts will necessarily increase concurrently.

This request provides resources for the Commission's periodic reviews of registered DCOs to ensure compliance with the CEA's statutory requirements and CFTC regulations. In addition, the request will support the Commission's oversight of DCOs on a day-to-day basis, which includes review of their rules, operations, and procedures. The CFTC also reviews daily, quarterly, annual, and event-specific reports to ensure compliance with its regulations, including financial and risk management regulations. Many of the new DCOs have limited capital to meet the DCO financial resource requirements and they do not have options to quickly raise additional capital resources if needed. As a result, these DCOs have been placed on monthly financial resource reporting which increases CFTC's regulatory workload. The safety and security of the investing public is a top concern and our goal is to identify potential capital issues as soon as possible to determine if a mitigation strategy can be implemented before the DCO can no longer operate. Thus, the Commission is dedicating more resources to the review of monthly financial resource filings in order to achieve the above objective.

### **DCO Risk Surveillance**

Risk surveillance is a technology-intensive function, and in FY 2021, both the quantity and types of position data requiring review will continue to increase. The CFTC currently collects granular or entity-level position and exposure data, and anticipates investing additional resources into collecting and maintaining comprehensive, current financial information on DCOs, FCMs, and their clients. To enable development of risk metrics, the Commission requires real-time and historic information on prices of derivatives and related underlying markets, as well as risk factor information. Internally developed applications and commercially available software are used to perform these functions. The ability to function effectively and advance this program is dependent upon the ability to process this data.

Enhancing financial analysis tools is critical, as the CFTC is the only financial regulator, regardless of jurisdiction, that is able to aggregate and evaluate risk across all DCOs. Each DCO's view of risk is limited to market participants clearing at that particular organization. Many market participants will have positions at multiple clearinghouses in more than one asset class. Risk surveillance activities have been adjusted to include the ability to stress test positions in swaps for market participants and DCOs. This additional stress testing is currently only for cleared positions.

In order to incorporate uncleared positions into the current risk surveillance program, the Commission will need to develop new stress testing applications for these positions. Resources are needed to review new DCO margin models and changes to existing margin models. Many DCOs clear the same asset class, but each uses its own margin model to calculate margin requirements. In some instances, the requirements for the same positions will not be the same at multiple DCOs. The Commission must compare and contrast these models in order to analyze differences and to ensure appropriate coverage.

The CFTC is expanding the capability to conduct quantitative risk analysis on uncleared swaps exposures and integrating these exposures with cleared futures and cleared swaps exposures. This requires a substantial investment of resources, staff, and advanced analytics to improve data quality, tools, and analytical approaches.

The Commission has been a thought leader in the area of supervisory stress tests of DCOs. However, the ability to grow this program has been severely constrained by our analytical tools. For example, staff has been relying on specific risk metrics provided by DCOs that limit the types of stress scenarios that can be used. Additional investment to develop valuation tools will enable the CFTC to explore more realistic risk factors potentially influencing the clearing eco-system.

### **International Policy Support**

This budget request will fund continued participation in key international bodies setting standards for clearinghouses, with the aim of promoting appropriately rigorous standards. The Commission participates in, or leads, international groups such as the Committee on Payments and Market Infrastructures - IOSCO Steering Group, Policy Standing Group, Implementation Monitoring

Standing Group, Working Group on Cyber-Resilience, the FSB's Resolution Steering Group and Financial Market Infrastructure Cross-Border Crisis Management Group.

These groups set international standards for clearing and clearinghouse regulations, and have a direct impact on U.S. DCOs, in particular those that operate internationally. Commission staff also participates in groups focused on individual clearinghouses, such as the Crisis Management Groups for LCH Ltd, LCH SA, and ICE Clear Europe.

Appendix 5 contains reference information such as trade volume and margin requirement data and the number of DCOs, SIDCOs, and exempt DCOs.

Division of Swap Dealer and Intermediary Oversight

Resource Overview

**Table 8: Swap Dealer and Intermediary Oversight Request**

	FY 2019 <u>Actual</u>	FY 2020 <u>Spend Plan</u>	FY 2021 <u>Request</u>	<u>Change</u>
BUDGET	\$22,920,858	\$24,649,585	\$26,532,261	+\$1,882,676
FTE	73	76	80	+4

Columns may not add due to rounding

Organization Description

The Division of Swap Dealer and Intermediary Oversight (DSIO) oversees the registration and compliance activities of swap dealers, MSPs, FCMs, introducing brokers, commodity pool operators (CPOs), commodity trading advisors (CTAs), retail foreign exchange dealers (RFEDs), and other swap and futures market intermediaries. DSIO's oversight program is designed to ensure that these intermediaries are financially sound, and meet standards for fitness and conduct as set forth in the CEA and the Commission's regulations. DSIO assesses and monitors swap dealers, FCMs, and other intermediaries' compliance with capital, margin, customer asset segregation, and customer protection requirements; internal and external business conduct standards; and reporting, disclosure, and record keeping requirements. DSIO staff develop regulations, orders, and interpretive statements on issues relating to swap dealers, FCMs, and other intermediaries; review registration applications; review financial and other business data of registrants; design audit modules and conduct examinations of registrants for compliance with the CEA and Commission regulations; provide advice to other CFTC divisions and offices regarding issues involving swap dealers, FCMs, and other intermediaries; and assess the risk posed by swap dealers, FCMs and other intermediaries to the derivatives markets. DSIO also oversees and examines the National Futures Association (NFA) and other SROs delegated by the Commission.

Justification of CFTC Request

**Registration and Compliance**

The CFTC's thousands of registered intermediaries play a vital role in the Nation's financial system by connecting customers to the global market. With \$334 billion in estimated customer funds, the registrants serve as a cornerstone of the Commission's regulatory framework. As such, the Commission directs its registration and compliance resources to provide critical policy and regulatory guidance to market participants, both directly and in coordination with the NFA. The Commission also uses these resources to ensure that registration rules, standards and reporting requirements keep pace with the needs of the evolving marketplace.

Core activities funded through this function include:

- Drafting new rules and rule amendments to strengthen its registration and compliance regime and, following Commission approval, overseeing effective rule implementation. Throughout this process, registrants engage CFTC staff to obtain interpretive guidance, seek no action relief for registration purposes, and/or discuss compliance matters requiring Commission guidance.

- Furnishing responses to other Federal and state agencies, CFTC registrants, and to the public with respect to intermediary issues. These answers involve an array of activities, from responding to inquiries from market participants and registrants to briefing policy makers on major registration and compliance issues.
- Providing direct support to the international regulatory community with established agreements on substituted compliance matters. This support is central to overseeing the global activities of the derivatives industry, and the implementation of key aspects of legislative mandates, and other high priority initiatives.
- Preparing and delivering critical guidance to the SROs, which support the execution of the Commission's regulatory framework and delegated regulatory activities.

### **Economic and Legal Support**

In FY 2020 and continuing into FY 2021, the Commission is focusing on improving the regulatory experience for market participants by pursuing a data driven, policy agenda. The policy-making agenda will include finalizing cross-border rules and capital requirements for swap dealers and an extension of the compliance deadline for uncleared margin, as well as working with other federal financial regulators on amendments to the Volcker Rule. The CFTC will continue implementing refinements to its rules in a manner consistent with the Commission's mission and values.

The Commission provides legal analysis and regulatory support for swap dealer and intermediary oversight activities such as:

- Providing draft rulemakings, interpretations, and opinions on questions of statutory and regulatory authority relevant to market intermediaries and legal advice for substantive Commission actions relevant to intermediaries, including registration and futures association rule submission reviews, regulations, and exemptions;
- Drafting and administering the applicable capital, margin, segregation and financial reporting requirements for market intermediaries, swap dealers, and MSPs, to include drafting related rulemakings, no-action letters, interpretations, and exemptions;
- Responding to informal requests for guidance from market participants, non-U.S. regulators, and the public;
- Coordinating capital, margin, and financial reporting requirements with the SEC and Prudential Regulators regarding swap dealers and MSPs; and
- Working closely with foreign regulators to reduce cross-border regulatory burdens by implementing agreements that will allow swap dealers and MSPs to be deemed in compliance with the CFTC's margin rules, while remaining subject to the CFTC's examination and enforcement authority.

Appendix 5 contains reference information such as trade volume data and the numbers of registered entities.

Office of the Chief Economist

Resource Overview

**Table 9: Chief Economist Request**

	FY 2019 Actual	FY 2020 Spend Plan	FY 2021 Request	Change
BUDGET	\$5,049,806	\$6,734,076	\$6,530,100	-\$203,976
FTE	17	21	20	-1

Columns may not add due to rounding

Organization Description

The Office of the Chief Economist (OCE) conducts rigorous economic and econometric analysis of derivatives markets. The extensive research and analytical backgrounds of staff ensure that analyses reflect the forefront of economic knowledge and econometric techniques. The OCE collaborates with other CFTC divisions to integrate economic reasoning and data analysis into Commission policy and cost-benefit considerations. The dissemination of OCE research to market participants and the general public plays a key role in transparency initiatives of the Commission.

Justification of CFTC Request

The Commission is responsible for careful, systematic, and sustained research into the derivatives markets under the agency's jurisdiction. This research ensures that CFTC policy-making is informed by the latest thinking and empirical observations about markets and market participants. The results of the Commission's research also educates lawmakers, other regulators, both domestic and international, and the general public about the markets in which the CFTC has particular data and expertise.

An important challenge facing this office is determining the best methods to process and analyze the enormous quantity of data available to the Commission. Determinations are required on data issues such as: understanding data imperfections and ambiguities; merging data sets with different structures to study particular markets or market participants holistically; and having sufficient, highly skilled staff to work through these issues. The Commission requires staff that possess the ability to analyze data sets with at least one million rows of data. These and other highly technical skills are in high demand across the financial and technology industries, as well as academia.

In addition to data, useful and top-quality research requires a deep understanding of market participants and the markets themselves. Rigorous analysis of how market participants use derivatives and the risks they face requires knowledge of their business models. Studies of this sort encompass end users that range from farmers to life insurance companies; intermediaries that range from commodity brokers to swap dealers in bank holding companies; and, of course, clearinghouses. Rigorous analysis of the markets themselves requires knowledge of the workings of trading platforms, from those on futures exchanges to those on swap execution facilities, and from voice markets to electronic venues.

To leverage its limited resources relative to its research objectives, the Commission has and continues to expand its program of partnerships with academics in relevant fields. Subject to the strictest procedures and controls to ensure data confidentiality, these partnerships facilitate the flow of ideas between the Commission and universities and encourage academics to work on areas of interest to the Commission.

The FY 2021 budget request will enable the Commission to make continued progress in fulfilling its mission. With respect to research, this request will allow the CFTC to begin to better understand the data available; understand how and why market participants use derivatives; study the risk profiles of market participants; assess the efficiency of trading platforms; evaluate how well derivatives products and markets serve end users; and appraise the extent to which systemic risk might be generated by or might be transmitted through derivatives markets. The CFTC will also work to integrate research into Commission policies and actions. Recent research conducted at the CFTC allowed for the introduction of ENNs (Entity-Netted Notionals) as an alternative to notional value for the markets. The initial January 2018 white paper, *"Introducing ENNs: A Measure of the Size of Interest Rate Swap Markets"*<sup>11</sup> outlined the calculation of ENNs as well as their distribution across participant types and products. The paper also discussed why other common market size measures, like notional value, do not accurately measure the amount of market risk transfer through swap markets. This measure estimates the size of risk transfer in the swaps market and provides a more direct comparison between swaps and other rates markets, like U.S. Treasuries. The Commission is using interest rate swaps (IRS) ENNs to improve the understanding of how various business sectors use derivatives markets and how regulations affect that usage. Since the initial publishing of the ENNs concept, the Commission has published a second white paper, *"ENNs for Corporate and Sovereign CDS and FX Swaps"* in February 2019<sup>12</sup>. Additional information is provided in Appendix 5.

The FY 2021 budget request enables the Commission to improve the analytical and empirical foundations of its policy and rules, as well as the cost-benefit considerations of its policy and rulemaking. This will be achieved partly through a deeper understanding of the functioning of markets and the behavior of market participants, as described previously, and through supplementing that understanding with data-driven studies of the costs and impacts of past rules and the potential costs and impacts of the Commission's contemplated policy changes.

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<sup>11</sup> Baker, L., Haynes, R., Lau, M., Roberts, J., Sharma, R., Tuckman, B., and Warren, N. (2018), "ENNs Update as of September, 2018," February. Accessible from the page <https://www.cftc.gov/About/EconomicAnalysis/ResearchPapers/index.htm>

<sup>12</sup> Baker, L., Haynes R., Lau, M., Roberts, J., Sharma, R., and Tuckman, R. (2019), "ENNs for Corporate and Sovereign CDS and FX Swaps". Accessible from the page <https://www.cftc.gov/About/EconomicAnalysis/ResearchPapers/index.htm>

Office of General Counsel

Resource Overview

**Table 10: General Counsel Request**

	FY 2019 Actual	FY 2020 Spend Plan	FY 2021 Request	Change
BUDGET	\$14,915,597	\$14,859,860	\$15,344,385	+\$484,524
FTE	44	43	44	+1

Columns may not add due to rounding

Organization Description

By statute, the Office of General Counsel (OGC) provides legal services and support to the Commission and all of its programs. These services include: 1) engaging in defensive, appellate, and amicus curiae litigation; 2) assisting the Commission in the performance of its adjudicatory functions; 3) providing legal advice and support for Commission programs; 4) assisting other program areas in preparing and drafting Commission regulations; 5) interpreting the CEA; 6) overseeing the Commission's ethics program and compliance with laws of general applicability; and 7) providing advice on legislative, regulatory issues and FinTech innovation. The CFTC's Freedom of Information Act (FOIA) office and E-Discovery Coordinator are also part of OGC.

Justification of CFTC Request

The Commission ensures consistency in the interpretation and application of the CEA. The CFTC conducts reviews of proposed and final rules, enforcement and regulatory actions, and various forms of staff action within this area for legal sufficiency and administrative regularity. The Commission interprets and applies the requirements of a variety of government-wide statutes, including, but not limited to, the Federal Advisory Committee Act, FISMA, FOIA, and the Administrative Procedure Act. As a Federal entity, the Commission must assure the legal sufficiency of Commission actions concerning personnel laws, procurement laws and regulations, Federal records requirements, and other applicable laws as applied.

The Commission also ensures it has proper representation when required to appear in the U.S. Courts of Appeals, U.S. District Courts and other administrative proceedings in appeals stemming from enforcement actions and other matters including regulatory challenges, bankruptcy, personnel litigation, labor disputes, and FOIA.

Office of International Affairs

**Resource Overview**

**Table 11: International Affairs Request**

	FY 2019 <u>Actual</u>	FY 2020 <u>Spend Plan</u>	FY 2021 <u>Request</u>	<u>Change</u>
BUDGET	\$4,305,106	\$4,963,250	\$4,976,224	+\$12,974
FTE	11	14	13	-1

Columns may not add due to rounding

**Organization Description**

The Office of International Affairs (OIA) advocates for Commission objectives in international policy development through multilateral and bilateral fora; advises the Commission regarding international regulatory initiatives and policies; provides guidance regarding international issues raised in Commission matters; represents the Commission in international fora, such as IOSCO and FSB; coordinates Commission policy as it relates to priorities, policies, and initiatives of key foreign jurisdictions and the G20; coordinates with the U.S. Department of the Treasury and U.S. financial regulatory authorities on international matters; negotiates cooperative arrangements and responds to inquiries related to supervisory cooperation or information sharing; and provides technical assistance to foreign authorities, by providing guidance regarding regulatory and supervisory matters and organizing international training programs and regulatory symposia.

**Justification of CFTC Request**

The global nature of the futures and swaps markets makes it imperative that the Commission engage foreign regulators and participate in international policy development to enhance international cooperation and to support the adoption, implementation, and enforcement of high-quality derivatives regulation. This request will allow the CFTC to: 1) advance the interests of the CFTC in bilateral and multilateral discussions with foreign counterparts and in international standard-setting and coordination fora; 2) facilitate information-sharing, cooperation and cross-border assistance; and 3) ensure international initiatives are consistent with the rules and policies of the CFTC.

The CFTC will increase its efforts to respond to attempts by European authorities, particularly the European Securities and Markets Authority, to expand their supervision of U.S. firms or apply their rules and requirements to U.S. firms and markets. In addition, the CFTC will oversee the implementation of relevant European Union (EU) equivalence, recognition, and comparability determinations regarding central clearinghouses, trading platforms, and intermediary firms. Furthermore, the exit of the United Kingdom (UK) from the EU requires the Commission to increase engagement with UK and EU counterparts and stakeholders in concluding and implementing agreements and regulatory arrangements to respond to changing regulatory requirements that can affect U.S. markets and existing agreements and regulatory arrangements with the Commission.

The Commission will continue to engage with other regulators regarding consistent regulatory requirements imposed on derivatives clearing organizations. The importance of central clearing to the derivatives markets makes it critical that the Commission ensures the strength and resiliency of clearinghouses.

The Commission anticipates continuing engagement with the FSB and its working groups and committees that affect U.S. derivatives markets. The CFTC will continue its long-standing active engagement as a member of the Board of the IOSCO and assume or seek out leadership roles within important policy committees, task forces, working groups, and networks that develop standards and

policy guidance for the U.S. derivatives markets. The Commission intends to chair an IOSCO committee to coordinate IOSCO work on financial stability matters and engagement with the FSB. In addition, the Commission will continue to participate in official sector regulatory dialogues with the EU, the UK, and India. Given developments with other jurisdictions relating to international trade, the Commission also expects to engage in official sector regulatory dialogues with Canada, China, Japan, and Mexico.

The Commission anticipates the conclusion of additional supervisory cooperation, and information-sharing arrangements with counterparts all over the world. The Commission also anticipates the conclusion of additional arrangements to encourage cross-border cooperation on FinTech and digital asset developments.

The Commission expects enhanced engagement with foreign stakeholders as a result of additional requests for technical assistance from regulatory and supervisory entities. Commission staff satisfies such requests by organizing and executing jurisdiction-specific training programs and multilateral symposia.

Office of Data and Technology

**Resource Overview**

**Table 12: Data and Technology Request**

	FY 2019 Actual	FY 2020 Spend Plan	FY 2021 Request	Change
BUDGET	\$81,318,703	\$79,044,085	\$89,139,668	+\$10,095,583
FTE	81	82	83	+1

Columns may not add due to rounding

**Organization Description**

The Office of Data and Technology (ODT) works cooperatively, both internally and with other divisions, to develop and deliver the technology, applications and technical services, collectively referred to as the Information Technology (IT) Portfolio, necessary to meet the Commission's existing and emerging mission objectives. ODT delivers services to the Commission through four components: (1) Systems and Services; (2) Data Management; (3) Infrastructure and Operations, and; (4) Policy and Planning. Systems and Services provide access to data and information, platforms for data analysis, and enterprise-focused automation services. Data Management provides services that support data standards, data collection, analysis, management, reuse, transparency reporting, and data operations support. Infrastructure and Operations organizes delivery of services around network infrastructure and operations, telecommunications, and desktop and customer services; these delivered services are highly available, flexible, reliable, and scalable, supporting the systems and platforms that empower staff to fulfill the CFTC mission. Policy and Planning focuses on IT security, strategic and planning, IT policy and procedure development, configuration management, and enterprise architecture. The four service delivery components are unified by an enterprise-wide approach driven by the Commission's strategic goals and objectives.

**IT Portfolio**

Although the CFTC IT Portfolio supports all aspects of the Commission's operations, its mission importance continues to grow as the agency strives to meet the oversight demands of today's increasingly sophisticated financial markets. Investing, leveraging, and integrating technology at all levels of the organization is core to the CFTC's ability to develop new capabilities, and provide cost effective performance required to protect market users and reduce systemic risk. Using the technology business management (TBM) resource allocation structure, the portfolio is organized into five investment areas as follows:

**Industry Oversight and Financial Integrity Services** includes the IT services, systems, software, and, applications that directly support core mission activities, with a distinct focus on industry data acquisition, management, quality and analysis. Examples include:

*Surveillance & Analysis* - Resources support both CFTC's regulatory oversight functions, which focus on monitoring/evaluating market and trade practice data, financial and risk analysis, and investigative and enforcement work, which uses acquired industry data and reporting to surveil, triage, investigate, and prosecute violations of the CEA. Mission performance in these areas is highly dependent on technology and services that ensure the timely acquisition and analysis of large volumes of market and industry data.

*Examinations* - Resources are used to develop and deploy specialized auditing and analytical tools to support monitoring and examining market infrastructure (e.g., exchanges, clearinghouses, etc.), key market users (e.g., FCMs), and to oversee the important compliance support work performed by the CFTC's SROs.

Other CFTC Regulatory and Policy Missions - Resources are used to provide tools and services that are vital to a variety of other CFTC functions that include the Office of the Chief Economist, FinTech initiatives, firm and entity registration and reporting, and international policy efforts.

**Enforcement Support** leverages technology resources to perform and support a wide variety of mission critical enforcement and investigative support functions. Specifically, IT service contracts and business applications are used to: 1) support enforcement case management and development; 2) send, receive, manage and control case documents, evidence and data and, 3) serve as tools and platforms for developing new analytical capabilities and improving timeliness and efficiency. In addition, this portfolio investment includes the Commission's computer forensics program, which uses specialized tools and software to access, analyze, and evaluate data and evidence from a wide range of sources in direct support of agency enforcement actions.

**Internal Agency Services** include the IT systems, services and applications to deliver mission critical tools and capabilities, many of which are provided by federal shared service providers, and operate as an independent agency. Examples include CFTC's financial and procurement systems, payroll and automated human resource services, logistics, physical security and asset management systems, and secretariat/records management support.

**Security and Compliance** reflects resources devoted to the agency's cyber security program and business continuity IT capabilities. Key security objectives include:

- Protect all data and technology within the Commission with continuous assurance of confidentiality, integrity and availability;
- Strengthen staff vigilance across the agency by ensuring that authorized users understand, accept, and follow security and privacy responsibilities using a cloud based approach that incorporates recurring security training, compliance testing and reporting;
- Combat cyber threats through incident detection, response, and mitigation capabilities;
- Assess and synthesize threat intelligence, vulnerabilities, potential business impacts, and the likelihood to impact operational risk decisions and;
- Continue to invest in IT security to maintain and achieve compliance with cybersecurity objectives, such as the FISMA, and related Office of Management and Budget (OMB) and National Institute of Standards and Technology (NIST) mandates.

**IT Management, Infrastructure and Operations** This investment area provides the critical technology and services necessary to operate and sustain CFTC's core IT infrastructure, provide end user and enterprise-wide platform services, and perform critical IT management and planning functions. A breakdown description of these activities is provided below.

End User Services - provides the primary mechanisms for CFTC users to personally connect and access the Commission's computer network and to use the associated applications, platforms and communication capabilities to perform their daily duties. Core components include end user software and personal IT equipment (e.g., workstations, network printers, employer-issued mobile devices, etc.); IT help desk services; fixed and mobile communications, and conference and audio-visual technology used to connect the Commission to its regional offices.

Infrastructure Services - supports CFTC's core IT architecture such as continuous computing power, data center services, network and connectivity, and secure data storage. In order to operate effectively, the Commission must maintain and upgrade an array of specialized equipment (e.g., hardware components, servers, routers, etc.), telecommunications gear and related hardware and software, and sustain service support contracts that enable CFTC's mission.

Enterprise-wide Platform Services - includes major platforms used across the agency in support of variety of both operational and support missions. Examples include the Commission's official CFTC.gov website, organizational file management and sharing platforms, etc.

***IT Management and Planning*** - covers the resources directed towards the management, administration and planning of IT for the enterprise and it includes vital functions such as data architecture and strategic planning, IT training, operational travel, and related activities.

### **Justification of CFTC Request**

In FY 2021, the Commission requests a total of \$89.1 million and 83 FTE to sustain base operations and address current and emerging mission challenges. Technology resources and expertise continue to be of utmost importance to the CFTC mission – not only to support day-to-day operations, but also to develop the new capabilities necessary to oversee the 21st century markets. The Commission plans to direct the requested resources along the following priority business lines:

**IT Modernization** Continued investment in the CFTC's cloud strategy allows the Commission to leverage proven technology that offers important benefits (e.g., flexible "pay-as-you-go" costing, multi-device user access, acquisition cost avoidance, etc.) in ways that fully align with its innovation and efficiency objectives. Using a combination of base resources and the modest increase contained in the FY 2021 request, the Commission plans to transfer its primary systems and applications from their current on-premises location to a third party, off premises, managed services cloud environment using a proven approach known as "lift and shift". The lift and shift process is accomplished by planning, mapping and then migrating all selected systems, applications and data to the cloud, which can be completed with little to no impact on CFTC users or IT operations. Phase One implementation will require CFTC to incur temporary cost increases to operate large portions of the IT network as a hybrid environment; meaning that CFTC will run the existing, on-premises network and the new cloud environment in parallel to ensure reliable user access and system continuity throughout the migration process.

Once Phase One of the cloud migration is completed with the planning, mapping and transfer of CFTC systems, applications and data, Phase Two will commence. This phase will terminate use of most legacy on-premises equipment and begin the system re-architecture process that when completed will allow CFTC to optimally manage and access the new cloud environment. Given the size and complexity of the services/data moved, Phase Two will require 18 to 24 months (post lift and shift) to complete. The anticipated benefits of this initiative include the following:

- Avoid/mitigate the cost of replacing key portions of CFTC's aging, on premises IT equipment (e.g., servers, storage area network (SAN), etc.) and other related hardware, software, operating and maintenance costs.
- Reduce, over time, the Commission's office space footprint both at CFTC office location(s) and the leased data center facility; utility cost efficiencies will be realized as well.
- Optimally position CFTC to shift other key functions such as cybersecurity, massive parallel processing (MPP) capabilities and other key functions to cloud in the future.

**Data Management and Analytics** The Commission will continue to leverage cloud and other new technology to enhance and transform its ability to collect, analyze and draw informed conclusions from market/industry data to conduct effective enforcement actions, oversee rapidly evolving markets and formulate sound regulatory policy. Some key examples of these efforts are provided below:

***Futures and Options Order Book Data*** Beginning in FY 2020, the CFTC began implementation of the Order Book on Demand initiative, which uses cloud technology to acquire access to the CME's order book data that, once fully implemented will realize the following benefits:

- enhance analytical capabilities, through advanced, cloud-based tools, to more rapidly detect, identify market risks, trends, etc. and better target suspicious activity and behavior;
- reduce administrative burden on both the CME and CFTC;
- achieve greater investigative and regulatory oversight efficiencies and effectiveness;
- develop greater insight and understanding of market patterns and associated evolutions in risk management, and apply this knowledge to CFTC policies and regulations; and
- strengthen agency data governance capabilities

In FY 2021, the Commission plans to incorporate ICE order book data to further strengthen the agency's vision and situational awareness within the market/trading space. Ultimately, these data initiatives will result in roughly one peta byte (nearly 1,000,000,000,000,000 bytes of data), becoming available to CFTC regulatory and enforcement staff.

Market Surveillance Data The Commission also plans to upgrade its aging Integrated Surveillance Systems (ISS) with modern, cloud-based technology to meet the expanding needs of the agency's market surveillance operations. CFTC's surveillance activities, which monitor the daily activities of large traders, key price relationships, and relevant supply and demand factors in a continuous review for potential market problems, are core to the mission and rely almost entirely on the ability to rapidly receive and review Large Trader and related data from market participants. Since the existing ISS, while functional, operates using legacy technology, transitioning to a new cloud solution will enhance CFTC surveillance capabilities, increase the speed/efficiency for how data is received, managed, analyzed, and strengthen data security.

Advanced Analytics The CFTC will continue its work to further refine and optimize the application and integration of not only cloud based analytical tools, but also to explore the utility of other cutting edge technology like machine learning to its mission. For example, the agency is currently working to leverage machine learning as a means for detecting classic spoofing patterns in order book data.

**Additional Budgetary Data on Information Technology Resources**

The tables below represent the budget request for IT by budget program and IT Portfolio Cost Type. Through the end of FY 2019, IT expenses were funded from two of the Commission's primary PPAs, Salaries and Expenses (S&E) and IT, and an Indirect Overhead allocation, which is a proportional share of estimated agency-wide operating costs such as lease of space, utilities, supplies, equipment and other services used by or available to all CFTC organizations. CFTC allocates indirect overhead to all divisions and offices in this budget presentation based on a per FTE distribution.

The FY 2020 appropriations eliminated the IT program from the Commission's PPAs and the tables below have been amended to reflect this change. Resources from the IT program have been consolidated with the S&E program for FY 2020 and FY 2021.

**Table 13: Summary of IT Budget by Program and Cost Type**

IT Budget by Program	FY 2019 Actual	FY 2020 Spend Plan	FY 2021 Request
Information Technology Services	51,684,608	-	-
S&E Personnel	18,967,475	20,603,648	21,197,536
S&E Operating	5,587,169	53,897,644	62,944,120
S&E Indirect Overhead	5,079,451	4,542,793	4,998,012
<b>Total IT Portfolio</b>	<b>\$81,318,703</b>	<b>\$79,044,085</b>	<b>\$89,139,668</b>

IT Portfolio by Cost Type	FY 2019 Actual	FY 2020 Spend Plan	FY 2021 Request
Development, Modernization, and Enhancement (DME)	11,625,451	7,505,476	15,494,638
Operations and Maintenance (O&M)	62,859,885	65,198,172	66,702,898
S&E (Non-DME/O&M)	1,753,916	1,797,644	1,944,120
Indirect Overhead	5,079,451	4,542,793	4,998,012
<b>Total IT Portfolio</b>	<b>\$81,318,703</b>	<b>\$79,044,085</b>	<b>\$89,139,668</b>

Columns may not add due to rounding

**DEFINITION OF TERMS**

**DME:** Costs related to the development, modernization, and enhancement of technology, including personnel.

**O&M:** Costs related to the operations and maintenance of technology, including personnel.

**S&E:** Costs related to the Salaries and Expenses Program.

**Personnel:** Costs of government personnel/FTE for salary and benefits only.

**Operating:** Costs related to the purchase of hardware, software, and data and technology services.

**Indirect Overhead:** Overhead related to leases and other centrally funded costs.

Office of the Executive Director

Resource Overview

**Table 14: Executive Director Request**

	FY 2019 <u>Actual</u>	FY 2020 <u>Spend Plan</u>	FY 2021 <u>Request</u>	<u>Change</u>
BUDGET	\$23,600,209	\$26,123,656	\$25,897,095	-\$226,561
FTE	80	87	86	-1

Columns may not add due to rounding

Organization Description

The Office of the Executive Director (OED) directs the internal management of the Commission, ensuring the Commission’s continued success, continuity of operations, and adaptation to the ever-changing markets it is charged with regulating; directing the effective and efficient allocation of CFTC resources; developing and implementing management and administrative policy; and ensuring program performance is measured and tracked Commission-wide. The OED includes the following branch offices: Business Operations Branch (including logistics operations, strategic and operational planning, security and emergency management, travel, and business operations), Executive Secretariat (including library operations, Secretariat, records management, privacy, and Office of Proceedings), Financial Management (including budget, procurement, accounting, and risk management), and Human Resources (including talent management, workforce relations, performance management and compensation, and health and wellness programs). The Office of Proceedings has a dual function to provide a cost-effective, impartial, and expeditious forum for handling customer complaints against persons or firms registered under the CEA, and to administer enforcement actions, including administrative settlements, statutory disqualifications, and wage garnishment cases.

Justification of CFTC Request

The Commission continues to promote excellence through executive direction and leadership, organizational and individual performance management, and effective management of resources. Efforts to achieve these objectives will result in better-informed decision making regarding the management and investment of the Commission’s resources. The FY 2021 budget request focuses on strengthening the Commission’s fiduciary posture by executing and evaluating the remaining agency corporate reform efforts. The FY 2021 budget request recognizes the need to keep overhead costs as low as possible, while making careful investments to continue efficiency, innovation, and effectiveness in its operations and management. To that end, the Commission will continue to provide essential day-to-day financial management, human resources, building management, and secretariat functions as well as maintain the centralized services model that supports the various CFTC divisions and offices in compliance with Federal administrative mandates.

This budget request also includes resources to provide for a strong risk management structure by building out an enterprise risk management (ERM) framework, as required by OMB Circular A-123. ERM provides an enterprise-wide, strategically-aligned portfolio view of organizational challenges that provides improved insight about how to more effectively prioritize and manage risks to mission delivery. Effective ERM facilitates improved decision-making through a structured understanding of opportunities and threats. Effective ERM also helps agencies implement strategies to ensure effective use of resources, enables an optimized approach to the identification and remediation of compliance issues, and promotes reliable reporting and monitoring across business units. ERM efforts will continue with implementation in FY 2021.

The Commission has the responsibility to comply with Federal standards, and the agency requires resources to address the requirements contained in the OMB/National Archives and Records Administration (NARA) Memoranda M-19-21, *Transition to Electronic Records* and NARA's 2018-2022 strategic plan for agencies to manage all records electronically. The Commission will continue to transition to electronic business processes and systems for managing those records, and where not feasible, to transition legacy permanent, paper records to electronic form, and send those records to NARA. In FY 2021, the Commission will continue to implement the Controlled Unclassified Information program by assessing the Commission's statutory and regulatory authorities for information protection and sharing, and by developing and piloting training.

The CFTC has taken an aggressive approach to streamlining operations and will continue to realize efficiencies from actions taken in FY 2020. This approach will better align organizational structures, update the agency's performance management policies, and streamline operations where feasible. The FY 2021 budget request supports these initiatives, allowing the Commission to provide capable administrative support, meet regulatory obligations, and continue with process improvements to promote efficiencies. Collectively, these activities will continue to support CFTC's fiduciary responsibility of taxpayer funds while supporting the Commission so that it may advance its mission to foster open, transparent, competitive, and financially sound markets.

Office of the Chairman and Commissioners

**Resource Overview**

**Table 15: Chairman and Commissioners Request**

	FY 2019 <u>Actual</u>	FY 2020 <u>Spend Plan</u>	FY 2021 <u>Request</u>	<u>Change</u>
BUDGET	\$11,599,659	\$14,757,917	\$13,309,480	-\$1,448,437
FTE	32	42	39	-3

Columns may not add due to rounding

**Organization Description**

The Offices of the Chairman and the Commissioners provide executive direction and leadership to the Commission—specifically, as it develops and adopts Commission policy that implements and enforces the CEA and other statutes, rules and regulations. Commission policy is designed to foster the financial integrity and economic utility of derivatives markets for hedging and price discovery, to conduct market and financial surveillance, and to protect the public and market participants against manipulation, fraud, and other abuses. The Office of the Chairman includes the Offices of Public Affairs, Legislative and Intergovernmental Affairs, Minority and Women Inclusion, and LabCFTC.

**The Commissioners**

The CFTC consists of five Commissioners. The President appoints and the Senate confirms the CFTC Commissioners to serve staggered five-year terms. No more than three sitting Commissioners may be from the same political party. With the advice and consent of the Senate, the President designates one of the Commissioners to serve as Chairman. The following represent the current CFTC Commissioners:

**Heath P. Tarbert, Chairman**

Heath P. Tarbert was nominated by President Trump as Chairman of the CFTC on December 11, 2018, was unanimously confirmed by the Senate on June 5, 2019, and was sworn into office on July 15, 2019 for a five year term expiring April 2024.

**Brian D. Quintenz, Commissioner**

Brian D. Quintenz was nominated by President Trump as a Commissioner of the CFTC on May 12, 2017, was unanimously confirmed by the Senate on August 3, 2017, and was sworn into office on August 15, 2017 for the remainder of a five-year term expiring in April 2020.

**Rostin Behnam, Commissioner**

Rostin Behnam was nominated by President Trump as a Commissioner of the CFTC on July 13, 2017, was unanimously confirmed by the Senate on August 3, 2017, and was sworn in to serve as a Commissioner on September 6, 2017 for the remainder of a five-year term expiring in June 2021.

**Dawn DeBerry Stump, Commissioner**

Dawn DeBerry Stump was nominated by President Trump as a Commissioner of the CFTC on June 12, 2017, was unanimously confirmed by the Senate on August 28, 2018, and was sworn in to serve as a Commissioner on September 5, 2018 for the remainder of a five-year term expiring in April 2022.

**Daniel M. Berkovitz, Commissioner**

Daniel M. Berkovitz was nominated by President Trump as a Commissioner of the CFTC on April 24, 2018, was unanimously confirmed by the Senate on August 28, 2018, and was sworn in to serve as a Commissioner on September 7, 2018 for a five-year term expiring in April 2023.

**Justification of CFTC Request**

The FY 2021 budget request supports the Commission's leadership function, which includes the Offices of the Chairman and the full complement of Commissioners and support staff, as well as the Offices of Public Affairs, Legislative and Intergovernmental Affairs, Minority and Women Inclusion and LabCFTC. This budget request assumes a full complement of Commissioners in FY 2021 and expects the Administration will nominate a replacement for any position that expires. The request also includes professional and administrative staff to support the four Commissioners and to assist each member with analysis of the increasing number of complex issues presented to the Commission for review and action. The budget provides resources to continue efforts to evaluate mandated reforms and focus on transparency and market integrity.

In addition, this request includes funding for official reception and representation and for the Commission's Advisory Committees.

Office of the Inspector General

**Organization Description**

The Office of the Inspector General (OIG) is an independent organizational unit of the CFTC. In accordance with the Inspector General Act of 1978, as amended, the mission of the OIG is to detect waste, fraud, and abuse and to promote integrity, economy, efficiency, and effectiveness in the CFTC's programs and operations through audits, investigations, and other activities. As such, the OIG has the authority to review all of the Commission's programs, activities, and records. The OIG issues reports to the Commission, Congress, and the public detailing its activities, findings, and recommendations.

**Budget Request**

The total FY 2021 budget request as described below includes the OIG request of \$3,025,708 for estimated direct salary and benefit costs of nine FTE, along with travel, training, and contracted audits (including the annual financial statement audit), including an estimated contribution of \$7,846 to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The request also includes overhead of approximately \$541,953. Overhead is estimated by the Commission and is added to the OIG direct budget request. Overhead represents a proportional share of estimated operating costs, such as lease of space, utilities, printing, supplies, equipment and other services used by or available to all divisions and offices, including the OIG. CFTC allocates overhead to all divisions and offices in this budget presentation based on a per FTE distribution.

**Table 16: Inspector General's Budget Request**

Budget Year	Total Budget	OIG Requested Budget	Estimated Overhead	Training Budget Estimate	CIGIE	FTE
FY 2021	\$3,567,661	\$3,025,708	\$541,953	25,000	7,846	9

**Inspector General's FY 2021 Budget Request**



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

Three Lafayette Centre  
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February 3, 2020

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

FROM: A. Roy Lavik  
Inspector General

SUBJECT: FY 2021 OIG Budget

In accordance with the Inspector General Act of 1978, as amended, I am proposing the Fiscal Year (FY) 2021 budget to operate my office. Through audits, investigations, reviews, inspections, and other projects, OIG assists in improving the economy, efficiency, and effectiveness of operations, as well as in detecting and preventing fraud, waste, and mismanagement. For FY 2021 we are requesting \$3,025,708, which increases our FY 2020 request (\$2,856,000) by 5.93%. The bulk of this increase will support anticipated grade promotions, cost of living adjustments, and merit based increases for current staff, with some shifting of costs. Of this amount, \$25,000 is budgeted for training purposes and will satisfy all training requirements.

In addition to funding salaries and benefits, training, travel, contracted audits and services, and other OIG activities, the request also includes the Inspector General's contribution to the Council of the Inspectors General on Integrity and Efficiency (CIGIE) as required by the IG Act.

This budget request does not include funds for Agency-wide overhead. At this time, OIG has not been notified of CFTC's expected overhead charge to OIG for Fiscal Year 2021. Our intent is to submit an OIG budget request that is for funds generally under the control of, and to be spent directly by, the Office of the Inspector General. We believe this avoids confusion and reserves to the Agency maximum flexibility to manage Agency-wide overhead, while ensuring compliance with the Inspector General Act. We respectfully request that Appropriations language or commentary limits **CFTC overhead to the amount determined by Congress, and increases the OIG FY 2021 total budget in that amount** (and is not subtracted from it).

Attachment

**Attachment for CFTC Inspector General's Budget Request**

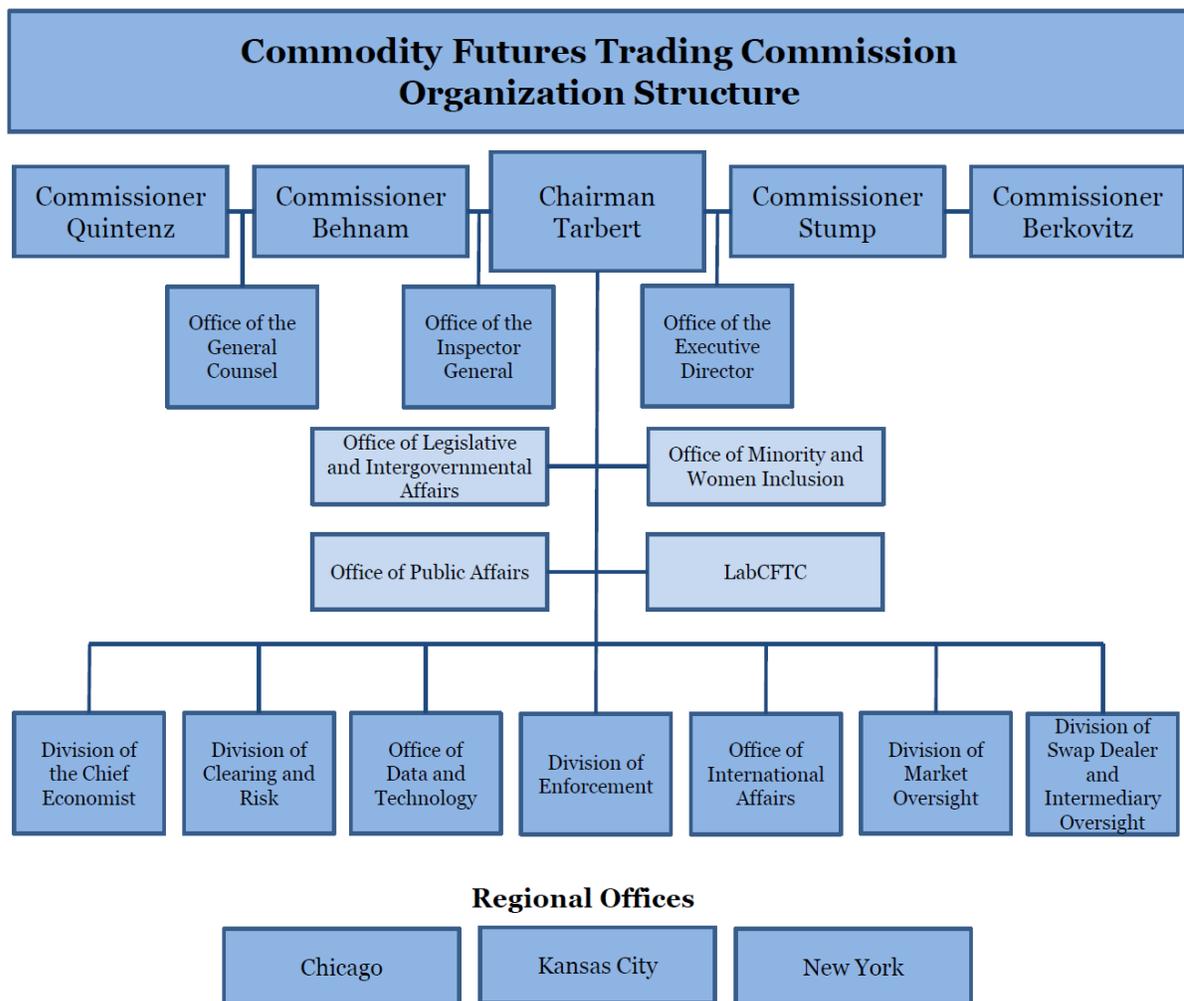
<b>Direct Costs (\$)</b>	<b>OIG Request</b>
Salaries and Benefits	2,587,222
Travel	54,000
Training	25,000
Contract Audits	215,840
Contract Services	135,800
<b>Subtotal Direct Costs</b>	<b>\$ 3,017,862</b>
CIGIE Contribution (estimate of .26% of total)	\$7,846
<b>Total Direct OIG Costs</b>	<b>\$ 3,025,708</b>
FTE	9
Positions	9.5

# APPENDIX 1

## Organizational Divisions and Offices

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. The four programmatic divisions—the Division of Clearing and Risk, Division of Enforcement, Division of Market Oversight, and the Division of Swap Dealer and Intermediary Oversight—are supported by, a number of offices, including the Office of the Chief Economist, Office of Data and Technology, Office of the Executive Director, Office of the General Counsel, and the Office of International Affairs. The Office of the Inspector General is an independent office of the Commission. The CFTC's headquarters is located in Washington D.C. and the regional offices are located in Chicago, Kansas City and New York.

**Figure 1: Organization Structure**



## APPENDIX 2

### CFTC Facility Leasing

CFTC maintains a facility lease portfolio that includes four locations: the Washington DC Headquarters office, and three regional offices in Kansas City, Chicago, and New York. The Commission also maintains a sublease for its alternate computing facility site with the Federal Reserve, which supports the Continuity of Operations redundant computer infrastructure capability. The chart below depicts CFTC's estimated leasing costs and associated lease expiration dates.

### Leasing Expirations and Estimated Leasing Costs <sup>13</sup> by Location

**Table 17: Leasing Expirations and Estimated Leasing Costs by Location**

	Lease Expiration	FY 2019 Actual (\$000)	FY 2020 Estimate (\$000)	FY 2021 Estimate (\$000)
Washington, DC	FY 2025	\$18,261	\$19,070	\$19,833
Chicago	FY 2022	2,594	2,658	2,695
New York	FY 2022	2,629	2,739	2,778
Kansas City	FY 2021	430	443	489
COOP Site		166	113	170
<b>Total</b>		<b>\$24,913</b>	<b>\$25,023</b>	<b>\$25,965</b>

Columns may not add due to rounding

The Commission maintains a relationship with the U.S. General Services Administration (GSA) for collaborating on the development of a comprehensive real estate portfolio strategy that addresses CFTC's current leasehold interests and its future leasing needs. CFTC will relinquish its management of facility leasing as new leases are arranged through GSA. During FY 2021, the Commission will incur a limited amount of duplicate lease costs for the Kansas City regional location as the Commission begins to transition to a new facility.

<sup>13</sup> The actual and estimate columns of the leasing portfolio exclude the overhead distribution that is reflected in other charts in this budget presentation.

## APPENDIX 3

### Administration's Proposal on User Fees

**Table 18: FY 2021 Budgetary Resources and Offsetting Collections**

	FY 2021 Request \$ (000)
Salaries and Expenses	\$300,432
Office of the Inspector General	\$3,568
<b>Total Appropriation</b>	<b>\$304,000</b>
Offsetting Collections	(\$77,500)
<b>Net Appropriation</b>	<b>\$226,500</b>

#### Proposal and Impact

This budget reflects the Administration's intention to propose authorizing legislation to collect user fees of \$77.5 million to fund a portion of the Commission's activities. Fees and charges assessed by the Commission would be credited to an offsetting collections account, which would be available until expended for necessary expenses of the CFTC. The total amount appropriated from the general fund for FY 2021 would be offset by the collections, resulting in a net FY 2021 appropriation from the general fund of approximately \$226.5 million. CFTC fees would be designed in a way that supports market access, liquidity, and the efficiency of the Nation's derivatives markets. The Commission oversees the most complex markets of any U.S. regulator, and supports whatever funding mechanism Congress deems appropriate that secures the CFTC the resources it needs.

#### Background

CFTC ensures the integrity and effectiveness of the U.S. futures, options, and swaps markets through administration of the CEA, as amended. CFTC is the only Federal financial regulator that does not derive its funding from the specialized entities it regulates, and since the CFTC's programs provide clear benefits to market participants, it may be appropriate for those participants to at least partially offset or contribute toward the cost of providing those programs. The Administration has historically proposed a user fee for the CFTC.

CFTC seeks to promote responsible innovation and development that is consistent with its statutory mission to enhance derivative trading markets and to prohibit fraud and manipulation in connection with commodities in interstate commerce. The resources would allow the CFTC to build upon its knowledge of the increasingly complex futures markets.

## APPENDIX 4

### Statement of Availability on Basis of Obligations

**Table 19: FY 2019 to 2021 Statement of Availability on Basis of Obligations**

	FY 2019 Actual \$ (000)	FY 2020 Estimate <sup>14</sup> \$ (000)	FY 2021 Estimate \$ (000)
New Appropriations	\$268,000	\$315,000	\$304,000
Carryover from Prior Year	335	239	4,729
Recoveries of Prior Year Obligations	1,609	2,297	2,000
<b>Total Available</b>	<b>269,943</b>	<b>317,536</b>	<b>310,729</b>
<b>Obligations</b>	<b>245,725</b>	<b>289,531</b>	<b>282,563</b>
Lease-Related Amount Transferred to No-Year Account (amount reduces negative lease obligation) <sup>15</sup>	22,676	22,676	23,556
<b>Balance Available</b>	<b>1,542</b>	<b>5,329</b>	<b>600</b>
Lapsing Appropriations	(1,303)	(600)	
<b>Total Available or Estimate</b>	<b>\$239</b>	<b>\$4,729</b>	

Columns may not add due to rounding

<sup>14</sup> FY 2020 amounts provided in the Further Consolidated Appropriations Act, 2020, Public Law 116-94, Division B.

<sup>15</sup> The estimated lease obligations exclude the proportionate share of building operating costs overages (taxes, utilities, and maintenance passed onto CFTC) that are not included in the lease-related no-year account.

## APPENDIX 5

### The Commission and the Industry It Regulates

The mission of the CFTC is to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation. The CFTC is focused on resolving unfinished business and preparing for the future. The Commission works to support five strategic goals: 1) strengthen the resilience and integrity of our derivatives markets while fostering vibrancy, 2) regulate our derivatives markets to promote the interests of all Americans, 3) encourage innovation and enhance the regulatory experience for market participants at home and abroad, 4) be tough on those who break the law, and 5) focus on our unique mission and improve our operational effectiveness. As a key mechanism for performing its responsibilities, the Commission delegates certain authorities to registered entities such as SROs, clearing entities and data depositories and then oversees and supports these organizations by reviewing their operations and procedures and by providing guidance, policy and direction in accordance with Commission regulations.

With respect to its oversight of swap dealers and intermediaries, the CFTC oversight occurs in coordination with the SRO system. While the designated SROs are obligated to conduct surveillance, compliance oversight and enforcement activities for entities under their purview, the Commission conducts surveillance, compliance oversight and enforcement activities across all market participants while concurrently providing the rules, legal interpretations and policy oversight necessary to guide designated SRO activities. Revisions to the Commission's regulatory requirements have required additional focus on the oversight of designated SROs in their implementation of requirements for market participants. As the CFTC seeks to strengthen and refine its regulatory framework, the Commission will continue to work closely with the SROs to emphasize priority areas such as risk management, internal controls, legal compliance and FCM and swap dealer examinations.

### CFTC Regulatory Landscape Matrix

The matrix, as detailed in Table 20, reflects how the Commission administers its oversight authorities for each regulated entity by CFTC function. In summary, regulatory oversight is managed as follows:

- ***CFTC Core.*** All activities under this category are reflected as “CFTC” in Table 19. Activities under this category apply to core functions central to the Commission's mission. Examples include major enforcement actions, rulemaking, policy, legal interpretations, no action determinations, etc.
- ***CFTC Delegated.*** All activities under this category are reflected in Table 19 as “NFA/CFTC” or “designated self-regulatory organizations (DSRO)/CFTC”, or “SRO/CFTC”, as appropriate. This category captures mission activities that involve the delegation of certain regulatory functions to the NFA or other SROs. Examples include cyclical intermediary examinations, certain enforcement actions, reporting requirements, etc. However, in all cases of delegation, the CFTC is responsible for the review and oversight of the SRO processes, products, procedures, etc. to ensure and validate compliance with all applicable regulations. This work includes quarterly reviews of SRO examination activities, review/approval of proposed SRO rules and policies, guidance and legal interpretations, etc.
- ***CFTC Shared.*** All activities under this category are reflected in Table 19 as “CFTC/DCO Regulator” or “CFTC/Federal Reserve.” For SIDCOs, the CFTC shares regulatory authority with the Federal Reserve. For exempt DCOs, the CFTC shares regulatory authority with the DCO's home regulatory authority with respect to oversight of swaps clearing by U.S. persons. For registered FBOTs, the CFTC shares regulatory authority with the FBOT's home regulatory authority with respect to oversight over direct access trading from the U.S. and review of products to be offered for trading by direct access. The FBOT's home regulatory authority has responsibility for the remaining mission functions. For intermediaries, the CFTC retains certain direct responsibilities and those that have been delegated to SROs, CFTC remains responsible for oversight of such responsibilities and/or delegates regulatory authority to SROs by CFTC mission function.

**Table 20: U.S. Regulated Entities and Registrants by CFTC Function**

Entity	Acronym	CFTC Function					
		Registration & Compliance	Product Reviews	Surveillance	Examinations	Enforcement	Economic & Legal Analysis
Trading Entities							
Designated Contract Market	DCM	CFTC	CFTC	CFTC	CFTC	CFTC	CFTC
Swap Execution Facility	SEF	CFTC	CFTC	CFTC	CFTC	CFTC	CFTC
Foreign Board of Trade	FBOT	CFTC/FBOT Regulator	CFTC/FBOT Regulator	FBOT Regulator	FBOT Regulator	FBOT Regulator	FBOT Regulator
Clearing Entities							
Derivatives Clearing Organization	DCO	CFTC	CFTC	CFTC	CFTC	CFTC	CFTC
Exempt Derivatives Clearing Organizations	Exempt DCO	CFTC/DCO Regulator	CFTC/DCO Regulator	CFTC/DCO Regulator	CFTC/DCO Regulator	CFTC/DCO Regulator	CFTC/DCO Regulator
Systemically Important Derivatives Clearing Organization	SIDCO	CFTC	CFTC	CFTC	CFTC/ Federal Reserve	CFTC	CFTC
Data Repositories							
Swap Data Repository	SDR	CFTC	N/A	N/A	CFTC	CFTC	CFTC
Registered Futures Association							
National Futures Association	NFA	CFTC	N/A	N/A	CFTC	CFTC	CFTC
Intermediaries							
Futures Commission Merchant	FCM	NFA/CFTC	N/A	DSRO/CFTC	DSRO/CFTC	DSRO/CFTC	CFTC
Swap Dealer	SD	NFA/CFTC	CFTC	NFA/CFTC	NFA/CFTC	NFA/CFTC	CFTC
Major Swap Participant	MSP	NFA/CFTC	CFTC	NFA/CFTC	NFA/CFTC	NFA/CFTC	CFTC
Retail Foreign Exchange Dealer	RFED	NFA	N/A	NFA/CFTC	NFA/CFTC	NFA/CFTC	CFTC
Managed Funds							
Commodity Trading Advisor	CTA	NFA/CFTC	N/A	NFA/CFTC	NFA	NFA/CFTC	CFTC
Commodity Pool Operator	CPO	NFA/CFTC	N/A	NFA/CFTC	NFA	NFA/CFTC	CFTC
Other Registrants							
Introducing Broker	IB	NFA	N/A	NFA/CFTC	NFA	NFA/CFTC	CFTC
Floor Broker	FB	NFA	N/A	CFTC	N/A	SRO/CFTC	CFTC
Floor Trader	FT	NFA	N/A	CFTC	N/A	SRO/CFTC	CFTC
Associated Person (Sales)	AP	NFA	N/A	CFTC	N/A	SRO/CFTC	CFTC

## Number of Regulated Entities and Registrants

The Commission's regulatory framework continues to evolve in response to market forces, technology impacts, legislative mandates, and other factors. The number of registrants operating within this framework is similarly impacted by these drivers and as such, their number will fluctuate over time. The numbers as of FY 2019 are provided below.

**Table 21: Number of Regulated Entities/Registrants**

Entity	Acronym	As of FY 2019
Trading Entities		
Designated Contract Market	DCM	15
Foreign Board of Trade <sup>16</sup>	FBOT	21
Swap Execution Facility	SEF	19
Clearing Entities		
Derivatives Clearing Organization <sup>17</sup>	DCO	16
Exempt Derivatives Clearing Organization	Exempt DCO	4
Systemically Important DCO	SIDCO	2
Data Repositories		
Swap Data Repository <sup>18</sup>	SDR	3
Registrants—Intermediaries <sup>19</sup>		
Futures Commission Merchant <sup>20</sup>	FCM	64
Major Swap Participant	MSP	0
Retail Foreign Exchange Dealer	RFED	2
Swap Dealer	SD	107
Registrants—Managed Funds		
Commodity Pool Operator	CPO	1,475
Commodity Trading Advisor	CTA	1,996
Other Registrants		
Associated Person	AP	47,842
Introducing Broker	IB	1,129
Floor Broker	FB	2,724
Floor Trader	FT	485

<sup>16</sup> FBOTs are registered with the Commission, which allows the FBOT to permit its members and other participants in the United States to enter orders directly into the FBOT's trade-matching system.

<sup>17</sup> The number of DCOs includes the two SIDCOs.

<sup>18</sup> The three SDRs are provisionally registered with the CFTC.

<sup>19</sup> Registrants include companies and individuals, who handle customer funds, solicit or accept orders, or give training advice for profit or compensation. The CFTC registration process is handled through the NFA, an SRO with delegated oversight authority from the Commission.

<sup>20</sup> Excludes FCMs that are also registered as RFEDs.

## Industry Growth in Volume, Globalization and Complexity

In a marketplace driven by change, it may be helpful to look back at industry and CFTC trends over the past few years. The charts that follow reflect many of those changes in the markets affecting the Commission.

### **Data and Trend Charts:**

- Volume of futures and option contracts traded;
- Volume of swaps traded on SEFs;
- Swap volume reported to SDRs, cleared vs. uncleared;
- Actively traded futures and option contracts;
- Notional value of futures and swaps contracts;
- Customer funds held at FCMs;
- Margin requirements; and
- CFTC-supported data streams received from the industry.

### **Trading Entities:**

- SEFs registered with the CFTC; and
- DCMs designated by the CFTC.

### **Clearing Entities:**

- DCOs registered with the CFTC;
- Systemically important DCOs; and
- Exempt DCOs.

### **Intermediaries:**

- FCMs and RFEDs registered with the CFTC; and
- Swap dealers provisionally registered with the CFTC.

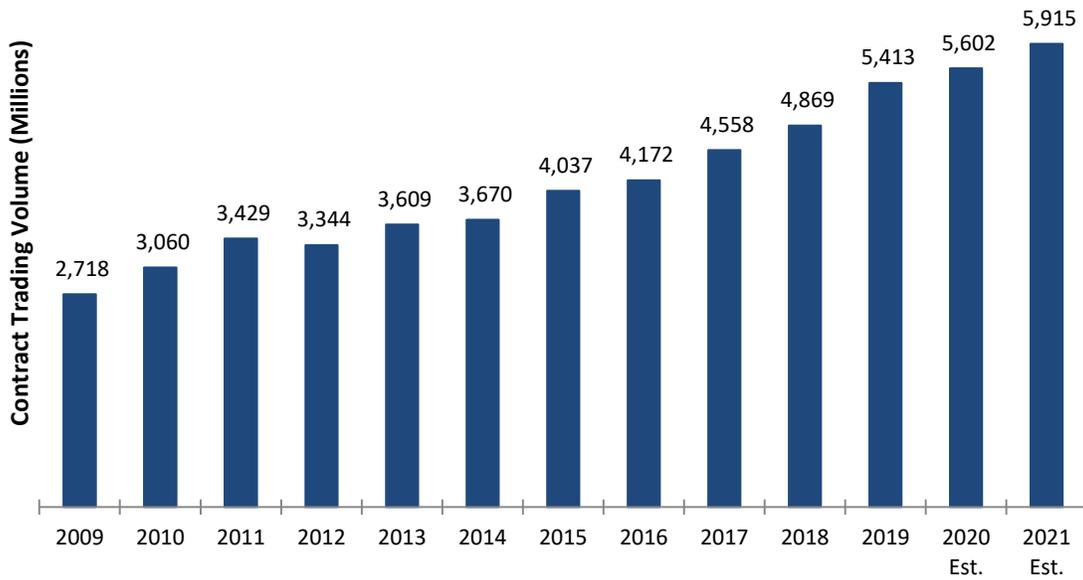
### **Data Repositories:**

- SDRs provisionally registered with the CFTC.

Volume of Futures and Option Contracts Traded<sup>21</sup>

Trading volume for CFTC-regulated contracts maintained a general upward trend for the past decade. As the volume of futures and option contracts increases, CFTC resource requirements also increase since the Commission must conduct trade practice and market surveillance for a larger number of transactions.

**Figure 2: Growth of Volume of Contracts Traded**

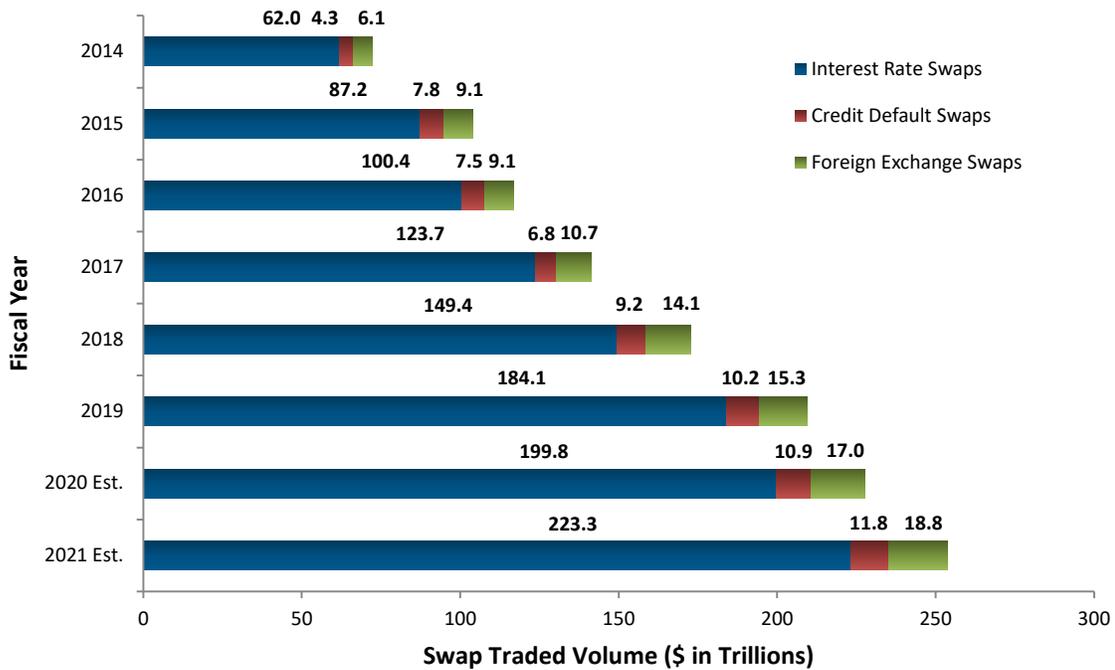


<sup>21</sup> Data Source: Futures Industry Association, CFTC estimates.

Volume of Swaps Traded on Swap Execution Facilities<sup>22</sup>

SEFs, a type of CFTC-regulated platform for trading swaps, began operating on October 2, 2013 (FY 2014). The Futures Industry Association publishes data on volume and market share trends for interest rate, credit default, and foreign exchange products traded on SEFs. As the volume of swaps traded on SEFs increases, CFTC workload increases as well, largely due to growth in data ingest and processing trade practice and market surveillance activities, and the resulting increase in requirements.

**Figure 3: Volume of Swaps Traded on Swap Execution Facilities**



<sup>22</sup> Data Source: Futures Industry Association, CFTC estimates.

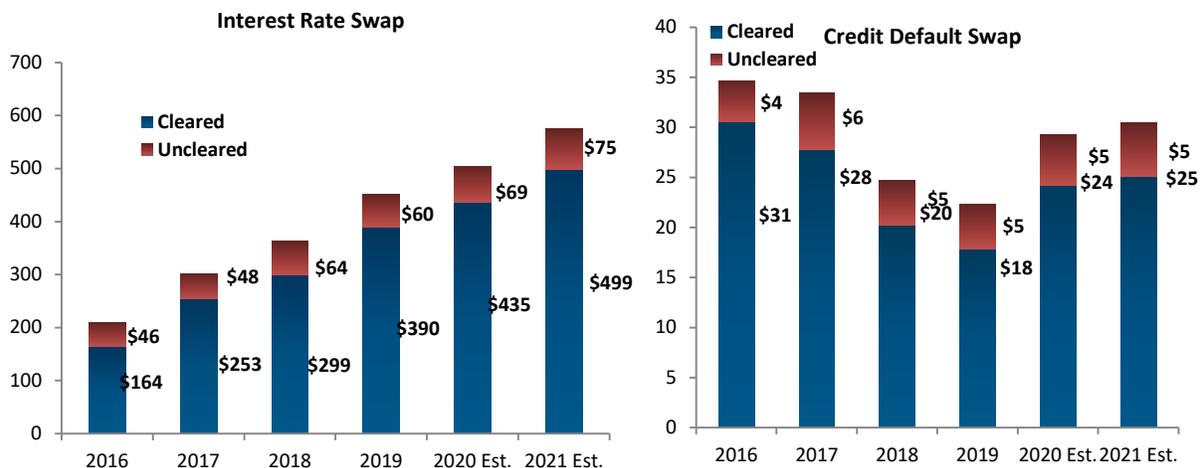
### Swap Volume Reported to Swap Data Repositories, Cleared versus Uncleared<sup>23</sup>

Based on data reported to SDRs, as shown in the chart below, 87 percent of total interest rate swap transactions in FY 2019 were cleared. This is compared to estimates by the International Swaps and Derivatives Association that only 16 percent by notional value of outstanding interest rate swaps were cleared in December 2007. With regard to index credit default swaps, 79 percent of transactions were cleared in FY 2019. During 2019, the methodology to calculate the percent cleared was refined. This resulted in a decrease in clearing rate reported for credit default swaps.

Cleared and uncleared swaps exhibit different types of risks, the proper mix of Commission resources depends on the absolute and relative sizes of these two types of transactions. Uncleared swaps are bilateral trades between two entities, such as a transaction between a dealer and customer. Cleared swaps act to reduce counterparty risk by replacing a swap between, for example, a dealer and a customer with one swap between the dealer and the central counterparty, and an offsetting swap between the customer and the central counterparty.

**Figure 4: Swaps Volume, Cleared vs. Uncleared**

Swap Volume Reported to SDRs, Cleared vs. Uncleared  
Annual Transaction Dollar Volume  
(\$ in Trillions)



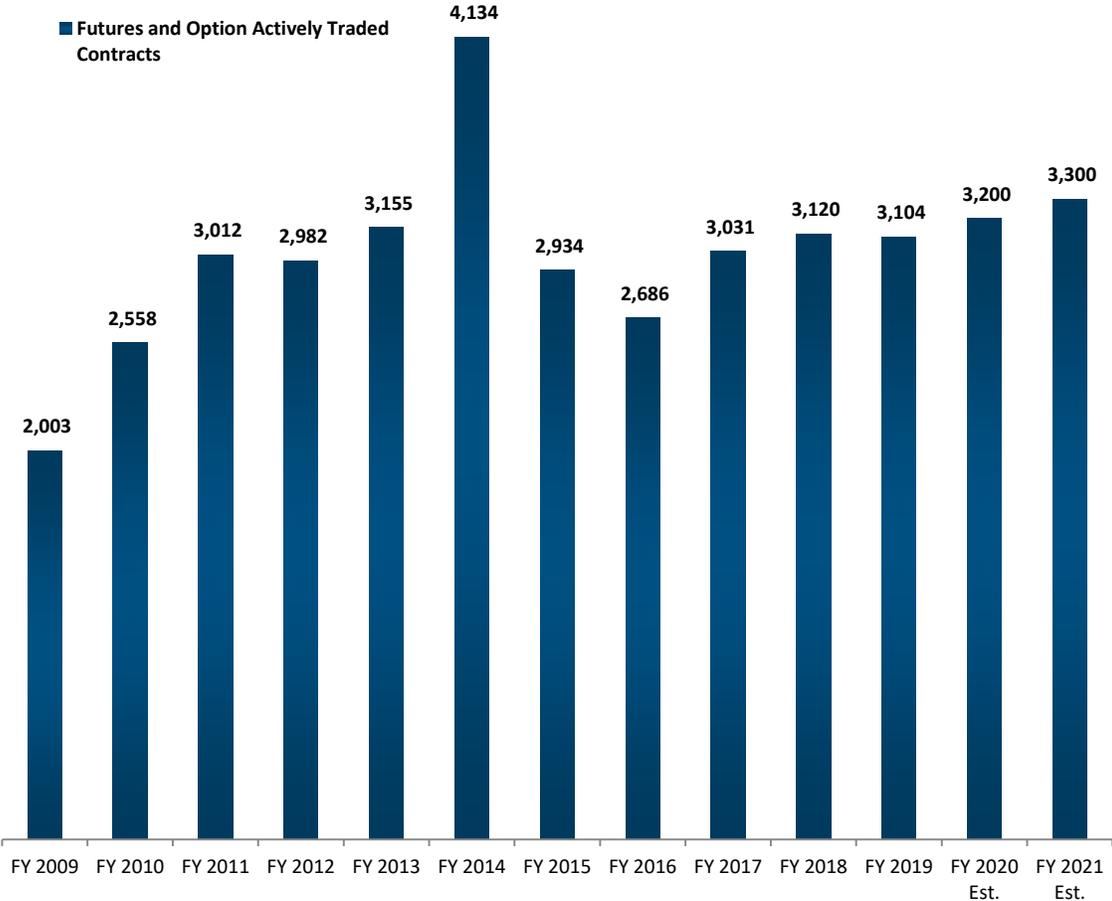
Percent Cleared:	78%	84%	82%	87%	86%	87%	88%	83%	82%	79%	80%	80%
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<sup>23</sup> Data Source: CFTC Weekly Swaps Report located at <http://www.cftc.gov/MarketReports/SwapsReports/index.htm>.

Actively Traded Futures and Option Contracts<sup>24</sup>

The number of actively traded contracts on U.S. exchanges (contracts that trade at least 10 contracts on at least one day in the year) has increased by more than 50 percent since 2009. As the number of actively traded contracts increases, CFTC workload also increases since the CFTC has to conduct market surveillance for a larger number of products.

Figure 5: Number of Actively Traded Futures and Option Contracts



<sup>24</sup> Data Source: CFTC Integrated Surveillance System, CFTC Estimates

Notional Value of Futures and Swaps Contracts<sup>25</sup>

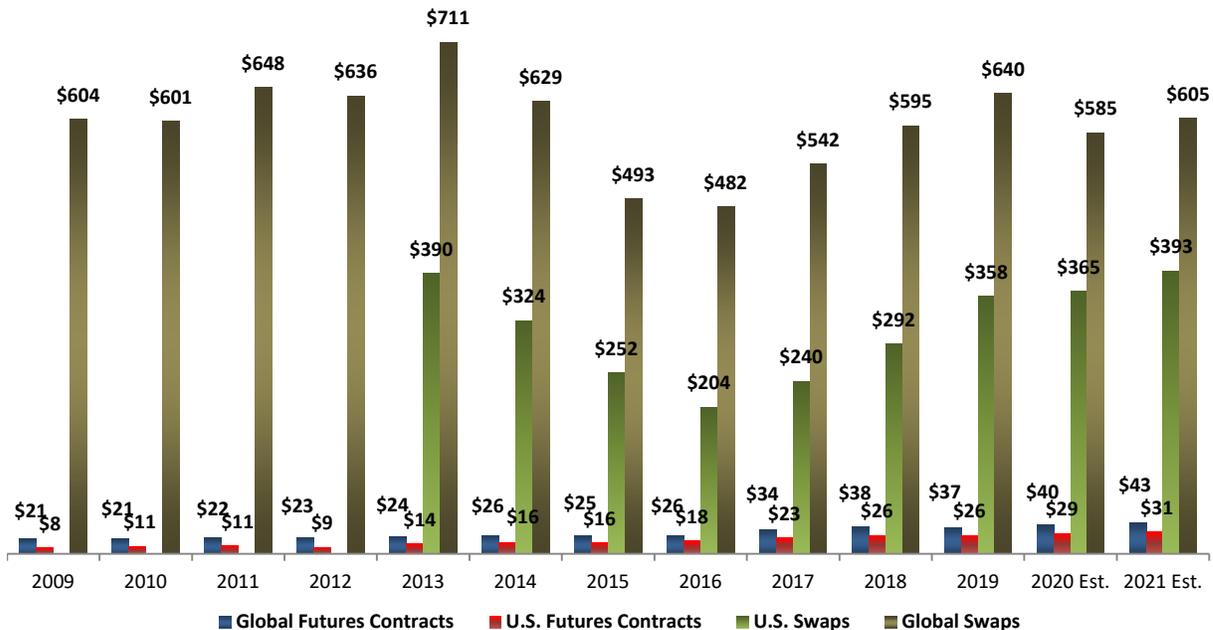
The notional value of the U.S. swaps markets, as reported in the CFTC weekly swaps report, is a significant portion of the global over-the-counter (OTC) market. U.S. swaps market data currently include data from three SDRs and reflects data relating to interest rates and credit default swaps and foreign exchange swaps. The foreign exchange (FX) asset class was added to the CFTC's Weekly Swaps report in 2018. Notional values do not solely reflect risk. The aggregate notional value of swaps has declined in recent years due to compression activities that reduce the outstanding notional value while keeping economic exposures constant. Because exchange-traded and OTC contracts have different risk characteristics, the proper mix of Commission resources depends on the absolute and relative sizes of these two types of transactions.

Notional amounts are not a measure of risk. The aggregate notional value of swaps also may be reduced by counterparties engaging in portfolio compression exercises that reduce the outstanding notional value while keeping economic exposures constant. Because exchange-traded and OTC contracts and markets have differing risk characteristics, the proper mix of Commission resources depends on the absolute and relative sizes of these two types of transactions.

The Commission's ability to monitor derivatives trading activity has been enhanced in recent years with the development of SDRs. CFTC continues to render the data into a more useable form so that it can be used for economic analyses and to conduct market surveillance.

**Figure 6: Notional Value of Global and U.S. Swaps and Futures Contracts**

(Dollars in Trillions)



<sup>25</sup> Global Swaps reflect notional outstanding for interest rate, foreign exchange, credit, equity and commodity swap contracts globally, as reported by the Bank of International Settlements. U.S. Swaps reflect contracts reported from three SDRs as reported by the CFTC Weekly Swaps Report. Beginning in 2017, U.S. Swaps include notional outstanding for interest rate, foreign exchange, and credit default swaps. Prior to 2017, U.S. swaps include interest rate and credit default swaps only. U.S. Futures Contracts reflect statistics from the Bank of International Settlements. Global Futures Contracts reflect interest rate and foreign exchange contracts globally, as reported by the Bank of International Settlements. 2019 global swaps actuals are based on June 2019 data; all other 2019 actuals are based on September 2019 data.

## Entity-Netted Notionals

The CFTC has introduced a new metric aimed at measuring the size of swaps markets, the ENNs. This measure estimates the size of risk transfer in the swaps market and provides a more direct comparison between swaps and other rates markets, like U.S. Treasuries. In FY 2018, the Commission released a white paper, *“Introducing ENNs: A Measure of the Size of Interest Rate Swap Markets”* outlining the calculation of ENNs as well as their distribution across participant types and products. More recently, the office released a follow-up paper, *“ENNs for Corporate and Sovereign CDS and FX Swaps”* which extends the ENNs measure to two additional asset classes. These papers discussed why other common market size measures, like notional, do not accurately measure the amount of market risk transfer through swap markets.

**Notional Amount vs. ENNs:** The gross notional amount of a portfolio of swaps is defined as the sum of the notional amounts of each individual swap. This metric is problematic for two reasons. One, notional amount adds together, without adjustment, swaps with different amounts of risk. A 30-year interest rate swap has more risk than a 2-year interest rate swap, and an option on \$100 worth of a security typically has less risk than \$100 of that security, but notional amount simply adds all of those individual notional amounts together. Second, notional measures add long and short positions together, even when those positions are with the same counterparty and, therefore, unambiguously offset risk. The ENNs measure overcomes these problems by risk adjusting the notional amounts of individual swaps and by netting long and short positions within each pair of counterparties.

**How ENNs are calculated.** ENNs are calculated in a multi-step process. First, the notional amount of all swaps is duration-adjusted so that each dollar of notional amount represents the same amount of interest rate risk. This adjustment includes delta-adjustments for swaps with option features. Second, after these adjustments, long swap risk is netted against short swap risk within a given counterparty (i.e. legal entity) pair. Though swap risk is not netted across currencies, all amounts are converted to USD equivalents for aggregation purposes. Third, net positions are summed across all counterparty pairs to identify the total long and short ENNs across the entire market. This aggregate ENNs measure can be subdivided in various ways, such as ENNs for financial institutions or ENNs in a given currency. A summary of the steps of this process (notional, risk-adjusted notional, and ENNs), can be seen for all three major asset classes in the figure on the next page. In all cases, the ENNs value is significantly lower than the original notional measure. The IRS ENNs table is provided as an example of data and this process used to develop the comparison displayed in Figure 7.

ENNs metrics for credit default swaps (CDS) on corporate and sovereign credits are expressed in terms of the risk of a 5-year CDS on a corporate or sovereign that trades at a spread of 100 basis points. Long and short CDS positions net if all swaps are on the same name, i.e., the same underlying corporate or sovereign credit, and are between the same two legal counterparties.

For FX ENNs, the rules are as in the case of IRS swaps. Long and short FX swaps net if they are between the same pair of legal counterparties and denominated in the same currency. The only risk adjustment to the notional amounts of FX swaps is to express the notional amount of FX options in delta equivalents.

ENNs methodology for interest rate futures is very similar to that for interest rate swaps. All positions are adjusted to five-year notional equivalents, and then these five-year equivalents are netted within a given counterparty pair. Because all futures trading is cleared, offsetting futures contracts are automatically netted by the CCP, so the difference between gross positions and net positions is often smaller than for swaps.

As of the beginning of FY 2018, ENNs calculations had been extended to three major swap asset classes (interest rate swap, credit default swaps, and foreign exchange). Further, more granular, analysis within each of these three markets is now possible. The Commission is using ENNs information for individual market participants to better understand how various business sectors use derivatives markets and how regulations affect that usage.

IRS Notional Amounts and ENNs for U.S. Reporting Entities by Sector  
as of September 13, 2019<sup>26</sup>

Table 22: IRS Sector – Notional Amounts by Sector

(Dollars in Trillions)

Sector	Notional Amounts				Notional Amounts in 5-Year Equivalents		
	Long	Short	Long	Short	ENNs Long	ENNs Short	ENNs Net
Swap Dealer	184.1	183.6	93.4	91.7	8.9	7.2	1.7
Hedge Fund	26.2	24.4	7.0	7.1	0.9	1.1	-0.2
Bank	16.1	16.8	11.6	12.9	1.2	2.5	-1.3
Other Financial	6.4	6.6	4.8	4.4	0.8	0.5	0.3
Asset Manager	3.4	3.7	2.2	2.7	0.8	1.3	-0.5
Pension	1.9	1.8	2.7	2.1	1.0	0.3	0.7
Government/Quasi-Government	1.4	1.5	1.0	1.4	0.3	0.6	-0.3
Nonfinancial	0.4	1.6	0.2	1.0	0.2	0.9	-0.7
Insurance	1.0	0.9	2.1	1.4	0.9	0.2	0.7
Unclassified	0.5	0.8	0.2	0.5	0.0	0.4	-0.4
CCP Adj	0.4	0.1	0.1	0.1	0.1	0.1	0.0
<b>Total</b>	<b>241.8</b>	<b>241.8</b>	<b>125.3</b>	<b>125.3</b>	<b>15.1</b>	<b>15.1</b>	<b>0.0</b>

Interest Rate Futures ENNs by Participant Type  
as of September 13, 2019<sup>27</sup>

Table 23: Interest Rate Futures ENNs by Participant Type

(Dollars in Trillions)

Participants Type	Notional Amounts		Notional Amounts in 5-Year Equivalents			
	Long	Short	Long	Short	ENNs Long	ENNs Short
Asset Manager	5.90	8.01	1.82	1.08	1.00	0.26
Intermediary	14.63	15.52	0.40	0.58	0.18	0.36
Leveraged Speculator	53.80	51.04	0.65	1.38	0.27	1.01
Other Financial	0.80	0.88	0.19	0.10	0.15	0.05
Non-Financial	0.55	0.24	0.01	0.01	0.01	0.01
<b>Total</b>	<b>75.68</b>	<b>75.69</b>	<b>3.07</b>	<b>3.15</b>	<b>1.61</b>	<b>1.69</b>

<sup>26</sup> Data Source: Swap Data Repositories and Office of the Chief Economist, CFTC.

<sup>27</sup> Data Source: Swap Data Repositories and Office of the Chief Economist, CFTC.

FX Notional Amounts and ENNs for U.S. reporting Entities by Sector  
as of September 13, 2019<sup>28</sup>

Table 24: FX Notional Amounts and ENNs by Sector

(Dollars in Trillions)

Sector	Notional	Delta-Adjusted Notional	Doubled-ENNs	ENNS (%)
Swap Dealer	88.0	80.6	21.9	65.7%
Asset Manager	5.5	5.2	2.9	8.6%
Bank	4.7	4.5	1.7	5.0%
Hedge Fund	9.0	8.0	1.9	5.6%
Non-Financial	2.3	2.2	1.3	4.0%
Pension	1.4	1.4	0.8	2.5%
Other Financial	1.8	1.6	0.8	2.5%
Government/ Quasi-Government	0.9	0.9	0.5	1.6%
Insurance	0.8	0.8	0.5	1.6%
Unclassified	1.6	1.6	1.0	3.0%
<b>Total</b>	<b>116.1</b>	<b>106.8</b>	<b>33.4</b>	
<b>½ Notionals/ENNs</b>	<b>58.1</b>	<b>53.4</b>	<b>16.7</b>	

CDS Notional Amounts and ENNs for U.S. Reporting Entities by Sector  
as of June 14, 2019<sup>29</sup>

Table 25: CDS Notional Amounts and ENNs by Sector

(Dollars in Trillions)

Sector	Short	Long	Risk Adjusted Short	Risk Adjusted Long	ENNs Short	ENNs Long
Swap Dealer	4.4	4.2	3.5	3.4	1.7	1.6
Bank	0.4	0.4	0.3	0.3	0.1	0.2
Other	1.1	1.2	1.0	1.0	0.8	0.8
<b>Total CCP Adj</b>	<b>6.0</b>	<b>6.0</b>	<b>5.0</b>	<b>5.0</b>	<b>2.8</b>	<b>2.8</b>

<sup>28</sup> Data Source: Swap Data Repositories and Office of the Chief Economist, CFTC.

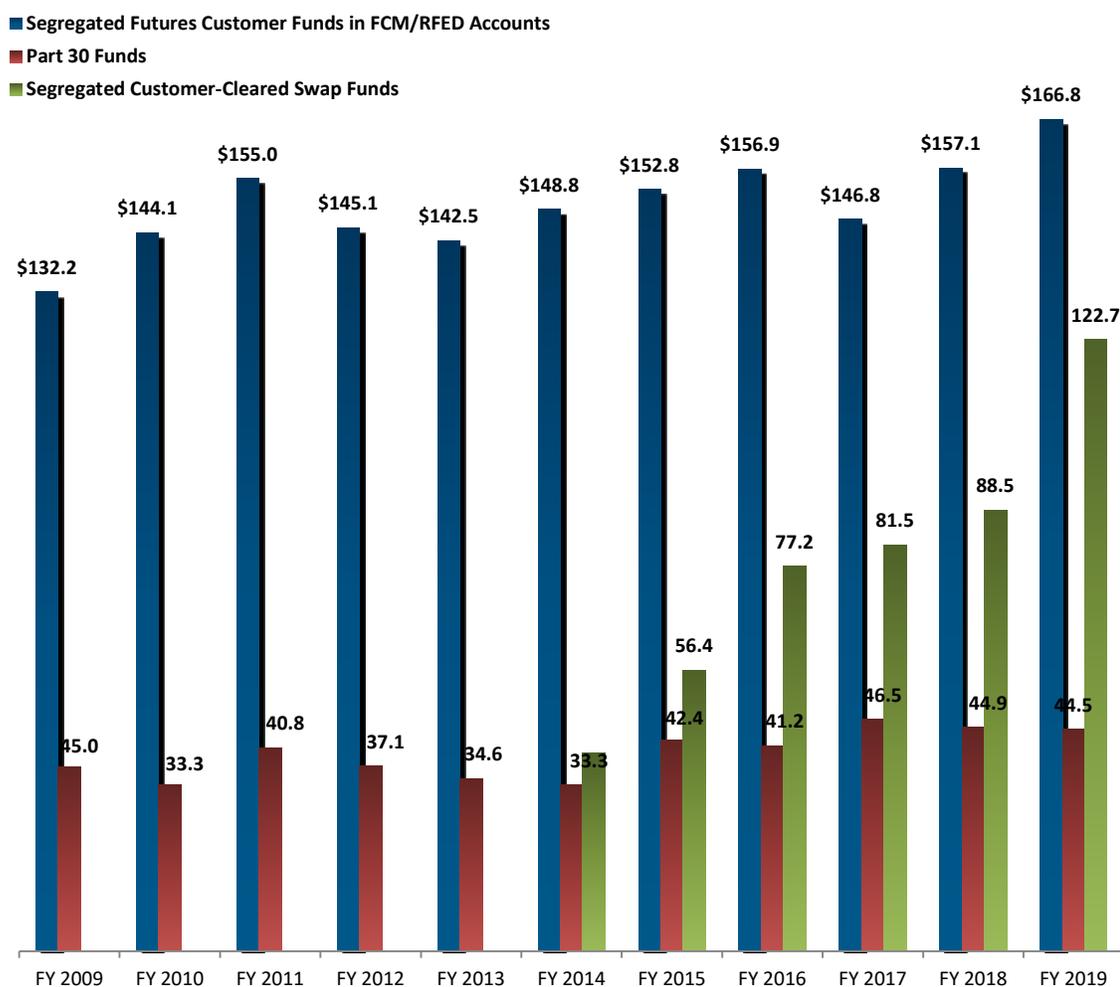
<sup>29</sup> Data Source: Swap Data Repositories and Office of the Chief Economist, CFTC.

### Customer Funds in Futures Commission Merchants Accounts<sup>30</sup>

As a key component of the Commission's regulatory framework, all customer funds held by an FCM for trading on DCMs (exchanges) and SEFs must be segregated from the FCM's own funds—this includes cash deposits and any securities or other property deposited by such customers to margin or guarantee their futures and cleared swaps trading. In addition, Part 30 of the CFTC's regulations also requires FCMs to hold apart from their own funds any money, securities or other property deposited by customers to margin futures contracts listed on foreign exchanges.

**Figure 7: Customer Funds in FCM Accounts**

(Dollars in Billions)



<sup>30</sup> Data Source: CFTC Monthly, FCMs Financial Reporting

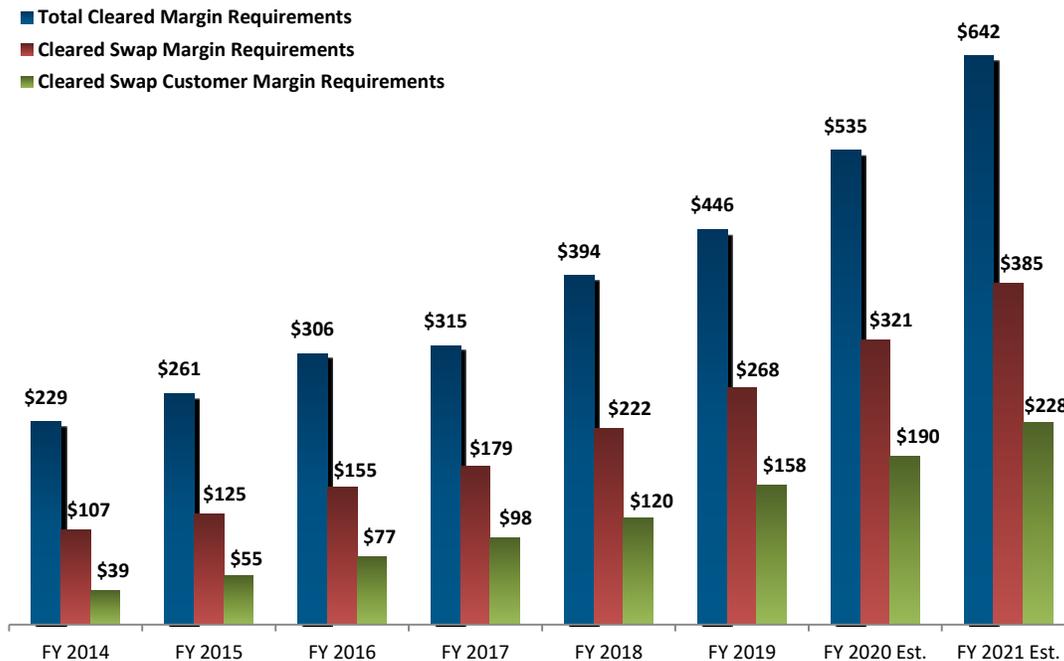
Margin Requirements<sup>31</sup>

Margin is the collateral that holders of financial instruments have to deposit with DCOs to cover the initial margin requirement of their positions. The initial margin requirement is calculated to encompass some or all of the risk of the positions within a portfolio. Collateral must be in the form of cash or highly liquid securities.

CFTC has observed increases in both the number of market participants it oversees and the sizes of their cleared positions, leading to increases in margin requirements. Total cleared margin (futures and swaps combined) increased \$217 billion, or 95 percent from 2014 to 2019. DCOs only accept trades from their members. If a market participant is not a member of the DCO, it must clear through a member as its customer. Customer swap clearing has been growing very rapidly, increasing \$119 billion or 305 percent from 2014 to 2019.

**Figure 8: Margin Requirements**

(Dollars in Billions)

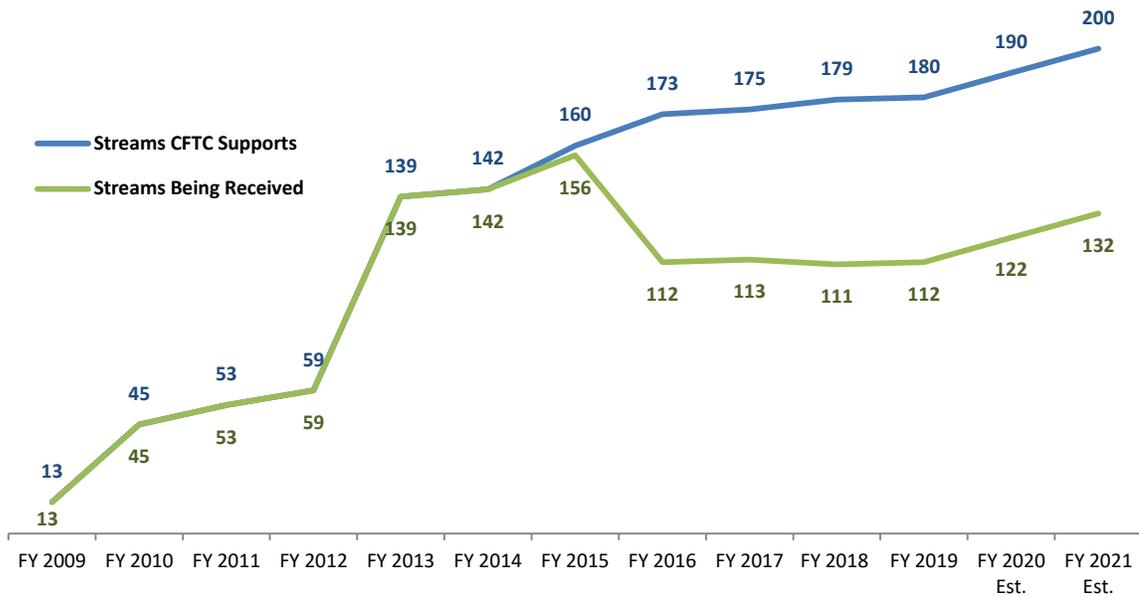


<sup>31</sup> Data Source: Part 39 data filings provided daily by DCOs.

### Data Streams Supported and Being Received<sup>32</sup>

The chart reflects a historical depiction of the number of CFTC-supported data streams received from the industry. By working with industry to add values to certain files, the number of reporting requirements was reduced between FY 2016-FY 2017. The blue line illustrates the number of types of files that have been ingested over time while the green line depicts the number of types of files that the Commission currently receives. The number of files received (currently 112 types of files) will rise in FY 2020 and FY 2021 as the Commission ingests Order Data from Futures and Options exchanges.

**Figure 9: CFTC-Supported Data Streams Received from Industry**



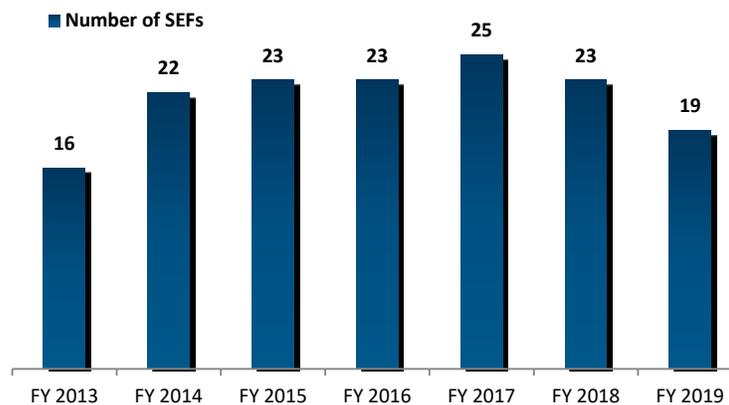
<sup>32</sup> CFTC Office of Data and Technology, CFTC estimates

## Swap Execution Facilities Registered with the CFTC

The CFTC finalized its rules for SEFs in FY 2013. At the end of FY 2019, 19 SEFs were registered with the Commission. These SEFs are diverse, but each is required to operate in accordance with the same core principles. These core principles provide a framework that includes obligations to establish and enforce rules, as well as policies and procedures that enable transparent and efficient trading. SEFs must make trading information publicly available, put into place system safeguards, and maintain financial, operational, and managerial resources to discharge their responsibilities.

For each business day, each SEF electronically submits several data sets to the Commission. These data sets are a major source of input to the Commission's surveillance oversight. The number of new contracts listed by SEFs each year will add to the surveillance workload in several ways. New contract terms and conditions have to be studied to fully understand of the product characteristics, support data for each contract has to be defined to the internal database systems, new analysis if appropriate needs to be developed and software engines may have to be modified.

**Figure 10: Number of SEFs Registered with the CFTC**



**Table 26: FY 2019 List of SEFs**

1	360 Trading Networks, Inc.	11	LedgerX LLC
2	BGC Derivatives Markets, L.P.	12	MarketAxess SEF Corporation
3	Bloomberg SEF LLC	13	NEX SEF Limited
4	Cboe SEF, LLC	14	Refinitiv US SEF LLC
5	Clear Markets North America, Inc.	15	SwapEx LLC
6	DW SEF LLC	16	Tassat Derivatives LLC <sup>33</sup>
7	GFI Swaps Exchange LLC	17	tpSEF Inc.
8	ICAP Global Derivatives Limited	18	Tradition SEF, Inc.
9	ICE Swap Trade LLC	19	TW SEF LLC
10	LatAm SEF, LLC		

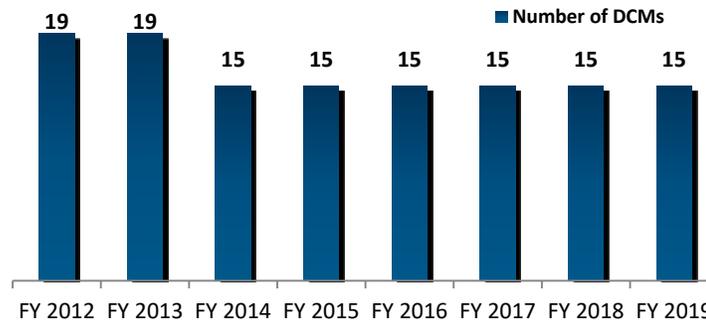
<sup>33</sup> Formerly, trueEX LLC: <https://www.cftc.gov/PressRoom/PressReleases/8076-19>

## Contract Markets Designated by the CFTC

The following DCMs are boards of trade or exchanges that meet the criteria and core principles for trading futures, options, or swaps by both institutional and retail participants. Currently, 15 DCM participants meet criteria and core principles for trading futures, options, and swaps. In addition, the Commission is reviewing five DCM applications. For each business day, each DCM electronically submits several data sets to the CFTC. These data sets are a major source of input to the Commission's surveillance function and for input to other functions throughout the Commission. Per CFTC Regulation 16.01, basic market level product data are submitted that includes open interest, trading volume, exchange of futures for related positions, delivery notices, option deltas, and prices. Per CFTC Regulation 16.00, clearing member end of day position data by proprietary and customer trading are received. Customer data is the aggregation of all customer positions cleared through the clearing member. Data elements include positions, bought and sold quantities, exchange of futures for related positions, and delivery notices. Per CFTC Rule 16.02, each transaction occurring during the business day is submitted, and includes such elements as trade quantity, time of trade, price, market participant account numbers, etc. These data sets, along with end of day large trader data submitted daily by FCMs, clearing members, and foreign brokers, are loaded into internal database systems and analyzed using sophisticated software applications.

The number of new contracts listed by the DCMs each year adds to the surveillance workload in several ways. New contract terms and conditions have to be studied for full understanding of the product characteristics, support data for each contract has to be defined to the internal database systems, new analyses if appropriate need to be developed, and software engines may have to be modified.

**Figure 11: Number of Contract Markets Designated by the CFTC**



**Table 27: FY 2019 List of DCMs**

1	Cantor Futures Exchange, L.P.	9	Minneapolis Grain Exchange, Inc.
2	Cboe Futures Exchange, Inc.	10	NASDAQ Futures, Inc.
3	Chicago Board of Trade	11	New York Mercantile Exchange, Inc.
4	Chicago Mercantile Exchange, Inc.	12	Nodal Exchange, LLC
5	Commodity Exchange Inc.	13	North American Derivatives Exchange, Inc.
6	Eris Exchange, LLC	14	OneChicago LLC
7	ICE Futures U.S., Inc.	15	trueEX LLC
8	LedgerX, LLC		

## Derivatives Clearing Organizations Registered with the CFTC

A clearinghouse that seeks to provide clearing services with respect to futures contracts, options on futures contracts, or swaps must register with the CFTC as a DCO. As of the end of FY 2019, 16 DCOs were registered with the CFTC. This does not include foreign clearinghouses that have received an exemption from the Commission for DCO registration. Any clearinghouse that receives such an exemption is still subject to limited oversight by the Commission.

The number of DCOs registered with the CFTC reflects the global nature of the swaps markets, and the significant growth in the size and importance of cleared markets in futures and swaps. The Commission's first swap clearing mandates, for interest rate swaps and credit default swaps, were issued in late 2012 and expanded in September 2016. The movement of swaps to a cleared environment has created greater transparency in the market, but has also shifted significant new levels of counterparty risk to DCOs, and some DCOs have expanded their product offerings and increased their memberships. As more swap activity migrates to clearing, the DCOs are holding substantial amounts of collateral that have been deposited by clearing members and the customers of those clearing members.

The number of DCOs also reflects the increasing interest in clearing products related to digital currency. In FY 2017, the CFTC registered the first DCO devoted solely to clearing options on bitcoin. In FY 2019, the Commission approved the registration of a second DCO devoted solely to clearing products related to digital currency. The CFTC expects to receive additional applications from other entities that wish to clear bitcoin products or products related to other digital currencies, such as ethereum.

An existing DCO clears futures contracts on bitcoin indices, and another DCO started clearing physically-settled bitcoin futures contracts in FY 2019. This requires the Commission to monitor the risk of these new contracts on a daily basis, research and identify areas of risk in this new market, and update the examination program to identify the new risks and outline the methodology to be used when performing examination activities surrounding the new risks. One new risk of physically delivered bitcoin contracts relates to custodian risk, particularly when the DCO is acting as custodian and holding the bitcoin collateral that will be used to settle the contract. The assumption of this risk is not simple. There are no specific accounting pronouncements from accounting bodies, such as the Financial Accounting Standards Board (FASB) or the International Accounting Standards Board (IASB), regarding the appropriate way to account for bitcoin on the balance sheet or income statement, and as a result, the Commission is requiring DCOs to hire public accounting firms to make this determination. Digital currencies are targets for hackers and as a result, any custodian must have robust, resilient systems to curtail theft of the currencies. The Commission is requiring the DCOs to hire outside consultants to review these systems and identify weaknesses. Finally, the DCO must employ strong segregation of duty processes and procedures to safeguard against theft of the collateral from employees of the DCO. The Commission must have adequate resources to review reports being issued by consultants, resources for training purposes to learn about the new technologies to protect the digital currency, and must have the staffing resources, including travel dollars, to examine the DCO. Resources for training are needed for the examiners in order to keep abreast of new accounting treatment for digital currencies as well as new technologies used to defend against an intrusion.

New advancements such as cloud computing will drastically change the way clearing houses manage and protect their data. As a result, the examinations staff will need resources for training purposes to enhance skill sets, create and update the examination program for measuring compliance with this new advancement, and make recommendations if any changes are needed to enhance the Commission's regulations.

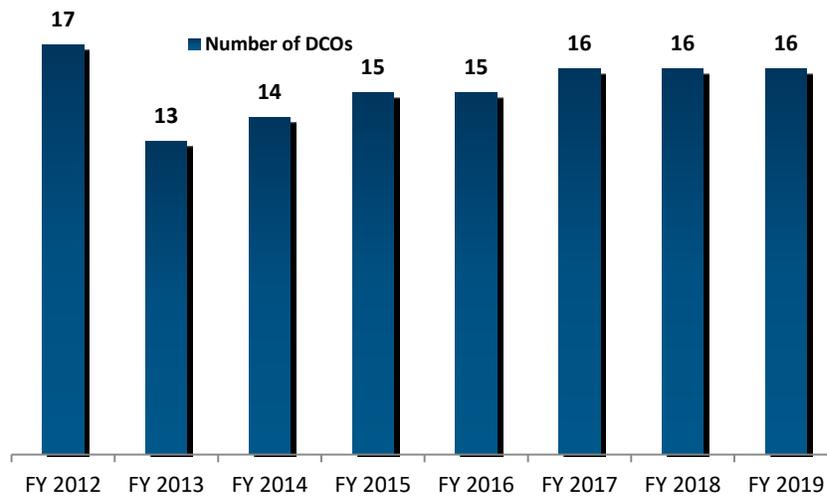
The Commission recognizes that cybersecurity is one of the greatest threats to world markets and economic stability, and that cybersecurity oversight is a crucial part of the CFTC's mission. As the number and sophistication of cyber-security incidents increase in the financial market sector, the

Commission must spend more time analyzing these incidents, participate in information sharing events such as NIST CVE repository<sup>34</sup>, FBI Flash Alerts, FS-ISAC<sup>35</sup>, and ChicagoFIRST<sup>36</sup> that discuss these incidents, risk assess the impact of those incidents to the DCO community, update skill sets by attending training classes to learn about the tools being used to hack the financial market sector, and update the information security examination program in an effort to ensure the Commission has a robust supervisory oversight program.

The Commission must review a number of quarterly financial resource reports, certified financial statements, chief compliance officer reports, and other event-driven notifications that are filed by DCOs with the Commission as required under CFTC Regulation 39.19. The Commission must also perform risk assessments on an increasing number of DCOs to determine which DCOs will be examined. The scope and methodology for each examination is risk-based and individually tailored to the unique characteristics of the DCO and the products they clear. The primary goal of the examination process is to identify areas of weakness or non-compliance in activities that are critical to a safe and efficient clearing process. This includes examining financial resources, risk management, system safeguards, and cyber-security policies, practices, and procedures to assess the maturity, capabilities, and overall resilience of the clearing house. All of these activities require staff resources to effectively supervise DCOs.

Finally, the Commission would like to automate and enhance some of the analysis, in particular in the area of back testing and stress testing, and is working on developing and creating systems that would help in this area.

**Figure 12: Number of DCOs Registered with the CFTC**



<sup>34</sup> CVE repository is a database of vulnerabilities that NIST members have experienced.

<sup>35</sup> FS-ISAC is an information sharing center specifically designated to allow financial market companies and regulators to inform each other of cybersecurity warnings, events or trends.

<sup>36</sup> ChicagoFIRST is a gathering of critical financial firms located in Chicago who collaborate with each other and governmental officials to promote resiliency.

**Table 28: FY 2019 List of DCOs Registered with the CFTC**

1	Chicago Mercantile Exchange , Inc.	9	LCH. Ltd
2	CX Clearinghouse, L.P.	10	LCH. SA
3	Eris Clearing, LLC	11	LedgerX LLC
4	Eurex Clearing AG	12	Minneapolis Grain Exchange, Inc.
5	ICE Clear Credit, LLC	13	Nodal Clear, LLC
6	ICE Clear Europe Ltd	14	North American Derivatives Exchange, Inc.
7	ICE Clear US, Inc.	15	Options Clearing Corporation
8	ICE NGX Canada Inc.	16	Singapore Exchange Derivatives Clearing Limited

## Systemically Important Derivatives Clearing Organizations<sup>37</sup>

The Commission defines a SIDCO as a financial market utility (FMU) that is a DCO registered with the Commission, which has been designated as systemically important by the Financial Stability Oversight Council (FSOC) and for which the Commission acts as the Supervisory Agency. The designation of a FMU as systemically important means the failure of or a disruption to the functioning of the FMU could create, or increase, the risk of significant liquidity or credit problems spreading among financial institutions or markets and thereby threaten the stability of the U.S. financial system<sup>38</sup>. The FSOC was granted the authority under Title VIII of the Dodd-Frank Act to designate FMUs as systemically important.

Under Title VIII, the Federal agency that has primary jurisdiction over the designated FMU (DFMU) is the Supervisory Agency, and the CFTC is the Supervisory Agency for two DCOs that were designated in 2012<sup>39</sup>. The two SIDCOs are listed in the table below:

**Table 29: FY 2019 List of SIDCOs**

- |   |                                   |
|---|-----------------------------------|
| 1 | Chicago Mercantile Exchange, Inc. |
| 2 | ICE Clear Credit, LLC             |

Under Section 807(a) of the Dodd-Frank Act, the Supervisory Agency is required to examine each DFMU at least once annually in order to determine the nature of the operations of and the risks borne by the DFMU; the financial and operational risks presented by the DFMU to financial institutions, critical markets, or the broader financial system; the resources and capabilities of the DFMU to monitor and control risks; the safety and soundness of the DFMU, and the DFMU's compliance with Title VIII and the rules and orders prescribed thereunder. In addition, the Supervisory Agency must consult with the Federal Reserve Board regarding the scope and methodology of each examination and the Federal Reserve Board may participate in the examination led by the Supervisory Agency<sup>40</sup>. The SIDCOs listed in Table 26 are DFMUs with complex risk profiles that require a significant number of resources in order to efficiently and effectively supervise and examine their clearing activities. The FY 2021 budget seeks additional staffing resources for examination purposes.

The CFTC has developed an examination program to assess the SIDCOs' compliance with Title VIII and CFTC regulations. The Commission will continue to review remediation plans for any area of non-compliance that was identified during the examination process in 2019.

The Commission enhanced and clarified its regulations associated with cybersecurity testing within Regulation 39.18 and the enhanced regulations became fully effective in September 2017. As a result, there are explicit requirements regarding how often internal penetration testing, external penetration testing, vulnerability scanning, controls testing, enterprise risk technology assessment, and the testing of the security incident response plan must occur, who must complete the testing, and the remediation steps that must be undertaken. Cybersecurity testing by DCOs can harden their cyber defenses, maintain and increase their cyber resilience, and increase their ability to detect, contain, respond to, and recover from cyber-attack. The CFTC must continue to develop and update its written examination programs to measure compliance with the enhanced regulation. The CFTC assessed compliance with the enhanced regulations for all SIDCOs in 2019 and plans to follow-up on remediation plans to correct any areas of non-compliance identified during the examination process in 2020. In addition, CFTC staff must stay abreast of changing technologies and threats in order to effectively measure compliance and desperately needs funds for training purposes.

<sup>37</sup> The CFTC also considers two U.K.-based registered DCOs to be systemically important to the United States even though they have not been designated as such by FSOC. They are LCH Ltd. and ICE Clear Europe Limited (ICEU).

<sup>38</sup> See Section 807(d) of the Dodd-Frank Act.

<sup>39</sup> A third DCO, Options Clearing Corporation, was also designated, but the SEC is its Supervisory Agency.

<sup>40</sup> See Section 807(d) of the Dodd-Frank Act.

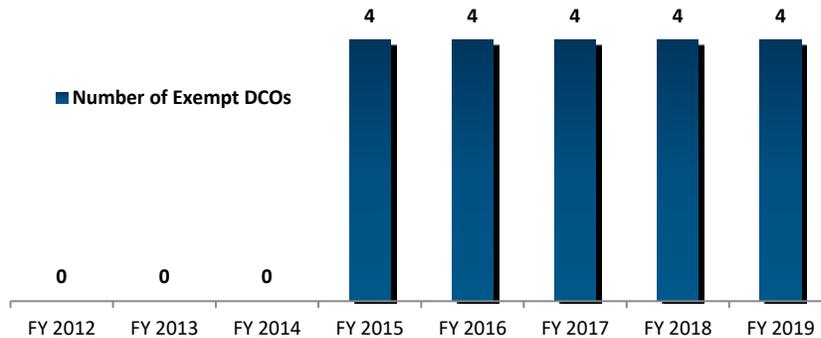
## Exempt Derivatives Clearing Organizations

Section 5b(h) of the CEA permits the Commission to exempt, conditionally or unconditionally, a clearing organization from DCO registration for the clearing of swaps to the extent that the Commission determines that such clearing organization is subject to comparable, comprehensive supervision by appropriate government authorities in the clearing organization's home country.

Exempt DCOs currently are limited to clearing proprietary swap transactions for U.S. persons. In order to receive an exemption from DCO registration, a clearing organization must observe the Committee on Payments and Market Infrastructures-IOSCO Principles for Financial Market infrastructures (PFMIs) in all material aspects and after receiving an exemption must submit an annual certification of its continued observance of the PFMI. On an annual basis, the home country regulator for each exempt DCO must submit to the Commission a written representation that the exempt DCO is in good regulatory standing.

In FY 2019, the Commission proposed regulations that would codify the procedures and requirements for obtaining an exemption from DCO registration and permit exempt DCOs to clear customer swap transactions through foreign intermediaries. As of the end of FY 2019, the Commission has three pending petitions for exemption.

**Figure 13: Number of Exempt DCOs**



**Table 30: FY 2019 List of Exempt DCOs**

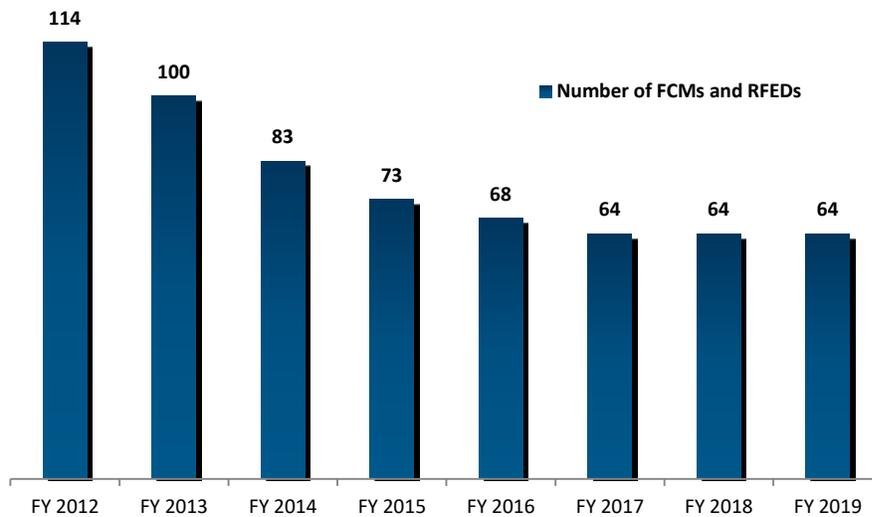
- 1 ASX Clear (Futures) Pty Limited
- 2 Japan Securities Clearing Corporation
- 3 Korea Exchange, Inc.
- 4 OTC Clearing Hong Kong Limited

## Futures Commission Merchants and Retail Foreign Exchange Dealers Registered with the CFTC

In FY 2019, there were 64 total entities registered as FCMs. Two FCMs were also registered as RFEDs. FCMs serve an integral role in the execution and clearing of futures and swap transactions for market participants. FCMs are primarily engaged in soliciting or accepting orders from customers for futures, options and swap transactions executed on or subject to the rules of an exchange, and in connection therewith accepting money, securities or property to margin, guarantee or secure such transactions. The number of registered FCMs has steadily declined, despite the continued growth in the futures and cleared swaps markets. As a result, concentration of customer funds held at fewer FCMs has increased.

RFEDs engage in off-exchange retail foreign currency transactions with retail participants. As such, the RFED is the counterparty to the retail participant.

**Figure 14: Number of FCMs and RFED Registered with the CFTC**



The next page contains a listing of FCMs and RFEDs by name.

Table 31: FY 2019 List of FCMs and RFEDs

1	ABN AMRO Clearing Chicago, LLC	23	EFL Futures Limited	44	Natwest Markets Securities, Inc
2	ADM Investor Services, Inc.	24	GAIN Capital Group, LLC <sup>41</sup>	45	Nomura Securities International, Inc.
3	Advantage Futures LLC	25	G.H. Financials, LLC	46	OANDA Corporation <sup>42</sup>
4	AMP Global Clearing LLC	26	Goldman Sachs & Co. LLC	47	Phillip Capital Inc.
5	Apex Clearing Corporation	27	HSBC Securities (USA) Inc.	48	Pictet Overseas Inc.
6	Barclays Capital Inc.	28	Huatai Financial USA, Inc.	49	Rand Financial Services, Inc.
7	BGC Financial, LP	29	Interactive Brokers LLC	50	RBC Capital Markets LLC
8	BNP Paribas Securities Corp.	30	INTL FCStone Financial Inc.	51	R.J. O'Brien & Associates, LLC
9	BOCI Commodities & Futures (USA) LLC	31	Ironbeam Inc.	52	Rosenthal Collins Group, LLC
10	BOFAML Securities, Inc	32	Jefferies LLC	53	Santander Investment Securities Inc.
11	Cantor Fitzgerald & Co.	33	J.P. Morgan Securities LLC	54	Scotia Capital (USA) Inc.
12	Charles Schwab Futures, Inc	34	Macquarie Futures USA LLC	55	SG Americas Securities, LLC
13	CHS Hedging, LLC	35	Marex North America LLC	56	Straits Financial LLC
14	Citigroup Global Markets Inc.	36	McVean Trading & Investments, LLC	57	TD Ameritrade Futures & Forex LLC
15	Credit Suisse Securities (USA) LLC	37	Merrill Lynch, Pierce, Fenner & Smith Inc.	58	Tradestation Securities, Inc.
16	Cunningham Commodities LLC	38	Merrill Lynch Professional Clearing Corp.	59	UBS Financial Services Inc.
17	Daiwa Capital Markets America Inc.	39	MID-CO Commodities, Inc.	60	UBS Securities LLC
18	Deutsche Bank Securities Inc.	40	Mint Brokers	61	UOBBF Clearing Limited
19	Direct Access USA LLC	41	Mizuho Securities USA LLC	62	Wedbush Securities Inc.
20	Dorman Trading, LLC	42	Morgan Stanley & Co, LLC	63	Wells Fargo Securities, LLC
21	E D & F Man Capital Markets Inc.	43	Nanhua USA LLC	64	York Business Associates, LLC
22	E *TRADE Futures LLC				

<sup>41</sup> GAIN Capital Group, LLC is an FCM that is also registered as an RFED.

<sup>42</sup> OANDA Corporation is an FCM that is also registered as an RFED.

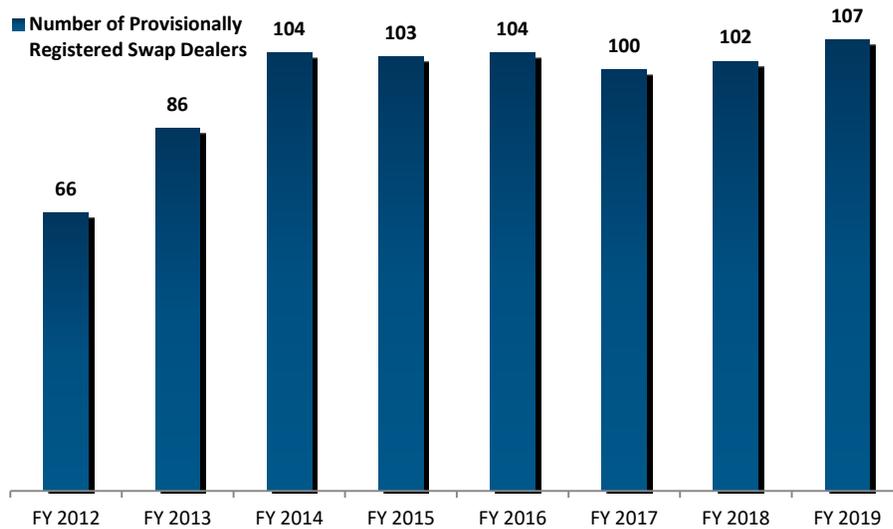
## Swap Dealers Provisionally Registered with the CFTC

Swap dealer is a registration category created by the Dodd-Frank Act to regulate dealing activities in the swaps market. A registered swap dealer is subject to various entity and transactional requirements primarily located in Part 23 of the Commission's regulations. A swap dealer must register with the Commission only after its dealing activity exceeds a gross notional threshold set by regulation. The Commission has delegated swap dealer registration to the NFA.

The first swap dealers were provisionally registered on December 31, 2012. Over the following year, the number of swap dealers nearly doubled as more swap dealers exceeded the *de minimis* threshold until the number exceeded 100. Over the next five years, the total number of provisionally registered swap dealers fluctuated slightly as new dealers registered and existing dealers deregistered.

In November 2018, the Commission approved a final rule amending the swap dealer registration activity threshold and permanently set the *de minimis* threshold at \$8 billion in any preceding 12 month period.

**Figure 15: Number of SD Provisionally Registered with the CFTC**



The next page contains a listing of Swap Dealers by name as of September 30, 2019<sup>43</sup>.

<sup>43</sup> Data in the figure and table were obtained from NFA swap dealer registry.

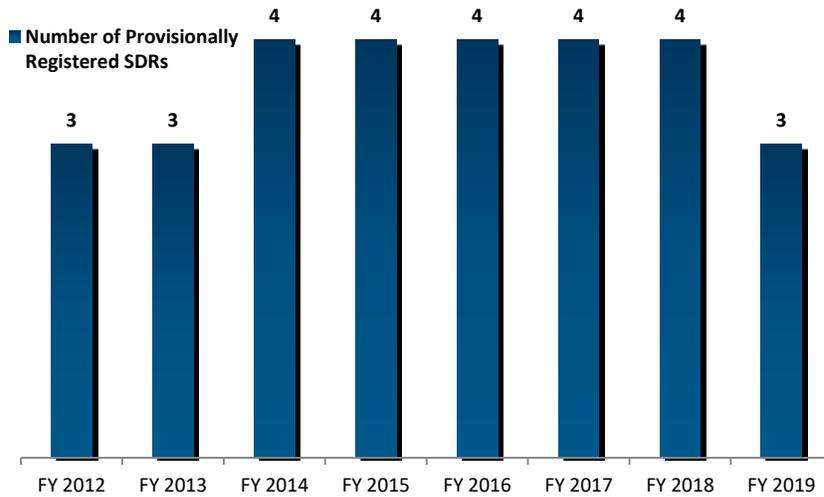
**Table 32: FY 2019 List of Provisionally Registered SDs**

1	ABBAY NATIONAL TREASURY SERVICES PLC	28	CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK	55	THE HONGKONG AND SHANGHAI BANKING CORPORATION LTD	82	MERRILL LYNCH FINANCIAL MARKETS INC
2	ASTON CAPITAL INVESTMENT MANAGER LP	29	CREDIT SUISSE CAPITAL LLC	56	HSBC BANK PLC	83	MERRILL LYNCH INTERNATIONAL
3	AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD	30	CREDIT SUISSE INTERNATIONAL	57	HSBC BANK USA NA	84	MERRILL LYNCH JAPAN SECURITIES CO LTD
4	BANCO BILBAO VIZCAYA ARGENTARIA SA	31	CREDIT SUISSE SECURITIES EUROPE LTD	58	IBFX INC	85	MITSUI & CO PRECIOUS METALS INC
5	BANCO SANTANDER SA	32	DANSKE BANK AS	59	ICBC STANDARD BANK PLC	86	MIZUHO CAPITAL MARKETS LLC
6	BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DAC	33	DARBY SWAP TRADING LLC	60	ING CAPITAL MARKETS LLC	87	MIZUHO SECURITIES USA LLC
7	BANK OF AMERICA NA	34	DB ENERGY TRADING LLC	61	INTESA SANPAOLO SPA	88	MORGAN STANLEY & CO INTERNATIONAL PLC
8	BANK OF MONTREAL	35	DEUTSCHE BANK AG	62	INTL FCSTONE MARKETS LLC	89	MORGAN STANLEY & CO LLC
9	THE BANK OF NEW YORK MELLON	36	ED&F MAN CAPITAL MARKETS LTD	63	J ARON & COMPANY LLC	90	MORGAN STANLEY BANK INTERNATIONAL LTD
10	THE BANK OF NOVA SCOTIA	37	ED&F MAN DERIVATIVE PRODUCTS INC	64	J ARON & COMPANY SINGAPORE PTE	91	MORGAN STANLEY BANK NA
11	BARCLAYS BANK PLC	38	FIFTH THIRD BANK	65	JB DRAX HONORE UK LTD	92	MORGAN STANLEY CAPITAL GROUP INC
12	BNP PARIBAS SA	39	FOREX CAPITAL MARKETS LLC	66	JEFFERIES DERIVATIVE PRODUCTS LLC	93	MORGAN STANLEY CAPITAL PRODUCTS LLC
13	BOFA SECURITIES EUROPE SA	40	FXDIRECTDEALER LLC	67	JEFFERIES FINANCIAL PRODUCTS LLC	94	MORGAN STANLEY CAPITAL SERVICES LLC
14	BP ENERGY COMPANY	41	GAIN GTX LLC	68	JEFFERIES FINANCIAL SERVICES INC	95	MORGAN STANLEY DERIVATIVE PRODUCTS INC
15	BTIG LLC	42	GLOBAL FUTURES & FOREX LTD	69	JP MORGAN SECURITIES LLC	96	MORGAN STANLEY EUROPE SE
16	CANADIAN IMPERIAL BANK OF COMMERCE	43	GOLDMAN SACHS & CO LLC	70	JP MORGAN SECURITIES PLC	97	MORGAN STANLEY MEXICO CASA DE BOLSA SA DE CV
17	CANTOR FITZGERALD SECURITIES	44	GOLDMAN SACHS BANK EUROPE SE	71	JP MORGAN VENTURES ENERGY CORPORATION	98	MORGAN STANLEY MUFG SECURITIES CO LTD
18	CARGILL INCORPORATED	45	GOLDMAN SACHS BANK USA	72	JPMORGAN CHASE BANK NATIONAL ASSOCIATION	99	MUFG BANK LTD
19	CITADEL SECURITIES SWAP DEALER LLC	46	GOLDMAN SACHS DO BRASIL BANCO MULTIPLA SA	73	KEYBANK NATIONAL ASSOCIATION	100	MUFG SECURITIES EMEA PLC
20	CITIBANK N A	47	GOLDMAN SACHS EUROPE SE	74	LLOYDS BANK CORPORATE MARKETS PLC	101	NATIONAL AUSTRALIA BANK LTD
21	CITIGROUP ENERGY INC	48	GOLDMAN SACHS FINANCIAL MARKETS LP	75	LLOYDS BANK PLC	102	NATIXIS
22	CITIGROUP GLOBAL MARKETS INC	49	GOLDMAN SACHS FINANCIAL MARKETS PTY LTD	76	MACQUARIE BANK LTD	103	NATWEST MARKETS PLC
23	CITIGROUP GLOBAL MARKETS LTD	50	GOLDMAN SACHS INTERNATIONAL	77	MACQUARIE ENERGY LLC	104	NEWEDGE USA LLC
24	COMMERZBANK AG	51	GOLDMAN SACHS JAPAN CO LTD	78	MBIA INSURANCE CORPORATION	105	NOMURA DERIVATIVE PRODUCTS INC
25	COMMONWEALTH BANK OF AUSTRALIA	52	GOLDMAN SACHS MEXICO CASA DE BOLSA SA DE CV	79	MERRILL LYNCH CAPITAL SERVICES INC	106	NOMURA GLOBAL FINANCIAL PRODUCTS INC
26	COOPERATIEVE RABOBANK UA	53	GOLDMAN SACHS MITSUI MARINE DERIVATIVE PRODUCTS LP	80	MERRILL LYNCH COMMODITIES EUROPE LTD	107	NOMURA INTERNATIONAL PLC
27	COURNOT FINANCIAL PRODUCTS LLC	54	GOLDMAN SACHS PARIS INC ET CIE	81	MERRILL LYNCH COMMODITIES INC		

Swap Data Repositories Provisionally Registered with the CFTC

SDRs are entities created by the Dodd-Frank Act in order to provide a central facility for swap data reporting and recordkeeping. Under the Dodd-Frank Act, all swaps, whether cleared or uncleared, are required to be reported to registered SDRs. The Dodd-Frank Act added new Section 21 to the CEA, which established registration requirements and core duties and responsibilities for SDRs. The Commission, in turn, created Part 49 of the Commission's regulations to implement Section 21. SDRs are required to register with the Commission and comply with the Commission's regulations. These regulations include requirements for public reporting of swap transaction and pricing data and for providing swap data to the Commission.

**Figure 16: Number of Provisionally Registered SDRs**



**Table 33: FY 2019 List of SDRs**

- 1 Chicago Mercantile Exchange
- 2 DTCC Data Repository, LLC
- 3 ICE Trade Vault, LLC

## APPENDIX 6

### Customer Protection Fund

#### Introduction

Section 748 of the Dodd-Frank Act amended the CEA by adding Section 23, entitled “Commodity Whistleblower Incentives and Protections.” Among other things, Section 23 establishes a whistleblower program that requires the Commission to pay awards, under regulations prescribed by the Commission and subject to certain limitations to eligible whistleblowers, who voluntarily provide the Commission with original information about violations of the CEA, and that lead to the successful enforcement of a covered judicial or administrative action, or a related action. The Commission’s whistleblower awards are equal, in the aggregate amount to at least 10 percent but not more than 30 percent of the monetary sanctions actually collected in the Commission’s action or a related action.

Section 748 of the Dodd-Frank Act also established the CFTC Customer Protection Fund (CPF) for the payment of awards to whistleblowers, through the Whistleblower Program, and the funding of customer education initiatives designed to help customers protect themselves against fraud or other violations of the CEA or the rules or regulations thereunder. The Commission undertakes and maintains customer education initiatives through the Customer Education Program.

#### Management of the Whistleblower Office

The Whistleblower Office (WBO) has three essential functions:

- *Process Whistleblower Submissions.* WBO receives, tracks, and handles whistleblower submissions and inquiries, often communicating with whistleblowers or their counsel to address questions or concerns.
- *Coordinate with Commission Divisions and Outside Agencies.* WBO answers questions from Commission staff and others regarding the whistleblower program, and guides the handling of whistleblower matters as needed during examination, investigation and litigation. WBO also approves referrals of whistleblower-identifying information to outside agencies.
- *Administer Claims Process.* WBO receives and tracks whistleblower award claims, gathers and prepares the adjudicatory records for the Whistleblower Claims Review Staff (CRS), advises the CRS as needed on the whistleblower provisions and rules, and memorializes the CRS’s decisions. Those determinations lead to Final Orders of the Commission through a review process that WBO also coordinates. Finally, WBO processes award claims that do not meet minimum requirements under the Whistleblower Rules, 17 C.F.R. part 165.

In FY 2019, the CFTC issued five orders granting awards, the highest number of awards in a single year, to whistleblowers for providing valuable information about violations of the CEA— totaling more than \$15 million.

All whistleblower award payments are made out of the CPF established by Congress that is financed entirely through monetary sanctions paid to the CFTC by violators of the CEA.

In FY 2021, the Commission will continue its communications with market participants and voluntary whistleblowers about the protections and incentives under the Whistleblower Program. WBO will also continue processing whistleblower submissions and award claims with the goals of increased efficiency and shortened turnaround times.

## Management of the Office of Customer Education and Outreach

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

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

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

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

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

## Operation of the CFTC Customer Protection Fund

The CPF is a revolving fund established under section 748 of the Dodd-Frank Act. The Commission shall deposit civil monetary penalties, disgorgements, and interest it collects in covered administrative or judicial enforcement actions into the CPF whenever the balance in the CPF at the time of the deposit is less than or equal to \$100 million. The Commission pays whistleblower awards and finances customer education initiatives from the CPF, but does not deposit restitution awarded to victims into the CPF. Program values include allocated CFTC administrative expenses.

In FY 2021, the CFTC estimates that it will use up to \$60.0 million:

- Up to \$6.2 million will be used to finance customer education initiatives, administrative expenses, and 15 FTE, an increase of \$1.6 million over the estimated FY 2019 level.
- Whistleblower award payouts are estimated at \$25 million.
- Up to \$5.3 million will be used for the WBO to fund administrative expenses and 13 FTE, which is an increase of \$1.6 million over the estimated FY 2019 level.

**Table 34: Customer Protection Fund**

	FY 2019 Actual (\$000)	FY 2020 Estimate (\$000) <sup>44</sup>	FY 2021 Estimate (\$000)
Budget Authority – Prior Year	\$158,950	\$141,436	\$113,179
Budget Authority – New Year	3,225	3,200	3,200
Prior Year Recoveries	323	2,552	832
Sequestration	(200)	(189)	-189
<b>Total Budget Authority</b>	<b>162,298</b>	<b>146,999</b>	<b>117,022</b>
Whistleblower Program	3,290	3,981	3,981
Whistleblower Awards	15,385	25,000	25,000
Customer Education Program	2,188	4,839	4,839
<b>Total Planned Expenditures</b>	<b>20,863</b>	<b>33,820</b>	<b>33,820</b>
<b>Unobligated Balance</b>	<b>\$141,436</b>	<b>\$113,179</b>	<b>\$83,202</b>

<sup>44</sup> FY 2020 Estimate for Prior Year Recoveries is above initial apportionment. Estimate provided is as of January 28, 2020.

# APPENDIX 7

## Table of Acronyms

### U.S. Federal Law

CEA	Commodity Exchange Act
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
FISMA	Federal Information Security Management Act
FOIA	Freedom of Information Act

### CFTC Divisions and Offices

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

### U.S. Federal Departments and Agencies

CFTC	U.S. Commodity Futures Trading Commission
Federal Reserve Board	Board of Governors of the Federal Reserve System
GSA	U.S. General Services Administration
OMB	Office of Management and Budget
SEC	U.S. Securities and Exchange Commission

### Other Abbreviations

CDS	Credit Default Swaps
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CME	Chicago Mercantile Exchange
CPF	Customer Protection Fund
CPO	Commodity Pool Operator
CTA	Commodity Trading Advisor
DCM	Designated Contract Market
DCO	Derivatives Clearing Organization
DFMU	Designated Financial Market Utility
DSRO	Designated Self-Regulatory Organization
ENN	Entity-Netted Notionals
EU	European Union
FBOT	Foreign Board of Trade
FCM	Futures Commission Merchant
FinTech	Financial Technology

FSB	Financial Stability Board
FSOC	Financial Stability Oversight Council
FTE	Full-time Equivalent
FX	Foreign Exchange
FY	Fiscal Year
ICE	Intercontinental Exchange
IOSCO	International Organization of Securities Commissions
IRS	Interest Rate Swaps
IT	Information Technology
MSP	Major Swap Participant
NIST	National Institute of Standards and Technology
NFA	National Futures Association
OTC	Over-the-Counter
PPA	Program, Project, and Activity
RER	Rule Enforcement Review
RFED	Retail Foreign Exchange Dealer
S&E	Salaries and Expenses
SDR	Swap Data Repository
SEF	Swap Execution Facility
SIDCO	Systemically Important Derivatives Clearing Organization
SRO	Self-Regulatory Organization
UK	United Kingdom