

Commodity Futures Trading Commission



Fiscal Year 2019 President's Budget

February 2018



U.S. Commodity Futures Trading Commission
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J. Christopher Giancarlo
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Chairman's Transmittal Letter

February 12, 2018

The Honorable Thad Cochran
Chairman
Committee on Appropriations
U.S. Senate
Washington, D. C. 20510

The Honorable Rodney P. Frelinghuysen
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D. C. 20515

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

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

Dear Chairman Cochran, Vice Chairman Leahy, Chairman Frelinghuysen, and Ranking Member Lowey:

I am pleased to transmit the U.S. Commodity Futures Trading Commission (CFTC or Commission) justification for the President's fiscal year (FY) 2019 budget request. If fulfilled, this budget request would maximize the Commission's ability to oversee our nation's swaps, futures, and options markets.

For more than a century, U.S. businesses have relied on the derivatives markets to hedge their cost of production. These markets have allowed farmers and ranchers to hedge their costs of production and delivery price so that Americans can always find plenty of food on grocery store shelves. The derivatives markets influence the price and availability of heating in American homes, the energy used in factories, the interest rates borrowers pay on home mortgages, and the returns workers earn on their retirement savings. More than 90 percent of *Fortune 500* companies use derivatives to manage commercial or market risk in their worldwide business operations. In short, derivatives serve the needs of society to help moderate price, supply, and other commercial risks to free up capital for economic growth, job creation, and prosperity. And, the CFTC focuses on ensuring that American derivatives markets thrive and are well-regulated.

The FY 2019 budget submitted by the Commission reflects the true needs of a policy setting and civil law enforcement agency that has the duty to ensure the derivatives markets operate effectively. At a time in history when the nature of our financial markets are rapidly transforming, as digital technologies are having an increasing impact on everything in the early 21st century from information transfer to retail shopping to personal communications, this budget will give the Commission the resources it needs to put in place and oversee responsible regulations that allow for innovation and enable our markets to remain competitive and safe at home and abroad.

It is no surprise that these technologies are having a transformative impact on U.S. capital, commodity, and derivatives markets. The electronification of markets over the past 30 to 40 years and the advent of digital technologies have altered trading, markets, and the entire financial landscape with far ranging implications for capital formation and risk transfer. The 21st century digital transformation is well underway, and the digital technology genie will not go back in the bottle. In order for the CFTC to remain an effective regulator, it must keep pace with these changes or our regulations will become outdated and ineffective.

In order for the CFTC to fulfill its duty to oversee these vital derivatives markets in FY 2019, I am requesting \$281.5 million and 716 full-time equivalents (FTE). This is an increase of \$31.5 million and 46 FTE over the enacted FY 2017 appropriation and is the same level of funding that I requested in FY 2018. I believed then and still believe that this is the level of funding necessary to fulfill our statutory mission. Therefore, contingent upon enactment of authorizing legislation permitting the CFTC to collect fees, the Administration is proposing, and this budget request reflects, that \$31.5 million of the \$281.5 million requested be derived from such legislatively authorized fees.

The Commission will invest in its capacity to develop economic modeling and econometric capabilities aimed at boosting the CFTC's analytical expertise and monitoring of systemic risk in the derivatives markets, in particular with regard to central counterparty clearinghouses. These investments include the expansion of sophisticated econometric and quantitative analysis devoted to risk modeling, stress tests, and other stability-related evaluations necessary for market oversight. Furthermore, such analysis conducted by the CFTC will aid in rulemaking, policy development, and enhance the Commission's ability to provide high-quality cost benefit considerations for decision-making.

The Commission expects the number of designated clearing organizations (DCOs) to continue to increase in FY 2019, with many expanding their business to other jurisdictions around the world. As the number of DCOs increase, the complexity of the oversight program will increase. It is imperative that the Commission strengthen its examinations capability to enable it to keep pace with the growth in the amount and value of swaps cleared by DCOs pursuant to global regulatory reform implementation. As the size and scope of DCOs increase, so too has the complexity of the counterparty risk management oversight programs and liquidity risk management procedures of the DCOs under CFTC regulation here and abroad. In addition, the Commission will also need to enhance its financial analysis tools to aggregate and evaluate risk across all DCOs.

As part of this request, the Commission will also address market enhancing innovation through financial technology (FinTech). FinTech comprises a range of technology in the financial services sector and includes innovations in retail banking, investment and virtual currencies like Bitcoin. In FY 2018, the exchanges self-certified several new contracts for futures products for virtual currencies. These innovations impact the regulatory landscape and with this budget request, the Commission will invest more in new technologies and tools that support these surveillance and enforcement efforts.

Every day we see history written with new challenges and opportunities propelling us forward. The quest for effective regulatory oversight and unwavering enforcement of our laws motivates the work of the hundreds of talented men and women who serve their country at the CFTC. Only with such a commitment can all Americans experience the economic benefits that risk-transfer markets afford.

Thank you for your consideration of this budget request.

Sincerely,

A handwritten signature in cursive script, appearing to read "JC Giancarlo".

J. Christopher Giancarlo

cc:

The Honorable Shelley Moore Capito
Chairwoman
Subcommittee on Financial Services
and General Government
Committee on Appropriations
U.S. Senate
Washington, D. C. 20510

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

The Honorable Sanford D. Bishop, Jr.
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

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Executive Summary

The Commission is requesting \$281.5 million and 716 FTE for FY 2019. This is the same funding level requested in the FY 2018 CFTC Budget Request. The FY 2019 request will allow the Commission to effectively implement the internal reforms and initiatives outlined in this request. It is expected that, once fully implemented, the various reforms, such as the self-reporting program, Project “Keep It Simple, Stupid” (KISS), and other efforts will allow the Commission to reallocate resources to these higher priority requirements.

Highlights of the 2019 Budget

Division of Enforcement

The Commission requests \$54.8 million and 168 FTE to ensure U.S. derivatives markets operate free from fraud, manipulation, and other trading abuses. The Commission has strengthened its rules and procedures to better protect whistleblowers, brought new impactful enforcement cases, and successfully resolved other important enforcement cases. In addition, enforcement resources have been enhanced through the recent internal realignment of the Market Surveillance Branch to report directly to the Director of Enforcement. This is one of several actions the Commission has taken to better utilize resources across the Commission. This effort will allow the Commission to maintain a robust market surveillance program that develops and utilizes sophisticated systems to analyze trade data and respond to outlying events and to 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 ensure that markets, firms and participants subject to the Commission's oversight meet their obligations. To achieve this end, the Commission is using all of its fraud and manipulation authority to bring forward important enforcement cases. This is critical to market participants who depend on the futures and swaps marketplace. Similarly, it is also critical to retail customers who trust their hard-earned dollars to off-exchange firms that promise that great profits will be achieved quickly, only to misappropriate the customers' funds or lose them through trading or exorbitant commissions.

In December 2017, three futures exchanges self-certified new contracts for Bitcoin futures products. Several others have expressed an intention to self-certify similar contracts in the near future. 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.

Recently, the Commission has implemented a self-reporting program designed to identify wrongdoers and hold them accountable. This new self-reporting program is designed to help the Commission identify the individuals and where the evidence supports, prosecute those individuals, most culpable for any wrongdoing. The current cooperation program mirrors similar programs established by the U.S. Department of Justice and the U.S. Securities and Exchange Commission (SEC).

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 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.

Division of Market Oversight

The Commission requests \$27.4 million and 91 FTE; the FY 2019 budget request continues its commitment to maintaining the integrity of the markets. The Commission is working to promote healthy and vibrant markets by conducting a holistic review of Commission rules and re-working them to ensure that they keep pace with the rapidly changing digital transformation of markets. This will enable innovation and unburden the U.S. economy. Specifically, the focus of the review is on the alternatives and changes that should be made to the current legal framework that would reduce regulatory burden, streamlines regulations, improves market structures, increases trading liquidity, and removes barriers for new entrants, while also preserving the goals of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

In the face of increasingly complex markets and sophisticated trading instruments, the Commission remains focused on fostering market integrity and security through robust oversight and reviews of designated contract markets (DCMs), SEFs, swap data repositories (SDRs), and foreign boards of trade (FBOTs). This includes conducting examinations of derivatives platforms' self-regulatory programs to ensure that they are complying with the core principles and Commission regulations. Effective cybersecurity and system safeguard oversight is increasingly crucial to the stability of the economy and a critical element of examinations. Effective cybersecurity protection of regulated entities requires an increase in the number and frequency of examinations conducted each year. In conducting such oversight, the Commission works to reduce the burden on entities by coordinating system safeguard examinations between DCOs and one or more DCMs, SEFs, or SDRs.

To keep pace with emerging market issues, the Commission established a Market Intelligence Branch in FY 2017 to analyze current and emerging derivative 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 branch will conduct high value-added analysis using proprietary and outside data to promote efficient and financially sound markets. The teams will develop sophisticated analytics to identify trends and outlying events that warrant further study. As such, the Commission will commit resources in FY 2019 to finalize and fully implement the standards for over-the-counter (OTC) derivatives markets, agreed to at the 2009 Pittsburgh G-20 summit and codified in the Dodd-Frank Act, to ensure the Commission has complete, accurate, and high-quality swaps data to fulfill its statutory responsibilities.

Division of Clearing and Risk

The Commission requests \$22.7 million and 75 FTE, reflecting the Commission's commitment to expand its examination and risk surveillance activities of DCOs, which have become critical single points of potential risk in the global financial system. Examinations and risk surveillance of DCOs help the Commission identify issues that may affect a DCO's ability to control and monitor its risks. 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. Regular examinations, in concert with the Commission's risk surveillance and other functions, are a highly effective method to reduce market risk so that American businesses can rely on the cleared futures and swaps markets served by DCOs. The FY 2019 budget request includes resources for DCO examinations and risk surveillance performed by Commission staff, including those DCOs that are systemically important. The Dodd-Frank Act requires the Commission to perform annual examinations of DCOs that have been designated as systemically important by the Financial Stability Oversight Council (FSOC). During those examinations, the Commission must determine the nature of the operations and the risks borne by the systemically important DCO (SIDCO); the financial and operational risks presented by the SIDCO to financial institutions, critical markets, or the broader financial system; the resources and capabilities of the SIDCO to monitor and control risks; the safety and soundness of the SIDCO, and its compliance with Title VIII of the Dodd-Frank Act and Commission rules and regulations. In addition, the Commission is required to consult with the Board of Governors of the Federal Reserve System (Federal Reserve Board) regarding the scope and methodology of each examination and the Federal

Reserve Board participates in the examinations led by the Commission, which increases demands on examination resources.

In July 2017, a new DCO was registered with the Commission. It began clearing Bitcoin contracts in October 2017. In addition, two existing DCOs launched clearing of Bitcoin futures contracts in late 2017, and additional DCO applications and virtual currency product launches are expected. The Commission's FY 2019 budget request reflects its commitment to engage in risk surveillance of these new contracts and the development of examination programs to identify and measure the risks these new contracts bring to DCOs, their clearing members, and the industry. In addition, this request would allow the Commission to examine DCOs that are clearing physically settled Bitcoin contracts as the collateral that is being deposited. Virtual currency clearing activity is novel to the industry and the technology being used to secure the information technology (IT) infrastructure is complex, therefore resources are required to obtain software and technological tools to examine the DCO's IT infrastructure.

In addition to 10 U.S. based DCOs, the Commission has oversight of six registered DCOs located outside the United States, including some that are extremely important to U.S. derivatives markets given the volume of swaps and futures cleared for U.S. entities. There are also four foreign clearinghouses that are not registered as DCOs but are permitted to clear certain types of trades for U.S. participants pursuant to an exemption from the Commission. Although the Commission relies principally on foreign authorities for oversight, the additional resources would allow the Commission to continue to engage in limited monitoring and risk surveillance of these non-U.S. DCOs and exempt clearinghouses.

Division of Swap Dealer and Intermediary Oversight

The Commission requests \$22.5 million and 74 FTE to maintain oversight of intermediaries and swap dealers' activities in CFTC-regulated markets. The change in resource is a result of Commission efforts 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 \$275 billion in customer funds held by futures commission merchants (FCMs) and thousands of registered introducing brokers, 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 conducts primary oversight of 102 registered swap dealers, who in a recent 12 month period, collectively transacted more than \$350 trillion¹ in notional value swap contracts serving a vital source of liquidity for commercial end users seeking to hedge their risk.

The Commission is also in the midst of a comprehensive review of its rules and is recommending amendments to its relevant rules and regulations. Notably, the Commission is preparing recommendations for the swap dealer *de minimis* registration rulemaking, strengthening customer protections, and monitoring capital rules for registered swap dealers not subject to prudential regulatory oversight. The resulting renewed framework will better align to the swaps market, focus on reducing burden on the entities, increase participant diversity, and simulate board-based economic growth and stability. The reforms will more closely adhere to the spirit and intention of the Dodd-Frank Act.

¹ Source: Data from the four SDRs including interest rate, foreign exchange, equity, and credit default swaps for which at least one party is a registered swap dealer at the time reported and excluding inter-affiliate swaps. The notional value is for the 12 month period from June 1, 2017 to May 31, 2017.

The Commission will continue to address complex regulatory and financial reporting issues with the managed funds industry, including 2,189 registered commodity trading advisers (CTAs) and 1,628 commodity pool operators (CPOs). In connection with this function, the examination branch of this division has launched new supervisory activities related to the trading of Bitcoin futures contracts and continues to conduct oversight of the aforementioned FCMs, as well as CPOs and CTAs on a regular basis. This budget provides the necessary funding to continue these activities.

Office of the Chief Economist

The Commission requests \$8.1 million and 25 FTE to expand 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 2019 budget request will allow the Commission 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 the General Counsel

The Commission requests \$17.1 million and 53 FTE, of which \$2.6 million and six FTE are to continue and expand on the FinTech initiative introduced in FY 2017.

In May 2017, the Commission launched LabCFTC, as part of the FinTech initiative, as the focal point for the Commission's efforts to promote market-enhancing FinTech innovation and fair competition for the benefit of the American public. LabCFTC is designed to make the CFTC more accessible to FinTech innovators, and serves as a platform to inform the Commission's understanding of emerging technologies. Further, LabCFTC is an information source for the Commission and the CFTC staff on responsible innovation that may influence policy development. LabCFTC will enable the CFTC to be proactive and forward thinking as FinTech applications continue to develop, and to help identify related regulatory opportunities, challenges, and risks.

The LabCFTC initiative will accomplish its mission through thoughtful engagement with innovators, consideration of how new technologies can make the Commission more effective and efficient, and collaboration with external organizations, including domestic and international regulators, focused on sharing best practices related to FinTech innovation. Since the LabCFTC initiative was launched, the Commission has held many office hour sessions with innovators in New York City, Chicago, and Washington, D.C. The Commission looks forward to visiting Austin, Silicon Valley, and Boston in 2018. In total, the Commission has met with over 100 entities ranging from startups to established financial institutions to leading technology companies. These and other related initiatives require additional funding to allow critical FinTech innovations that enhance the markets and improve services to the benefit of the American public.

In addition, the Office of the General Counsel provides legal representation for the Commission in Federal courts and before administrative bodies in litigation, including appeals of enforcement actions, challenges to CFTC actions, derivatives industry bankruptcies, employment lawsuits and other administrative matters. The Commission's General Counsel also provide reviews of proposed rules, as well as staff interpretive and no-action letters to ensure consistency and compliance with the requirements of the Commodity Exchange Act (CEA); the Freedom of Information Act (FOIA) program, the CFTC's Ethics program, and the CFTC's E-discovery program.

Office of International Affairs

The Commission requests \$4.3 million and 12 FTE to enable the Commission to continue critical work with international counterparts and to participate in regulatory bodies to ensure that the rules and regulations of key foreign regulators and international standard setters are consistent with the U.S. derivatives markets. Through this division, the Commission is able to engage in leadership roles of critical international bodies, such as the International Organization of Securities Commissions (IOSCO) and the Financial Stability Board (FSB). As CFTC regulatory counterparts continue to implement swaps reforms in their markets and initiate new reforms in the areas of cybersecurity and FinTech, it is essential that the Commission ensures its rules do not conflict, or fragment the global marketplace, and develops a sophisticated understanding of foreign regulatory developments and processes to carry out successful outcomes-based regulatory coordination.

It is through the coordinated efforts of multiple divisions of the Commission that recent equivalence agreements on margin and trading platforms were implemented. This office is critical to the ongoing success of these international efforts to promote less burdensome, and smarter regulatory compliance with its international partners.

Office of Data and Technology

The Commission requests \$57 million for the IT program and \$29.6 million and 90 FTE as part of the Salaries and Expense program, for a total estimate of \$86.6 million to support its data and technology initiatives. As the Commission looks forward to meeting the challenges of the increasingly digitized financial markets, the importance and role of technology resources and the need to integrate technology into the way the CFTC conducts business and performs mission work will continue to grow.

With the FY 2019 budget request, the Commission plans to exploit LabCFTC innovation opportunities, expedite implementation of the agency's multi-year cloud strategy, and apply technology solutions to generate efficiencies and improve mission performance. For example, resources will be directed to address the rapid expansion of Bitcoin and other virtual currencies within the financial markets, enhance CFTC's data governance capabilities and further integrate technology tools and services into CFTC mission and business operations. The Commission's also seeks new IT security resources to continue progress towards achieving compliance with Federal Information Security Management Act (FISMA) and related Office of Management and Budget (OMB) security mandates and ensuring the protection of sensitive market participant data.

Overview of the FY 2019 Budget

FY 2019 Budget Request by Program^{2 3 4 5 6}

Table 1: Summary of FY 2017 to 2019 by Program

	FY 2017	FY 2018	FY 2019	Change
	Actual	Continuing	President's	Change
	\$ (000)	Resolution	Budget	\$ (000)
	\$ (000)	\$ (000)	\$ (000)	\$ (000)
Salaries and Expenses	\$196,664	\$197,300	\$221,197	\$23,897
Office of the Inspector General	\$2,677	\$2,700	\$3,303	\$603
Information Technology	\$52,567	\$50,000	\$57,000	\$7,000
Total	\$251,908	\$250,000	\$281,500	\$31,500
Rescission, 2018 Continuing Resolution (CR)	\$0	(\$1,698)	\$0	\$1,698
Total Less CR Rescission	\$251,908	\$248,302	\$281,500	\$33,198

Columns may not add due to rounding

² FY 2018 Continuing Resolution: Annualized estimates provided in the Continuing Appropriations Act, 2018 (Division D of Public Law 115-56), as amended. CFTC's FY 2018 CR appropriation amount of \$250,000,000 was subject to a 0.6791 percent across-the-board reduction (\$1,697,250), as required by Section 101(b) of P.L. 115-56, resulting in net budget authority of \$248,302,250.

³ Salaries and Expenses: The Salaries and Expenses program provides funding for all CEA-related activities. This includes funding for Federal staff salaries and benefits, leasing of facilities, travel, training, and general operations of the Commission.

⁴ The Office of the Inspector General program provides audits, investigations, reviews, inspections, and other activities to evaluate the operations and programs of the Commission.

⁵ Information Technology: The IT program provides funding for the purchase of information technology. This includes hardware, software, contractor support, and other related information technology requirements.

⁶ The Commission considers the Salary and Expenses, Information Technology, and Office of the Inspector General programs to be its sole programs, projects, and activities (PPAs). All other budget displays by division or any other depiction are for informational purposes only.

FY 2019 Budget Request by Division^{7 8 9}

Table 2: Summary of FY 2017 to 2019 by Division

	FY 2017		FY 2018 Continuing Resolution		FY 2019 President's Budget		Change	
	FTE	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE	\$ (000)
Enforcement	173	\$48,053	172	\$53,385	168	\$54,770	(4)	\$1,385
Market Oversight	93	\$28,887	86	\$24,392	91	\$27,362	5	\$2,970
Clearing and Risk	68	\$19,215	66	\$18,856	75	\$22,691	9	\$3,835
Swap Dealer and Intermediary Oversight	77	\$22,558	74	\$21,540	74	\$22,542	0	\$1,002
Chief Economist	14	\$4,071	15	\$4,447	25	\$8,062	10	\$3,615
General Counsel	47	\$13,603	43	\$13,306	53	\$17,076	10	\$3,770
International Affairs	12	\$3,792	11	\$3,847	12	\$4,274	1	\$427
Data and Technology	86	\$78,241	81	\$74,760	90	\$86,595	9	\$11,834
Executive Director	85	\$23,395	86	\$24,352	86	\$24,288	0	(\$63)
Chairman and Commissioners	25	\$7,415	27	\$8,414	33	\$10,538	6	\$2,124
Inspector General ¹⁰	9	\$2,677	9	\$2,700	9	\$3,303	0	\$603
Total	689	\$251,908	670	\$250,000	716	\$281,500	46	\$31,500
FY 2018 CR Rescission	0	\$0	0	(\$1,698)	0	\$0	0	\$1,698
Total Less CR Rescission	689	\$251,908	670	\$248,302	716	\$281,500	46	\$33,198

Columns may not add due to rounding

⁷ The Commission considers the Salary and Expenses, Information Technology, and Office of the Inspector General programs to be its sole PPAs. All other budget displays by division or any other depiction are for informational purposes only.

⁸ FY 2018 Continuing Resolution: Annualized estimates provided in the Continuing Appropriations Act, 2018 (Division D of Public Law 115-56), as amended. CFTC's FY 2018 CR appropriation amount of \$250,000,000 was subject to a 0.6791 percent across-the-board reduction (\$1,697,250), as required by Section 101(b) of P.L. 115-56, resulting in net budget authority of \$248,302,250.

⁹ The FY 2017 column displays division FTE and funding realignments per the FY 2017 CFTC Spend Plan and the CFTC March 7, 2017 congressional realignment notification letter.

¹⁰ Due to rounding, the Office of the Inspector General FY 2019 request is displayed as 9 FTE in the table above; however, the Inspector General requested 9.5 FTE, as displayed on pages 34-35. The Inspector General's request of 9.5 FTE is appropriately calculated into the budget estimate.

FY 2019 Budget Request by Object Class¹¹

Table 3: Summary of FY 2017 to 2019 by Object Class

	FY 2017 Actual \$ (000)	FY 2018 Continuing Resolution \$ (000)	FY 2019 President's Budget \$ (000)	Change \$ (000)
11.0 Personnel Compensation	\$116,199	\$118,026	\$133,700	\$15,674
12.0 Personnel Benefits	\$38,182	\$39,191	\$40,197	\$1,005
13.0 Former Personnel Benefits	\$1	\$0	\$0	\$0
21.0 Travel and Transportation of Persons	\$1,334	\$1,489	\$2,075	\$586
22.0 Transportation of Things	\$35	\$49	\$49	\$0
23.2 Rental Payments to Others	\$24,658	\$23,539	\$24,433	\$894
23.3 Communication, Utilities, & Misc.	\$2,981	\$2,645	\$2,885	\$240
24.0 Printing and Reproduction	\$623	\$619	\$619	\$0
25.0 Other Services	\$56,330	\$52,549	\$67,325	\$14,776
26.0 Supplies and Materials	\$3,005	\$2,376	\$2,580	\$204
31.0 Equipment	\$8,559	\$9,501	\$7,622	(\$1,879)
32.0 Building and Fixed Equipment	\$0	\$15	\$15	\$0
Total	\$251,908	\$250,000	\$281,500	\$31,500
25.0 FY 2018 CR Rescission	0	(\$1,698)	0	\$1,698
Total Less CR Rescission	\$251,908	\$248,302	\$281,500	\$33,199

Columns may not add due to rounding

¹¹ FY 2018 Continuing Resolution: Annualized estimates provided in the Continuing Appropriations Act, 2018 (Division D of Public Law 115-56), as amended. CFTC's FY 2018 CR appropriation amount of \$250,000,000 was subject to a 0.6791 percent across-the-board reduction (\$1,697,250), as required by Section 101(b) of P.L. 115-56, resulting in net budget authority of \$248,302,250.

Crosswalk from FY 2018 to FY 2019

Table 4: Crosswalk from FY 2018 to FY 2019

	FY 2018 CR Estimate	FY 2019 Request	Change
Budget Authority (\$000)	\$250,000	\$281,500	\$31,500
2018 CR Rescission ¹²	(\$1,698)	\$0	\$1,698
Net Budget Authority (\$000)	\$248,302	\$281,500	\$33,199
Full-Time Equivalents (FTEs)	670	716	+46
<hr/>			
Explanation of Change		FTE	Dollars (\$000)
<hr/>			
Current Services Increases: (Adjustments to FY 2018 Base)			
To provide for changes in personnel compensation & benefits:			\$5,508
To provide for the following changes in non-personnel costs:			\$1,134
--Space Rental/Communications/Utilities (\$1,134)			
Program Increase: (Adjustments to FY 2019 Current Services)		+46	\$26,557
--Addition of 46 FTE (\$11,172)			
--Travel/Transportation (\$586)			
--Other Services (\$16,474)			
--Supplies/Printing (\$204)			
--Equipment (-\$1,879)			
Total Change		+46	\$33,199

¹² FY 2018 Continuing Resolution: Annualized estimates provided in the Continuing Appropriations Act, 2018 (Division D of Public Law 115-56), as amended. CFTC's FY 2018 CR appropriation amount of \$250,000,000 was subject to a 0.6791 percent across-the-board reduction (\$1,697,250), as required by Section 101(b) of P.L. 115-56, resulting in net budget authority of \$248,302,250.

Justification of the FY 2019 Budget by Division

Division of Enforcement

Resource Overview

Table 5: Enforcement Request

	FY 2017 <u>Actual</u>	FY 2018 <u>Continuing Resolution</u>	FY 2019 <u>President's Budget</u>	<u>Change</u>
BUDGET	\$48,052,621	\$53,385,184	\$54,769,844	+\$1,384,660
FTE	173	172	168	-4

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 for public confidence and trust in the financial markets. DOE utilizes its authority to, among other things: 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. DOE also engages in cooperative enforcement work with domestic, state and Federal, and international regulatory and criminal authorities. The Commission 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

The Division 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.

In FY 2019, the Commission will continue preserving market integrity and protecting customers from harm through comprehensive and effective investigation and prosecution of violations, including:

- Utilizing the Commission's authority to address fraud and manipulative conduct, false reporting of market information, and disruptive trading practices, including spoofing, trade practice violations, and other misconduct on registered entities;
- Protecting customers who are victims of retail fraud and illegal off-exchange transactions, such as fraud by intermediaries (e.g., pool fraud), and fraud and illegal transactions relating to foreign currency (forex), and precious metals;

- Exerting robust enforcement in both the virtual currency derivatives markets and in the underlying cash or spot markets, including prosecuting fraud, false solicitation, and manipulation or other market abuse;
- Enforcing regulatory requirements to ensure that registrants maintain diligent supervision of their operations, adhere to their regulatory obligations, and maintain their financial integrity by meeting standards for capitalization, segregation and handling of funds;
- Protecting the data integrity of information by enforcing requirements for recordkeeping and reporting across derivatives classes; and
- Increasing effectiveness and efficiency of enforcement through cooperative enforcement with SROs, state, Federal, and international authorities, including achieving efficiencies through referrals.

Surveillance

The Commission will maintain a robust market surveillance program that develops and utilizes sophisticated systems to analyze trade data and respond to outlying events and to help identify trading or positions that warrant further enforcement inquiry.

In general, 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 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.

On December 1, 2017, CME, CBOE Futures Exchange, and Cantor Exchange self-certified new contracts for Bitcoin futures products. Several other exchanges have expressed an intention to self-certify similar contracts in the near future. Each of these futures contracts will settle to the price of Bitcoin on one or more cash exchanges. Although the CFTC has only limited regulatory authority over the Bitcoin cash markets, through information sharing agreements, the CFTC will receive certain data relating to cash markets on the cash exchanges to which the futures contracts will settle. This marks the first time a Federal regulator will routinely receive transaction data from the cash Bitcoin exchanges.

The advent of Bitcoin futures contracts has presented several new challenges for the Commission in its efforts to carry out its mission. Each virtual currency futures contract ties its price in some way—through various settlement processes—to the price of the virtual currency on the cash market. This underlying cash market is relatively nascent, and the exchanges operating in the Bitcoin cash market remain largely unregulated with the Commission having only limited statutory authority over the cash market. Those features of the underlying cash markets have led some U.S. regulators to express concern about the potential for fraud and manipulation in the cash and futures markets; and other risks that fall within the purview of the Commission, such as risks to centralized counterparty clearing organizations.

To meet these challenges, the Commission requires additional resources to conduct surveillance of virtual currencies, such as Bitcoin futures contracts and of the underlying cash markets to which these futures contracts settled; and to detect, investigate, and prosecute fraud and manipulation in these markets.

Forensic Capabilities

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. In FY 2019, the Commission will utilize its economic forensic analysis resources to keep pace with the enforcement program's increasing demand for, and complexity of, investigative analysis, which has been affected by:

- The rapid innovation and increasing complexity of financial markets, which necessitates the collection and analysis of vast amounts of data including fundamental economic data, transaction data, position data and order book data; and
- The proliferation of algorithmic and high-speed trading, the use of price benchmarks in financial transactions, and the use of economically equivalent or similar instruments in futures, options, swaps, and cash markets.

International Enforcement Efforts

The increasingly cross-border nature of enforcement cases means that the Commission, now more than ever, has an indispensable need to obtain evidence and testimony located in foreign jurisdictions. The Commission, through its international cooperative enforcement office, obtains this critical information through formal arrangements with our international counterparts.

The Commission will continue to dedicate enforcement's international staff to maintain the benefit of cooperative enforcement with international regulatory and criminal authorities. Effective cross-border cooperation results in globally coordinated enforcement, which sends a powerful message that fraud and threats to market integrity, will be dealt with on a unified front. The Commission's staff also provides timely, well-reasoned, and effective responses to foreign authorities, whose requests for reciprocal assistance are increasing both in number and in complexity, commensurate with the investigations that they support.

Division of Market Oversight

Resource Overview

Table 6: Market Oversight Request

	FY 2017 Actual	FY 2018 Continuing Resolution	FY 2019 President's Budget	Change
BUDGET	\$28,887,330	\$24,392,155	\$27,362,016	+\$2,969,860
FTE	93	86	91	+5

Columns may not add due to rounding

Organization Description

Division of Market Oversight (DMO) fosters open, transparent, fair, competitive, and secure markets through oversight of derivatives platforms and SDRs. DMO is responsible for reviewing new applications for DCMs, SEFs, SDRs, and FBOTs and examining existing trading platforms and SDRs to ensure their compliance with the applicable core principles and other regulatory requirements, including system safeguards. DMO also evaluates new platform-traded products to ensure that they are not susceptible to manipulation, and reviews entity rules to ensure compliance with the CEA and Commission regulations. Furthermore, DMO is responsible for analyzing internal and external data to identify current and emerging market trends to inform sound policymaking at the Commission and promote efficient and vibrant markets. DMO also drafts and implements regulations and other regulatory work product to enhance derivatives market structure, and provides guidance to the Commission and registrants regarding these regulations.

Justification of CFTC Request

Enhancing Commission Rules

In FY 2019, the Division will use a significant portion of its resources to continue to improve Commission rules in order to promote fair, efficient and vibrant markets and a sound market structure. These policy improvements will encourage innovation, streamline regulations, improve market structure, increase trading liquidity, remove barriers for new entrants and unburden the U.S. economy. These changes will also ensure that the Commission's rules keep pace with the rapidly changing digital transformation of markets. Specifically, DMO anticipates enhancing rules on swaps trading, ownership and control reporting, position limits, automated trading, among others. As part of this effort, the Commission also anticipates codifying and eliminating current no-action letters and Division guidance. DMO will also continue to implement reforms as part of the Commission's Project KISS initiative.

The Division will also continue to implement its Swaps Data Roadmap by improving and streamlining several swaps data reporting rules consistent with international harmonization standards. Finally, DMO anticipates continuing to make progress on cross-border harmonization for trading platforms, including a potential exempt swaps execution facility rulemaking.

Market Intelligence

In FY 2019, DMO 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 proprietary and outside data to promote efficient and sound markets. Such market data is critical, and dependent on the ability to acquire large volumes of data and to use it through the development of sophisticated

analytics to identify trends and/or outlying events that warrant further study. As such, DMO will continue to ensure the Commission has complete, accurate, and high-quality swaps data to fulfill its statutory responsibilities. As part of this effort, the Commission anticipates publishing information and reports to the public regarding several market structure issues, such as market liquidity, trading technologies and convergence to name a few.

Examinations and Cybersecurity

In FY 2019, the Commission will remain focused on fostering market integrity and security through robust oversight and reviews of DCMs, SEFs, and SDRs. To do so, this division will continue to conduct examinations of DCMs' self-regulatory programs to ensure that they are complying with the core principles and Commission regulations. In FY 2019, DMO anticipates developing a program to conduct examinations of SEFs' self-regulatory programs once the Commission completes enhancements to its swaps trading rules.

In the face of extensive change and cyber attacks on the markets, division resources for system safeguard oversight are increasingly crucial to the stability of the economy and a critical element of examinations. Effective cybersecurity protection of regulated entities requires an increase in the number and frequency of examinations conducted each year. In conducting such oversight, the Commission works to reduce the burden on entities by coordinating system safeguard examinations between derivatives clearing organizations and one or more DCMs, SEFs or SDRs.

Additionally, swaps and futures data maintained by entities and available to regulators provides for systemic risk mitigation, transparency and market supervision oversight. DMO must dedicate resources 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 integrate it into its various functions.

Virtual Currency Issues and other Product Reviews

In FY 2019, the Commission anticipates continuing to be involved in virtual currency derivatives issues, including reviewing new virtual currency derivatives that are listed for trading on DCMs and SEFs. This division 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. Currency derivatives and the underlying cash markets present many unique risks and challenges, such as price volatility, market dislocations due to flash rallies and crashes and technology issues. Additional resources are needed to meet these challenges and ensure that these contracts are not readily susceptible to manipulation.

As noted above, the terms and conditions of contracts are reviewed when a DCM or SEF files them. The division is working to develop procedures to identify contracts that may require updated reviews of their terms and conditions after initial submission to the Division. This would assist DMO in determining when the terms and conditions of a contract fail to keep pace with changes in the underlying cash market, potentially increasing the risk of manipulation.

Registration and Compliance

In FY 2019, DMO will continue to analyze and designate/register new DCM, SEF and FBOT applications. The Commission anticipates that additional entities focused on virtual currency derivatives will seek to become registered as DCMs and SEFs, which will raise unique issues and challenges requiring further resources. Lastly, the enhancement of the Commission's swap data reporting rules are completed, the division will also review the four provisionally registered SDRs for permanent registration

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 2017 Actual	FY 2018 Continuing Resolution	FY 2019 President's Budget	Change
BUDGET	\$19,215,359	\$18,856,219	\$22,691,057	+\$3,834,838
FTE	68	66	75	+9

Columns may not add due to rounding

Organization Description

The Division of Clearing and Risk (DCR) oversees DCOs and other market participants that may pose risk to the clearing process including FCMs, swap dealers, major swap participants (MSPs), and large traders, and oversees the clearing of futures, options on futures, and swaps by DCOs. The DCR staff: 1) prepare regulations, orders, guidance, and other regulatory work products on issues pertaining to DCOs; 2) review applications for DCO registration and DCO rule submissions and make recommendations to the Commission; 3) make recommendations to the Commission of which swaps should be required to be cleared; 4) make recommendations to the Commission as to 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, including examining SIDCOs at least once a year; and 6) 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 its financial impact.

Justification of CFTC Request

DCO Examinations

The Commission expects the number of DCOs to increase in FY 2019, as it is currently reviewing, and expecting new applications. The Commission has recognized this trend, and this request will position resources to support the increase. As the number of DCOs increase, the number of DCO filings and the potential number of required examinations will increase DCR's oversight responsibilities. As the number of DCOs increases, so too will the complexity of the counterparty risk management oversight program and liquidity risk management procedures of the DCOs. In addition, the Commission's DCO examination function will continue to examine DCOs' compliance with emerging risks in information security and complex system safeguard requirements.

Examinations of DCOs' compliance with the CEA and implementing regulations will necessitate use of new automated tools. This will be especially important in evaluating compliance in the areas of back testing and stress testing. 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.

Swap Clearing Requirements Product Reviews

All registered and exempt DCOs are required to submit all swaps that they offer for clearing to the Commission for consideration as to whether such swaps should be subject to a swap clearing requirement.

The Commission 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. The budget request will 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 2019. 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 clearing requirement and its exceptions and exemptions.

Registration and Compliance for DCOs

The FY 2019 budget request continues to support the Commission's registration and compliance activities for DCOs. The Commission will devote effort to completing the review of pending applications for DCO registration, as well as commencing review of new applications. The Commission also expects to review 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 over the course of FY 2019, these coordinated efforts will necessarily increase concurrently.

Additionally, 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 Commission also reviews daily, quarterly, annual, and event-specific reports to ensure compliance with its regulations, including financial and risk management regulations.

DCO Risk Surveillance

Risk surveillance is a technology-intensive function, and in FY 2019, both the quantity and types of position data requiring review will continue to increase. To perform these functions the Commission uses internally developed applications and commercially available software. The Commission's ability to function effectively and advance this program is dependent upon its ability to process this data, and this request enables the Commission's efforts in this area.

Enhancing the Commission's financial analysis tools is critical, as the Commission is the only financial regulator, regardless of jurisdiction, that will be 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. The Commission has adjusted its risk surveillance activities 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 its current risk surveillance program, the Commission will develop new stress testing applications for these positions. In addition, 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.

International Policy Support

The FY 2019 budget request will permit the Commission to continue to participate in key international bodies setting standards for clearinghouses, with the aim of promoting standards that

are appropriately rigorous. Commission staff actively participates in, and in some cases lead, international groups such as the Committee on Payments and Market Infrastructures-IOSCO Steering Group, Policy Standing Group, Implementation Monitoring Standing Group, and Working Group on Cyber-Resilience, and the FSB's Resolution Steering Group and Financial Market Infrastructure Cross-Border Crisis Management Group. These groups have a direct correlation to clearing, and clearinghouse regulations and standards. Commission staff also participates, to the extent resources permit, in groups focused on individual clearinghouses, such as the Crisis Management Group for LCH.Ltd.

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 2017 Actual	FY 2018 Continuing Resolution	FY 2019 President's Budget	Change
BUDGET	\$22,558,204	\$21,540,461	\$22,542,148	+\$1,001,687
FTE	77	74	74	+0

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 market intermediaries and the futures and swaps industry SROs, which includes the NFA. DSIO develops and implements regulations concerning registration, fitness, financial adequacy, sales practices, risk management, business conduct, capital and margin requirements, protection of customer funds, cross-border transactions, and anti-money laundering programs. DSIO provides guidance to the Commission, registrants, SROs and other market participants regarding the CEA and Commission regulations. DSIO monitors the compliance of these registrants and provides oversight and guidance for complying with the system of registration and compliance established by the CEA and the Commission's regulations. DSIO further assesses registrant compliance with the CEA and Commission regulations by conducting targeted reviews and examinations of registrants and performing oversight of the SRO examination functions. DSIO also oversees CPOs and CTAs with respect to managed funds and managed accounts

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. They include swap dealers, FCMS, introducing brokers, CPOs, and CTAs, among other market participants. With \$275in 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:

- The Commission draft new rules and rule amendments to strengthen its registration and compliance regime and, following CFTC approval, oversees 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.
- The Commission provides answers to other Federal and state agencies, CFTC registrants, and to the public at large with respect to intermediary issues. These answers involve an array of activities, from responding to inquiries from market participants and registrants to briefing policymakers on major registration/compliance issues.

- The Commission provides direct support to the international regulatory community with establish 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.
- The Commission provides 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 2019, the Commission will focus on reducing regulatory burdens by pursuing a data driven, policy agenda that includes formulating a permanent solution for the swap dealer registration *de minimis* rule and related swap dealer business conduct standards. The Commission will continue implementing refinements to the Commission's rule set through the Project KISS review process, and provide regulatory clarity and certainty for registrants and the broader public. The Commission will codify existing no-action letters in regulation, and promote regulatory efficiency in the rules applying to swap dealers and FCMs through a thoughtful sequence of proposed rule amendments that are intended to streamline the Commission's regulatory burdens.

The division also provides legal analysis and regulatory support for the 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 and 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 2017 Actual	FY 2018 Continuing Resolution	FY 2019 President's Budget	Change
BUDGET	\$4,071,097	\$4,447,481	\$8,062,090	+\$3,614,609
FTE	14	15	25	+10

Columns may not add due to rounding

Organization Description

The Office of the Chief Economist (OCE) provides economic analysis, advice and context to the Commission and to the public. The OCE provides perspectives on both current topic and long-term trends in derivatives markets. The extensive research and analytical backgrounds of staff ensure that analyses reflect the forefront of economic knowledge and econometric techniques. The OCE plays an integral role in the cost-benefit considerations of Commission regulations and collaborates with staff in other divisions to ensure that Commission rules are economically sound. The OCE and the research it provides also play a key role in transparency initiatives of the Commission.

Justification of CFTC Request

The Commission conducts rigorous economic analysis and empirical research on the broad range of derivatives markets and market participants under its jurisdiction. The Commission uses the results of this work as an integral part of its rulemaking and policy development so as to establish sound analytical and empirical bases for its decision making. Furthermore, to improve market transparency and the transparency of rulemaking, the Commission makes a good deal of this work available 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 research papers on fundamental properties of relevant markets and sectors of market participants. Topics covered include the size and risks of derivatives markets; trading activity, liquidity, and price discovery in these markets; and market structure.

This FY 2019 budget request will allow the Commission to develop its economic modeling and econometric capabilities to execute high-quality studies that span futures markets, cleared swaps, and uncleared swaps. The Commission will also develop its abilities to analyze critical issues pertaining to DCOs, FCMs, and swap dealers/MSPs.

The Dodd-Frank Act has authorized the Commission to collect large volumes of data pertaining to trading activity and positions in cleared and uncleared swaps. The resources sought in this request will enable the Commission to use these data effectively and appropriately, which means increasing understanding a broad range of issues such as: the behavior of market participants, including end users, intermediaries, DCMs, SEFs, and DCOs; how market participants trade, position and use derivatives; the quality and economic functions of derivatives and derivatives markets; and how derivatives markets serve end users with respect to their ability to trade and hedge their risks. In addition, the Commission will use the data to identify the risks of derivatives and their markets and the implications for financial stability; the nature of cleared versus uncleared derivatives; and connections between futures, cleared swaps, and uncleared swaps.

The FY 2019 budget request will also enable 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 in the previous paragraphs, 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.

Office of General Counsel

Resource Overview

Table 10: General Counsel Request

	FY 2017 Actual	FY 2018 Continuing Resolution	FY 2019 President's Budget	Change
BUDGET	\$13,602,885	\$13,305,866	\$17,075,706	+\$3,769,840
FTE	47	43	53	+10

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 new FinTech program, FOIA Office, and E-discovery coordinator are all located in OGC.

Justification of CFTC Request

The OGC ensures consistency in the interpretation and application of the CEA for the Commission. Review of proposed and final rules, enforcement and regulatory actions, and various forms of staff action is conducted 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.

In FY 2019, the Commission also plans to increase staffing and resources to address FinTech. FinTech comprises a range of FinTech in the financial services sector and includes technological innovations in retail banking, investment and virtual currencies like Bitcoin. Through FinTech, the Commission will look to address three fundamental issues arising from this transformational change: 1) how the CFTC should leverage FinTech innovation to make it a more effective regulator, 2) how FinTech can help the CFTC identify rules and regulations that need to be updated for relevance in digital markets, and 3) the role of the Commission in supporting U.S. FinTech innovation in CFTC regulated markets.

Specifically, the Commission will support innovation within markets by providing companies with a single point of contact to help guide it through regulatory engagement. Commission staff will primarily help entities understand the CFTC's regulatory regime as it relates to the company's proposed activities, and clarify the CFTC's regulatory expectations regarding the type of entity or activity that the company would be providing. In addition, the Commission will understand and

determine how FinTech innovation may impact policy and create emerging regulatory opportunities, challenges, and risks. The Commission will further look to leverage FinTech innovation to make the CFTC a more effective and efficient regulator. Moreover, the Commission will also strengthen its cooperation with other authorities, domestic and international, to support FinTech innovation. CFTC will build upon its relationships with domestic and international authorities to develop a forward-looking policy framework, and ensure best practices are implemented.

Office of International Affairs

Resource Overview

Table 11: International Affairs Request

	FY 2017 Actual	FY 2018 Continuing Resolution	FY 2019 President's Budget	Change
BUDGET	\$3,791,930	\$3,846,654	\$4,273,511	+\$426,857
FTE	12	11	12	+1

Columns may not add due to rounding

Organization Description

Office of International Affairs (OIA) advises the Commission regarding international regulatory initiatives; provides guidance regarding international issues raised in Commission matters; represents the Commission in international fora, such as the IOSCO, the FSB, and the OTC Derivatives Regulator Group; coordinates Commission policy as it relates to policies and initiatives of major 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 market authorities, including advice and organization of international training programs and regulatory symposia.

Justification of CFTC Request

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

The CFTC will increase its efforts to respond to efforts 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 determinations on central clearinghouses, trading platforms and margin requirements. Furthermore, the exit of the United Kingdom (UK) from the EU will require the Commission engage with both the UK and EU if necessary to respond to changing regulatory requirements that might affect existing agreements and regulatory arrangements with the Commission.

The Commission will engage regulators regarding consistent regulatory requirements imposed on DCOs. 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 directly affect the Commission regulatory regime. The CFTC will remain actively engaged as a member of the Board of the IOSCO and take leadership roles within important policy committees and task forces that develop standards and policy guidance for the derivatives markets. The Commission will continue to participate in financial regulatory dialogues with Europe, Singapore, Australia, China, Japan, India, Canada, and Mexico.

In addition, the Commission will continue to co-chair an international study group created to examine and analyze the effectiveness of global OTC derivatives reforms and co-chair another international group developing the governance arrangements for international data standards. The CFTC also will chair an international group focused on improving adherence to international cybersecurity standards.

The Commission will enter into enforcement cooperation, supervisory cooperation and information-sharing arrangements with counterparts all over the world. The Commission will enter into new arrangements to encourage cross-border cooperation on FinTech developments.

The Commission will continue its work with the FSOC's Designations Committee to monitor both designated financial market infrastructures (for continued systemic importance) and non-designated financial market utilities (to consider them for designation).

The resources requested for this division also support the Commission's interaction with our foreign counterparts under the international regulators' meetings and consultations fund.

Office of Data and Technology

Resource Overview

Table 12: Data and Technology Request

	FY 2017 Actual	FY 2018 Continuing Resolution	FY 2019 President's Budget	Change
Information Technology Services	52,566,728	50,000,000	57,000,000	+\$7,000,000
Information Technology Personnel (Salaries & Expenses)	25,674,554	24,760,499	29,594,854	+\$4,834,356
Total IT Portfolio	\$78,241,281	\$74,760,499	\$86,594,854	+\$11,834,356
FTE	86	81	90	+9

Columns may not add due to rounding

Organization Description

The Office of Data and Technology (ODT) develops and delivers the technology, applications and technical services (the IT Portfolio) necessary to execute the CFTC’s full range of mission and business operations. ODT delivers services to CFTC through four components: Systems and Services, Data Management, Infrastructure and Operations, and Policy and Planning. Systems and Services provides access to data and information, platforms for data analysis, and enterprise-focused automation services. Data Management provides services that support data standards, utilization, 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. 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 operational planning, IT policy and procedure development, configuration management, enterprise architecture, and internal business management. The four service delivery components are unified by an enterprise-wide approach that is driven by the Commission’s strategic goals and objectives.

IT Portfolio

Although the Commission’s IT Portfolio supports virtually all aspects of CFTC 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 the new capabilities, enhanced situational awareness, and provide cost effective performance required to best protect market users, reduce systemic risk, and help grow the U.S. economy. The IT Portfolio is organized into three primary focus areas, in accordance with categories contained in the OMB Capital Planning Guidance:

Workforce/Mission Area

Within this area, there are four sub-components that provide for development and sustainment of the specialized tools, systems, services and technology required to perform the full range of CFTC mission operations to include the following:

- Surveillance sub-component supports market, trade practice, and financial and risk oversight and enforcement actions. Success in this area is highly dependent on the ability to acquire large volumes of data and the development of standards and analytics to support data segregation, as well as identify trends and/or outlying events that warrant further investigation.

- Enforcement sub-component provides a variety of critical automated litigation and investigation support services to facilitate the overall management of documents and data. Enforcement technology also provides the ability to rapidly query and retrieve information about investigations and litigation and perform analytics.
- Examinations sub-component support specialized auditing and analytical tools to support the Commission's mission to monitor and examine market infrastructure (e.g., exchanges, clearing houses, etc.), key market users (e.g., futures commission merchants) and to oversee the important compliance support work of the CFTC's SROs.
- Other CFTC mission sub-component supports for tools/services that are vital to a variety of other CFTC functions that include Office of Chief Economist and other economic analyses, firm/entity registration and reporting, and international policy efforts.

Agency Management and Communications

This area delivers tools and services that allow the CFTC to function as an independent agency. Items that make up this investment area include CFTC's financial management system, payroll and automated human resource services, inventory management/logistics, physical security access controls, the www.CFTC.gov external facing website, all mobile communications and agency-wide audio/visual services.

Core System Operations and Security

This area sustains the base technology platform required to support, operate and protect the CFTC's secure network. This includes all IT equipment, software and contract support for IT security, business continuity, telecommunications, network/database administration and storage management, employee workstations, and the critical technology refreshment funding needed to replace aging equipment/software and sustain core system operations and security over time.

Justification of CFTC Request

In FY 2019, the Commission requests a total of \$86.6 million and 90 FTE for its technology initiatives and staff.

The exponential growth of digital technologies in the markets continues to impact trading and the financial landscape as a whole in fundamental ways. For example, automated trading has rapidly escalated, and now accounts for up to 70 percent of regulated futures markets trading. This wave of automation has been driven in large part by game changing innovations like distributed ledgers, algorithmic trading, and machine learning that are transforming and globalizing the financial industry. With this evolution now rapidly unfolding, the Commission and other regulators face new regulatory challenges, risks, and opportunities that must be addressed comprehensively to continue effective market oversight. As the Commission faces these challenges, technology resources will continue be of utmost importance to the mission—not only to support to day-to-day operations but to help develop the new capabilities necessary to oversee the 21st century markets.

This FY 2019 budget request for this division is core to the Commission's ability to address important technology developments in the markets while strengthening agency cybersecurity capabilities, maintaining/refreshing technology infrastructure and enhancing program effectiveness. Key priorities funded by this request include:

Cybersecurity

Securing data from cyber threats remains one of the Commission's top priorities and CFTC will continue to work closely with the U.S. Department of Homeland Security (DHS) on security matters while maintaining and evaluating cybersecurity protections to guard against the growing cyber threats. The requested FY 2019 funding level will provide CFTC's IT Security Program with the required additional dedicated staff and the new and improved security tools and capabilities needed

to continue CFTC's progress towards ensuring the protection of market participant sensitive data and achieving full compliance with FISMA and related security mandates. Successful implementation of the National Institute of Standards and Technology (NIST) Cybersecurity Framework and the deployment and management of the DHS Continuous Diagnostics and Mitigation program will heavily depend on having the required additional resources.

LabCFTC 2.0

As the LabCFTC CFTC 2.0 program engages and collaborates with market innovators to assess the potential benefits, risks and regulatory impacts of new market technology, this division will play an important role in opportunistically identifying and adapting new innovations to further CFTC's mission. Funds provided in this request will enhance CFTC's ability to more readily capitalize on LabCFTC 2.0 opportunities in key areas like "big data" analysis, which could yield major improvements to the Commission's speed, performance and efficiency in market surveillance and enforcement efforts.

Technology Solutions for Data Governance, Virtual Currency Oversight and other Mission Priorities

The CFTC ingests sensitive data that is vital to the functioning of the derivatives markets. It is important for the Commission to invest the necessary resources to put in place the right processes, procedures and technology to ensure that such data is appropriately safeguarded and available on a need-only basis. Also, given the rapid expansion of Bitcoin and other virtual currencies within the markets and the CFTC's role as the sole regulator of the futures market for such commodities, the Commission will direct resources to develop/implement the specialized processes and tools required to provide effective oversight. In addition, the Commission plans to maintain and enhance data reporting tools in support of other regulatory priorities such as improving data quality for futures, swaps and emerging areas, and strengthening enforcement, examination and surveillance capabilities.

Additional information contained in Appendix 5 includes a graphical display of the data streams supported and being received by the Commission, along with the registered entities of the Commission.

Cloud Strategy

The Commission has begun a multi-year initiative to invest and integrate important IT infrastructure and mission support systems with cloud computing technology. By doing so, the CFTC will leverage proven technology that offers important benefits (e.g., flexible "pay-as-you-go" costing, multi-device user access, acquisition cost avoidance, etc.) that fully align with the Commission's innovation and efficiency objectives. FY 2019 will be the first full fiscal year that the strategy is operational and the resources within the 2019 budget request will play a key factor in fully achieving this important technology goal.

Technology Management

The resources in this request will facilitate the on-going focus on improving IT project planning, coordination and cost management activities and will optimize and replenish Commission resources (following years of successive inflationary increases) to prevent the potential curtailment of key enforcement, market oversight, and infrastructure IT contracts. The Commission will also be better positioned to continue important technology refresh efforts for priority IT infrastructure. The Commission plans to maintain and enhance data reporting tools in support of important market oversight, surveillance, enforcement, and examination priorities. Technology support will also be directed towards swap data harmonization efforts.

Additional Budgetary Data on Information Technology Resources

The first table below represents the budget request for Information Technology (IT) by budget program. The CFTC considers Salary and Expenses (S&E) and Information Technology (IT) two of its primary PPAs. Indirect Overhead is 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. CFTC allocates indirect overhead to all divisions and offices in this budget presentation based on a per FTE distribution.

The second table displays the budget request for IT resources allocated according to the IT Portfolio. This display of Information Technology resources uses categories and descriptions in accordance with OMB Capital Planning Guidance.

Table 13: Summary of Information Technology Budget by Program and Cost Type

<u>IT Budget by Program</u>	FY 2017	FY 2018	FY 2019
	<u>Actual</u>	<u>Continuing Resolution</u>	<u>President's Budget</u>
Information Technology Services	52,566,728	50,000,000	57,000,000
Information Technology Personnel (S&E)	18,047,421	17,917,200	20,814,120
S&E Operating	3,024,841	2,465,000	3,758,535
S&E Indirect Overhead	<u>4,602,291</u>	<u>4,378,299</u>	<u>5,022,199</u>
Total IT Budget By Program	\$78,241,281	\$74,760,499	\$86,594,854

<u>IT Portfolio by Cost Type</u>	FY 2017	FY 2018	FY 2019
	<u>Actual</u>	<u>Continuing Resolution</u>	<u>President's Budget</u>
Development, Modernization, and Enhancement (DME)	14,811,595	14,070,913	8,753,541
Operations and Maintenance (O&M)	55,746,678	53,846,287	69,060,579
S&E (Non-DME/O&M)	3,080,717	2,465,000	3,758,535
S&E Indirect Overhead	<u>4,602,291</u>	<u>4,378,299</u>	<u>5,022,199</u>
Total IT Portfolio	\$78,241,281	\$74,760,499	\$86,594,854

Columns may not add due to rounding

DEFINITION OF TERMS

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

O&M: Costs related to the operations and maintenance of technology.

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

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

Services: Hardware, software, and contracted data and technology services and contracted labor.

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

Office of the Executive Director

Resource Overview

Table 14: Executive Director Request

	FY 2017 Actual	FY 2018 Continuing Resolution	FY 2019 President's Budget	Change
BUDGET	\$23,395,210	\$24,351,776	\$24,288,396	-\$63,380
FTE	85	86	86	+0

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 Management and Planning, Executive Secretariat (including library operations, records management, privacy, and proceedings), Financial Management (including budget, procurement, travel accounting and risk management), and Human Resources. 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 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 2019 budget request focuses on strengthening the Commission's fiduciary posture by implementing and executing the agency corporate reform strategy introduced in FY 2018. The 2019 budget request recognizes the need to keep overhead costs as low as possible, while making careful investments to continue efficiency, innovation, and effectiveness. To that end, OED 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 support the various CFTC Divisions in compliance with Federal, administrative mandates.

In FY 2018 and FY 2019, the Commission will begin negotiating new leasing requirements as the current leases are set to expire in Kansas City in 2021, and then in Chicago and New York in 2022. While the Commission has focused on streamlining operations, leasing costs have significantly increased in Washington D.C. as a result of local property tax increases that are passed through from the building owner.

The budget request also supports continued operations in financial management, including resources for cross-serviced financial management services with the U.S. Department of Transportation (DOT). DOT informed CFTC to plan for an increase of approximately \$1 million in the cost of the financial system and services in FY 2019, and an additional \$1 million increase should be expected for FY 2020. The Commission also plans to continue to invest resources in evolving its existing risk management framework to provide for a strong risk management structure, which is essential to effective operations and mission delivery.

As part of the Commission's role in complying with Federal standards, the agency will also invest resources to address the OMB Memoranda M-12-18, *Managing Government Records Directive*, and the National Archives and Records Administration requirements for agencies to manage electronically all permanent electronic records by December 31, 2019. The Commission needs to complete the transition of its business processes and systems for managing those records to an electronic model. This transition will mitigate operational and continuity risks that cannot be managed with the current legacy business processes. This investment will also allow the Commission to maintain records for administrative rulemakings in accordance with the Administrative Procedures Act. It will also develop a plan for addressing the configuration changes to bring information systems into compliance with controlled unclassified information (CUI) standards and develop Concept of Operations for a comprehensive electronic process for managing permanent Commission records maintained by the CFTC Secretariat's Office.

The Commission strives to maximize employee performance. It will conduct analyses and develop programs on human capital components as part of the agency reform plan, implement mechanisms that effectively recognize and make distinctions in pay and performance. The design will address issues identified with the current CFTC "CT" pay structure. The system will meet the Administration's goal of making government more accountable and more efficient. The Commission also plans to implement a new learning management system to enhance and refine the way training is managed and conducted across the enterprise, by providing a comprehensive training program to ensure a properly managed workforce that includes technical and supervisory training in accordance with 5 U.S.C. 4121 and Executive Order 13518, Commission-wide cybersecurity training, as well as other mandated training programs. The CFTC plans to introduce certification programs related to the oversight of the financial marketplace, the development of executive and leadership skills, and cybersecurity professionals.

The CFTC has taken an aggressive approach to streamlining operations and will continue to realize efficiencies from action taken in FY 2017 and FY 2018. This approach will better align organizational structures, update the agency's performance management policies, streamline business management functions under a centralized structure in the OED, and implement shared services where feasible.

Office of the Chairman and Commissioners

Resource Overview

Table 15: Chairman and Commissioners Request

	FY 2017 Actual	FY 2018 Continuing Resolution	FY 2019 President's Budget	Change
BUDGET	\$7,414,992	\$8,413,705	\$10,537,869	+\$2,124,164
FTE	25	27	33	+6

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 Affairs, and Minority and Women Inclusion.

The Commissioners

The CFTC consists of five Commissioners, with two positions currently vacant. This budget request assumes a full complement of Commissioners in FY 2019. 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:

J. Christopher Giancarlo, Chairman

J. Christopher “Chris” Giancarlo was unanimously confirmed as Chairman of the CFTC by the U.S. Senate on August 3, 2017. Prior to becoming Chairman, Mr. Giancarlo was designated Acting Chairman on January 20, 2017 and was nominated by President Trump to serve as the Chairman on March 14, 2017 to a term that expires in April 2019. Mr. Giancarlo had served as a CFTC Commissioner since his swearing in on June 16, 2014, after unanimous consent by the U.S. Senate on June 3, 2014. He was nominated by President Obama on August 1, 2013.

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 term expiring in June 2021.

Justification of CFTC Request

The FY 2019 budget request will support the Commission's leadership function, which includes the Offices of the Chairman and the full complement of Commissioners and support staff, as well as Public Affairs, Legislative Affairs, and Minority and Women Inclusion. Six FTE are requested to provide each of the four Commissioners with a staff of four (professional and administrative) to assist in the adequate review and analysis of the increasing number of complex issues presented to the Commission for review and action. The request supports efforts to evaluate mandated reforms and focus on transparency and market integrity. It also provides responsive, articulate products for a variety of domestic and international venues.

In addition, this request includes funding for official reception and representation, as well as 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 at 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 2019 Budget as described below includes the OIG request of \$2,800,000 for estimated direct salary and benefit costs of 9.5 FTE, along with travel, training, and contracted audits (including the required financial statement audit), including an estimated contribution of \$6,160 to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The Budget Request also includes overhead of approximately \$502,509. 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 2019	\$3,302,509	\$2,800,000	\$502,509	20,000	6,160	9.5

Inspector General's FY 2019 Budget Request



U.S. COMMODITY FUTURES TRADING COMMISSION

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Office of the
 Inspector General

December 21, 2017

TO: Chairman J. Christopher Giancarlo
 Commissioner Brian D. Quintenz
 Commissioner Rostin Behnam

FROM: A. Roy Lavik *ARL*
 Inspector General

SUBJECT: FY 2019 OIG Budget

In accordance with the IG Act, I am notifying you of the requested budget for Fiscal Year 2019 to operate my office. OIG activities include audits, investigations, reviews, inspections, and other activities evaluating the operations and programs of the Commission. Such activities assist in improving the economy, efficiency, and effectiveness of operations, as well as in detecting and preventing fraud, waste, and mismanagement. We are requesting \$2.8 million, which equals our FY 2018 request (\$2.8 million), with some shifting of costs. Of this amount, \$20,000 is budgeted for training purposes and will satisfy all training requirements for my Office.

In addition to funding training, travel, contracted audits and services, and all other OIG activities including salaries and benefits, 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 2019. Our intent is to submit an OIG budget request that is solely for funds 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. It is imperative that **CFTC overhead be added to the OIG operating budget** (and not subtracted from it).

Attachment

Attachment for CFTC Inspector General's Budget Request

Direct Costs (\$)	OIG Request
Salaries and Benefits	2,400,000
Travel	52,000
Training	20,000
Contract Audits	215,840
Contract Services	106,000
Subtotal Direct Costs	\$ 2,793,840
CIGIE Contribution (estimate of .22% of total)	6,160
Total Direct OIG Costs	\$ 2,800,000
FTE	9.5
Positions	10

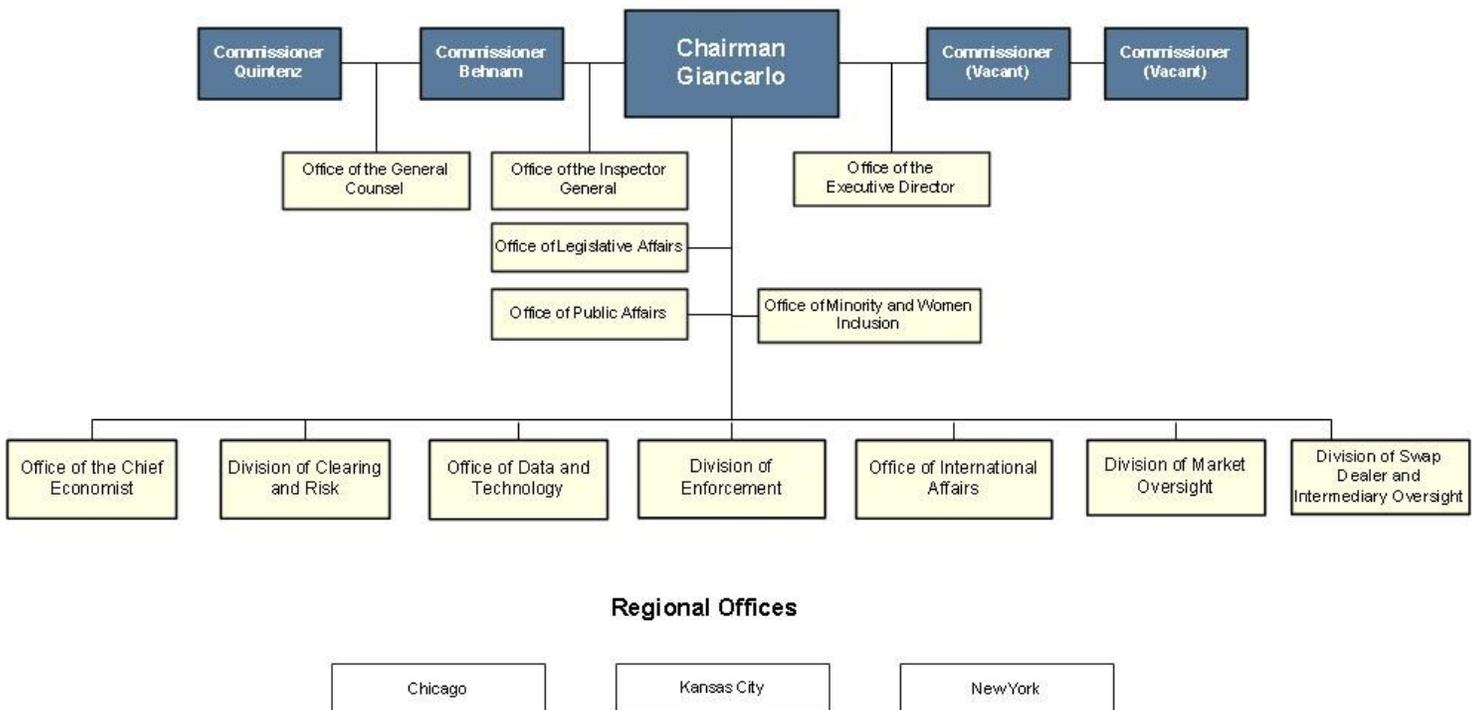
APPENDIX 1

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.

Commodity Futures Trading Commission Organization

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



APPENDIX 2

Administration Proposal on User Fees

Table 17: FY 2019 Budgetary Resources and Obligations by Program Activity

	FY 2019 Request
	<u>\$ (000)</u>
Salaries and Expenses	\$221,197
Office of the Inspector General	3,303
Information Technology	57,000
Total Appropriation	281,500
Offsetting Collections	(31,500)
Net Appropriation	\$250,000

Proposal and Impact

This budget reflects the Administration's intention to propose authorizing legislation to collect user fees of \$31.5 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 2019 would be offset by the collections, so the result is a final total FY 2019 appropriation from the general fund estimated at not more than \$250.0 million. CFTC fees would be designed in a way that supports market access, liquidity, and the efficiency of the Nation's derivatives markets.

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 is appropriate for those participants to at least partially offset or contribute toward the cost of providing those programs. The Administration has proposed a user fee for the CFTC for most of the past 10 years.

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 also allow the CFTC to build upon its knowledge of the increasingly complex futures markets.

APPENDIX 3

CFTC Facility Leasing

CFTC maintains a facility lease portfolio that includes four locations: the Washington DC Headquarters office, and three regional offices in New York, Chicago, and Kansas City. 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^{14 15} by Location¹⁶

Table 18: Leasing Expirations and Estimated Leasing Costs by Location

	Lease Expiration	FY 2017 Actual (\$000)	FY 2018 Estimate (\$000)	FY 2019 Estimate (\$000)
Washington, DC	FY 2025	\$17,377	\$18,324	\$18,528
Chicago	FY 2022	2,423	2,548	2,583
New York	FY 2022	2,516	2,653	2,689
Kansas City	FY 2021	583	798	426
COOP Site		149	105	166
Total		\$23,047	\$24,428	\$24,392

Columns may not add due to rounding

The Commission entered into a memorandum of understanding with the U.S. General Services Administration (GSA) in November of 2016, and established a relationship for collaborating on the development of a comprehensive real estate portfolio strategy that addresses CFTC's current leasehold interests and its future leasing needs. Based on the long-lead time for facility planning requirements, the CFTC will begin coordination with GSA on requirements for a replacement lease for the Kansas City location during FY 2018, followed by requirements development in FY 2019 for both the New York and Chicago locations. CFTC will continue to manage its existing leases until the new leases are arranged through GSA.

¹⁴ These estimates are included in Table 3, *FY 2019 Budget Request by Object Class*, on Page 8. The estimated costs include a proportionate share of building operating costs (taxes, utilities, and maintenance) incurred by the landlord, which may not be billed for two years past the fiscal year reported.

¹⁵ The actual and estimate columns of the leasing portfolio exclude the overhead distribution that are reflected in other charts in this budget presentation.

¹⁶ In November 2017, the CFTC accepted an offer that required a one-time payment of \$360,000 to its landlord to cover a termination fee in order to release the sixth floor of its Kansas City Office. The CFTC vacated the space in December 2017. The release of this space will result in an estimated net, cumulative savings of \$330,000 over the remaining term of the lease.

APPENDIX 4

Statement of Availability on Basis of Obligations

Table 19: Summary of FY 2017 to 2019 Statement of Availability on Basis of Obligations

	FY 2017 Actual \$ (000)	FY 2018 Estimate ¹⁷ \$ (000)	FY 2019 Estimate \$ (000)
New Appropriations	\$250,000	\$250,000	\$281,500
2018 CR Rescission		(\$1,698)	
Net Appropriations	\$250,000	\$248,302	\$281,500
Carryover from Prior Year	685	85	200
Recoveries of Prior Year Obligations	2,144	2,000	826
Total Available	252,829	250,387	282,526
Obligations	232,309	227,482	259,250
Lease-Related Amount Transferred to No-Year Account (amount reduces negative lease obligation) ¹⁸	19,599	22,305	22,676
Balance Available	921	600	600
Lapsing Appropriations	(836)	(600)	
Total Available or Estimate	\$85	\$0	

¹⁷ FY 2018 Continuing Resolution: Annualized estimates provided in the Continuing Appropriations Act, 2018 (Division D of Public Law 115-56), as amended. CFTC's FY 2018 CR appropriation amount of \$250,000,000 was subject to a 0.6791 percent across-the-board reduction (\$1,697,250), as required by Section 101(b) of P.L. 115-56, resulting in net budget authority of \$248,302,250.

¹⁸ 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. These charges are estimated at \$3.448 million in FY 2017; \$2.123 million for FY 2018; and for \$1.716 million for FY 2019. If the building cost overages are added to the lease-related amounts, the total leases costs are: \$23.047 million in FY 2017; \$24.428 million for FY 2018; and \$24.392 million for FY 2019.

APPENDIX 5

The Commission and the Industry It Regulates

The mission of the CFTC is to foster open, transparent, competitive, and financially sound markets; to avoid systemic risk; and to protect market users and their funds, consumers, and the public from fraud, manipulation, and abusive practices related to derivatives and other products that are subject to the CEA. As a key mechanism for performing these 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, MSPs 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 these new requirements for market participants. As the CFTC seeks to strengthen the regulatory framework for both FCMs and swap dealers, the Commission will continue to work closely with the NFA 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 20. 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 20 as "NFA/CFTC" or "designated self-regulatory organizations (DSRO)/CFTC", or "self-regulatory organizations" (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 examinations 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 20 as "CFTC/DCO Regulator or Federal Reserve." For SIDCOs, the CFTC shares regulatory authority with the Federal Reserve. For exempt DCOs, the CFTC share 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 which 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: Matrix of 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		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		NFA	N/A	NFA/CFTC	NFA	NFA/CFTC	CFTC
Floor Broker		NFA	N/A	CFTC	N/A	SRO/CFTC	CFTC
Floor Trader		NFA	N/A	CFTC	N/A	SRO/CFTC	CFTC
Associated Person (Sales)		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 are similarly impacted by these drivers and as such, their number will fluctuate over time. The FY 2017 actuals are provided below.

Table 21: Number of Regulated Entities/Registrants

Entity	Acronym	FY 2017 Actual
Trading Entities		
Designated Contract Market	DCM	15
Foreign Board of Trade¹⁹	FBOT	17
Swap Execution Facility	SEF	25
Clearing Entities		
Derivatives Clearing Organization²⁰	DCO	16
Exempt Derivatives Clearing Organization	Exempt DCO	4
Systemically Important DCO	SIDCO	2
Data Repositories		
Swap Data Repository²¹	SDR	4
Registrants ²² —Intermediaries		
Futures Commission Merchant²³	FCM	62
Major Swap Participant	MSP	0
Retail Foreign Exchange Dealer	RFED	2
Swap Dealer		100
Registrants—Managed Funds		
Commodity Pool Operator	CPO	1,628
Commodity Trading Advisor	CTA	2,189
Other Registrants		
Associated Person		51,837
Introducing Broker		1,252
Floor Broker		3,134
Floor Trader		570

¹⁹ 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. Seven FBOTs are operating under no-action letters until the Commission registers them.

²⁰ The number of DCOs includes the two SIDCOs.

²¹ The four SDRs are provisionally registered with the CFTC.

²² 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.

²³ 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 Traded²⁴

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 workload also increases, since the CFTC has to conduct trade practice and market surveillance for a larger number of transactions.

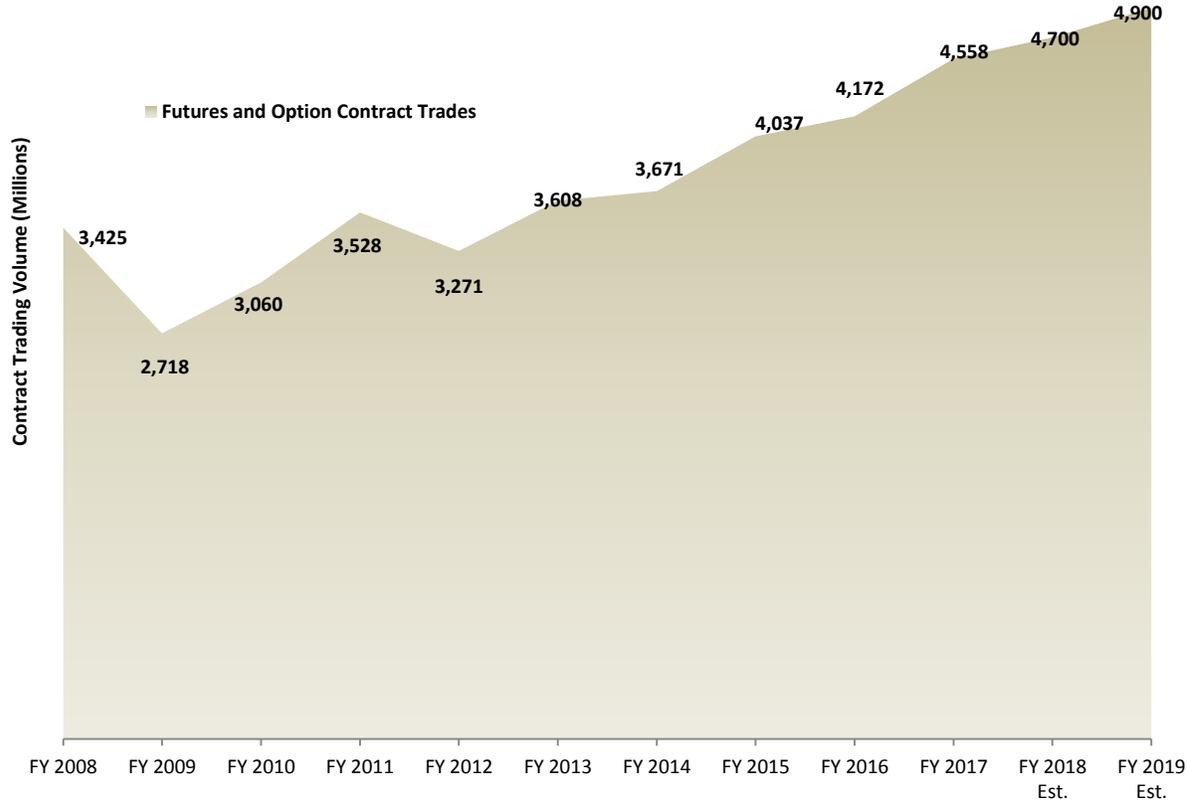


Figure 1: Growth of Volume of Contracts Traded

²⁴ Data Source: Futures Industry Association, CFTC estimates.

Volume of Swaps Traded on Swap Execution Facilities²⁵

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, and foreign exchange products traded on SEFs. As the volume of swaps traded on SEFs increases, CFTC workload increases, due to the increase in data to ingest and process, which results in additional trade practice and market surveillance activities over a larger number of transactions.

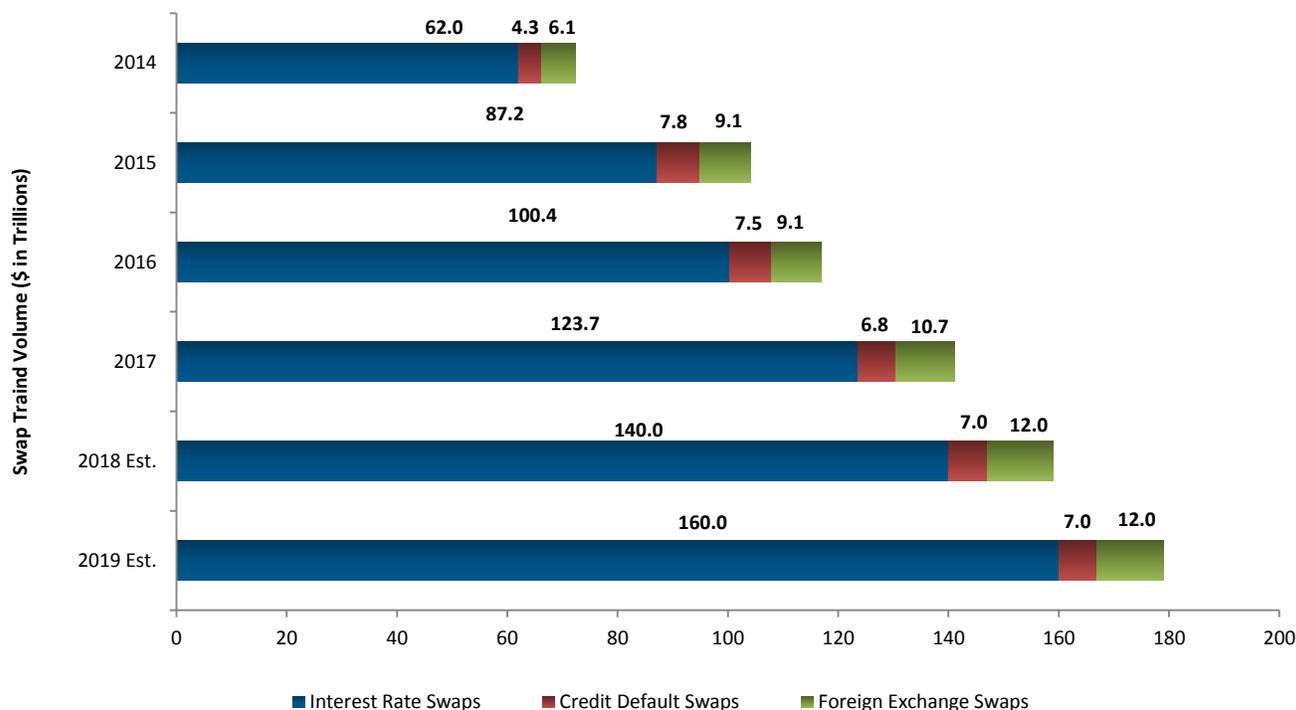


Figure 2: Volume of Swaps Traded on Swap Execution Facilities

²⁵ Data Source: Futures Industry Association, CFTC estimates.

Swap Volume Reported to Swap Data Repositories, Cleared versus Uncleared²⁶

Based on data reported to SDRs, as shown in the chart below, 84 percent of total interest rate swap transactions in FY 2017 were cleared. This is compared to estimates by the International Swaps and Derivatives Association (ISDA) that only 16 percent by notional value, of outstanding interest rate swaps were cleared in December 2007. With regard to index credit default swaps, 83 percent of transactions were cleared in FY 2017.

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.)

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

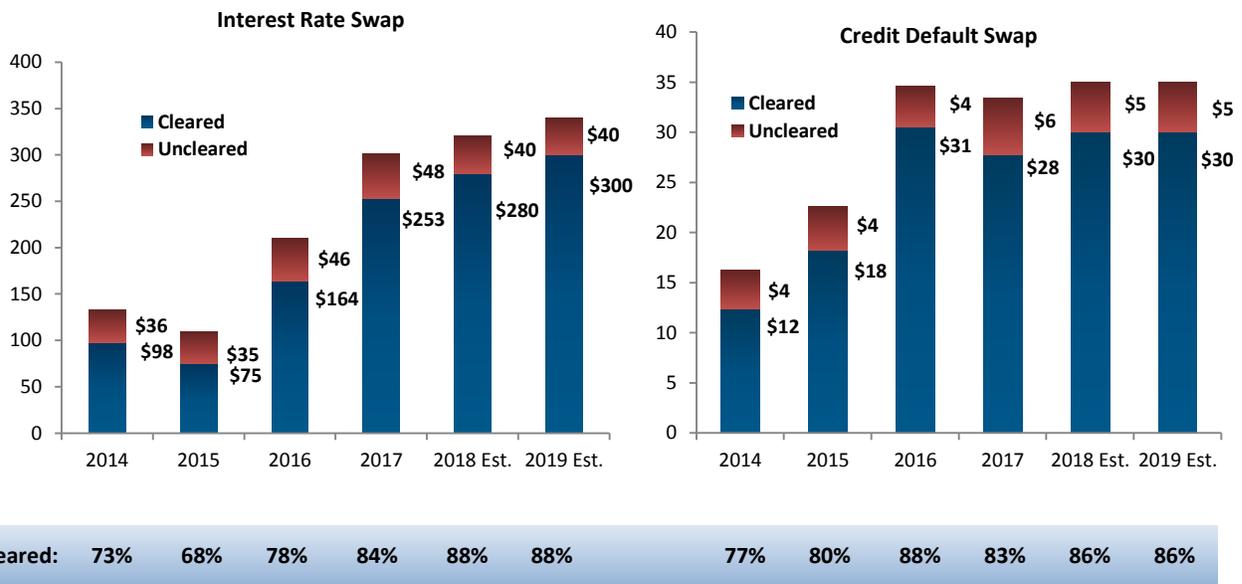


Figure 3: Swaps Volume, Cleared vs. Uncleared

²⁶ Data Source: CFTC Weekly Swaps Report located at <http://www.cftc.gov/MarketReports/SwapsReports/index.htm>.

Actively Traded Futures and Option Contracts²⁷

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 more than doubled in the last 10 years. 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.

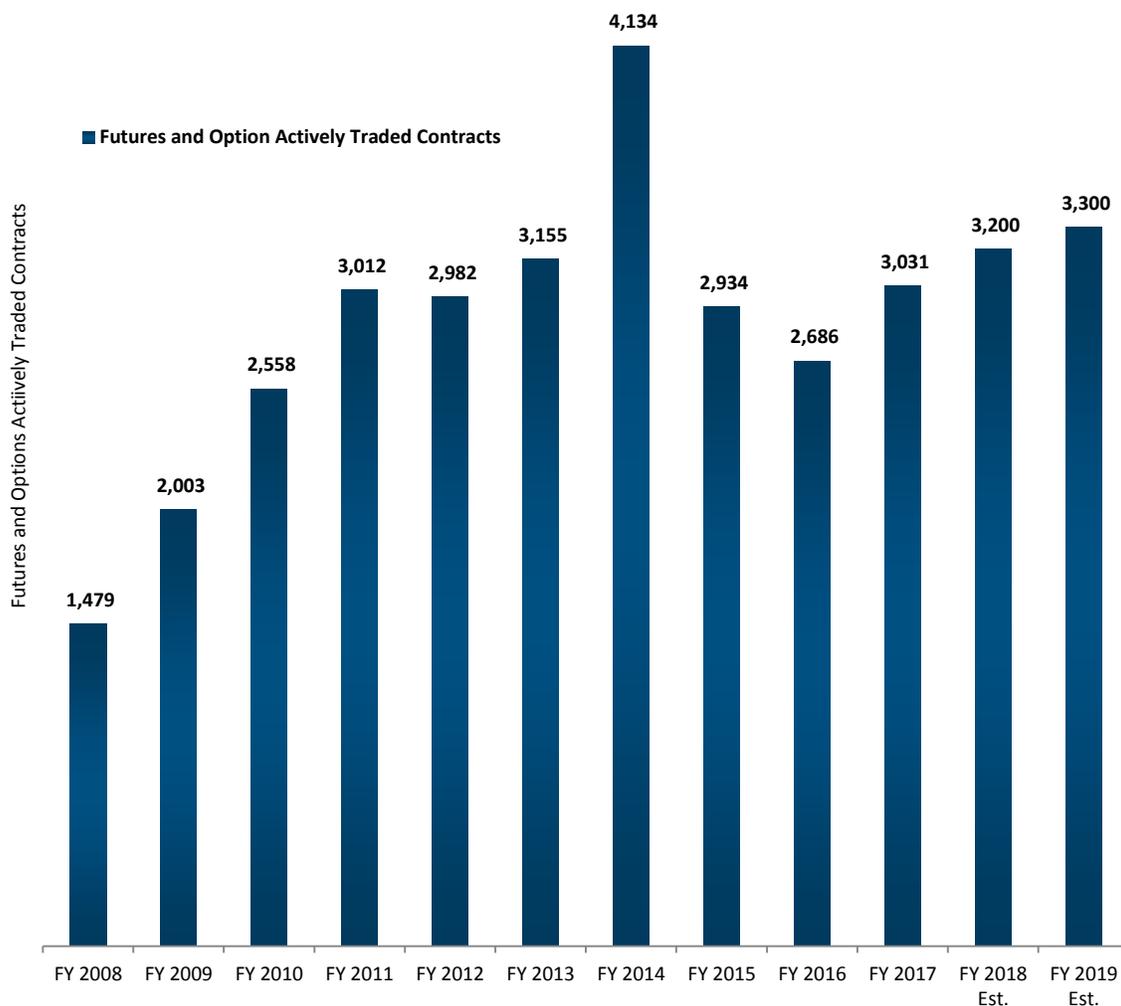


Figure 4: Number of Actively Traded Futures and Option Contracts

²⁷ Data Source: CFTC Integrated Surveillance System, CFTC Estimates

Notional Value of Futures and Swaps Contracts²⁸

The notional value of the U.S. swaps markets, as reported in the CFTC weekly swaps report, is a significant portion of the global OTC market. U.S. swaps market data currently includes data from four SDRs and reflects data relating to interest rates and credit default swaps. The Commission expects to include additional SDRs and asset classes in the future.

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.

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 in a more useable form so that it can be used for economic analyses and to conduct market surveillance.

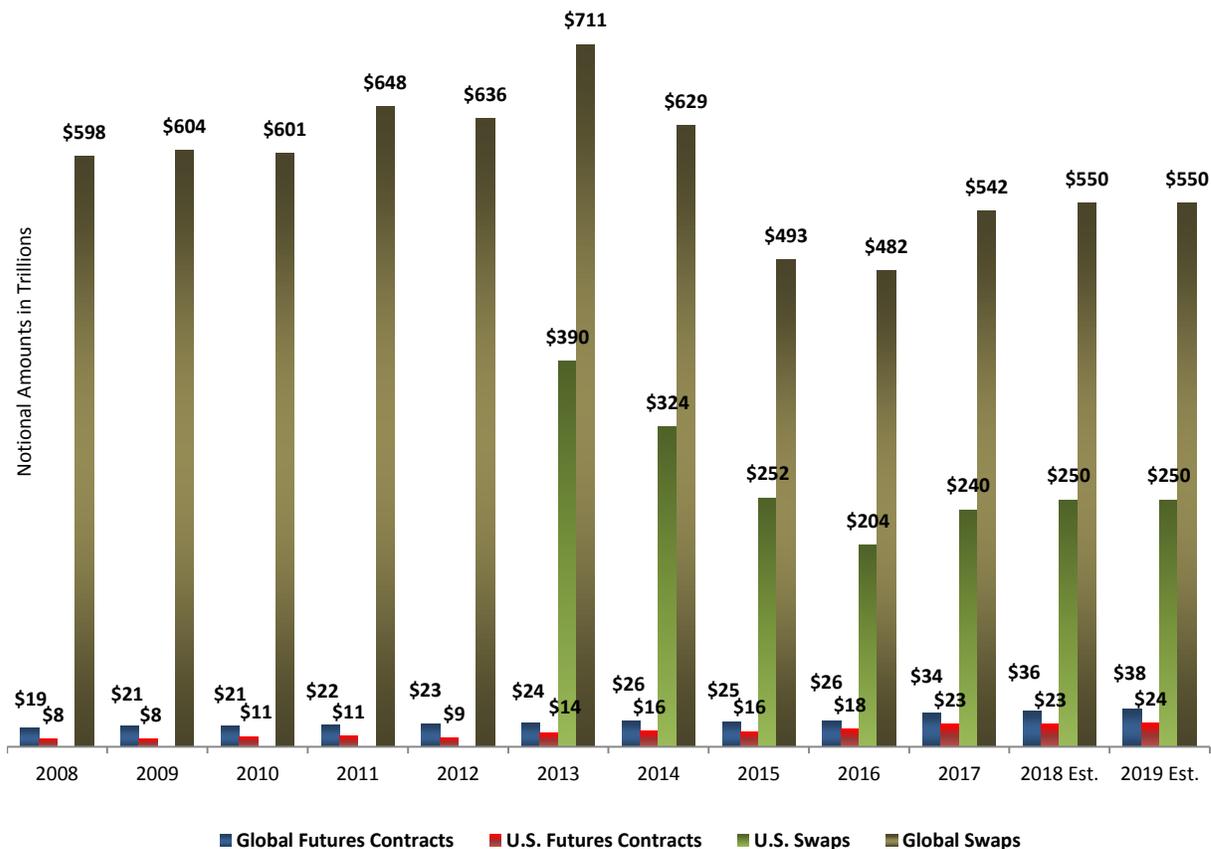


Figure 5: Notional Value of Global and U.S. Swaps and Futures Contracts

²⁸ Source data: Global Swaps reflect interest rate and foreign exchange contracts globally, as reported by the Bank of International Settlements. U.S. Swaps reflect interest rate and credit default contracts reported from four SDRs as reported by the CFTC Weekly Swaps Report. The U.S. swaps estimate is based on December 2017 numbers and global swaps estimates are based on June 2017 numbers. U.S futures contracts reflect statistics from the Bank of International Settlements. Global futures contracts reflect interest rate and foreign exchange contracts globally, as report by the Bank of International Settlements.

Customer Funds in Futures Commission Merchants Accounts²⁹

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.

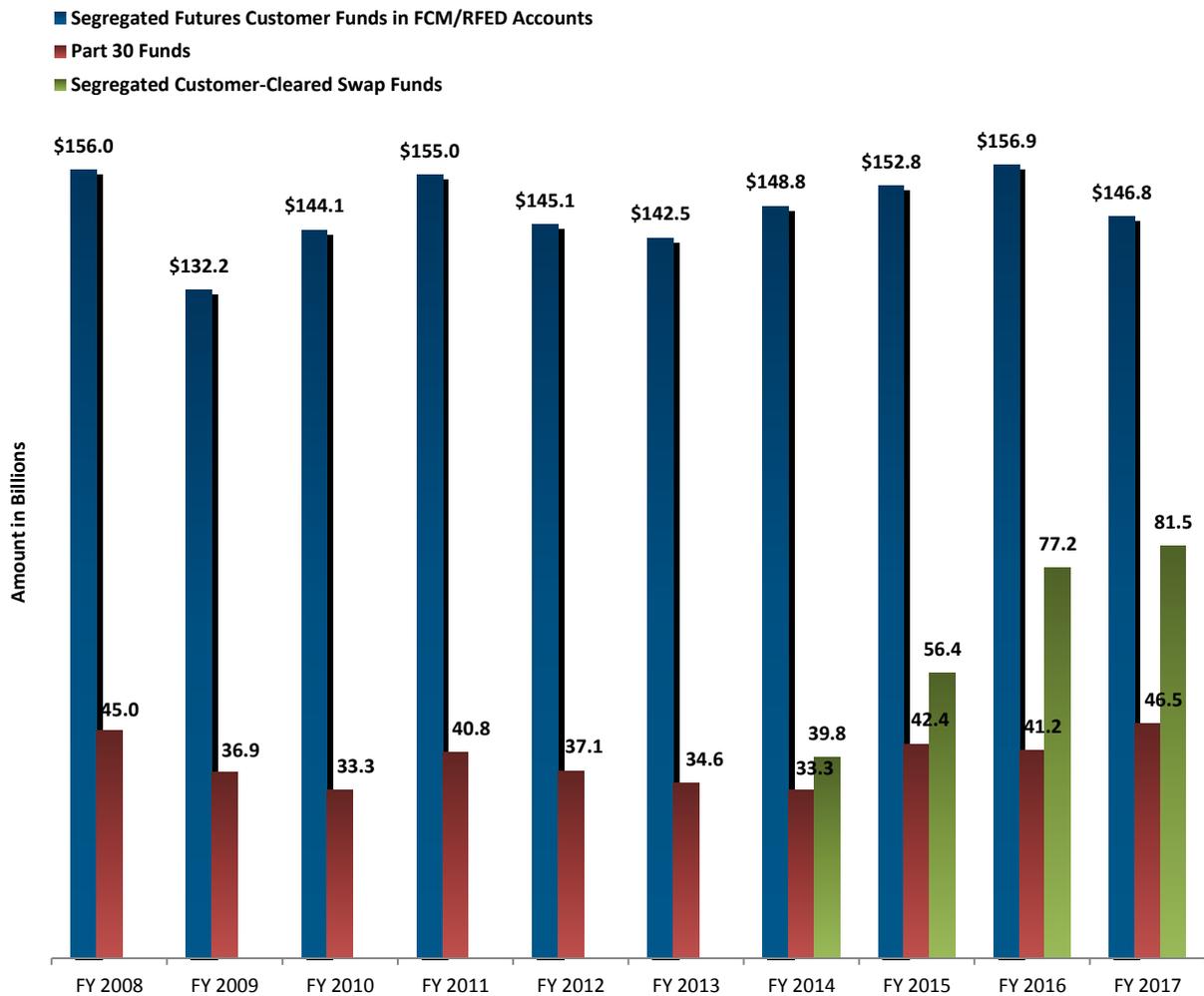


Figure 6: Customer Funds in FCM Accounts

²⁹ Data Source: CFTC Monthly, FCMs Financial Reporting

Margin Requirements³⁰

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 \$86 billion, or 38 percent from FY 2014 to FY 2017. Clearing of swaps has been growing more rapidly than futures due primarily to the FY 2013 swap clearing requirement. Total margin for cleared swaps alone increased \$72 billion or 67 percent from FY 2014 to FY 2017. 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 \$59 billion or 151 percent from FY 2014 to FY 2017.

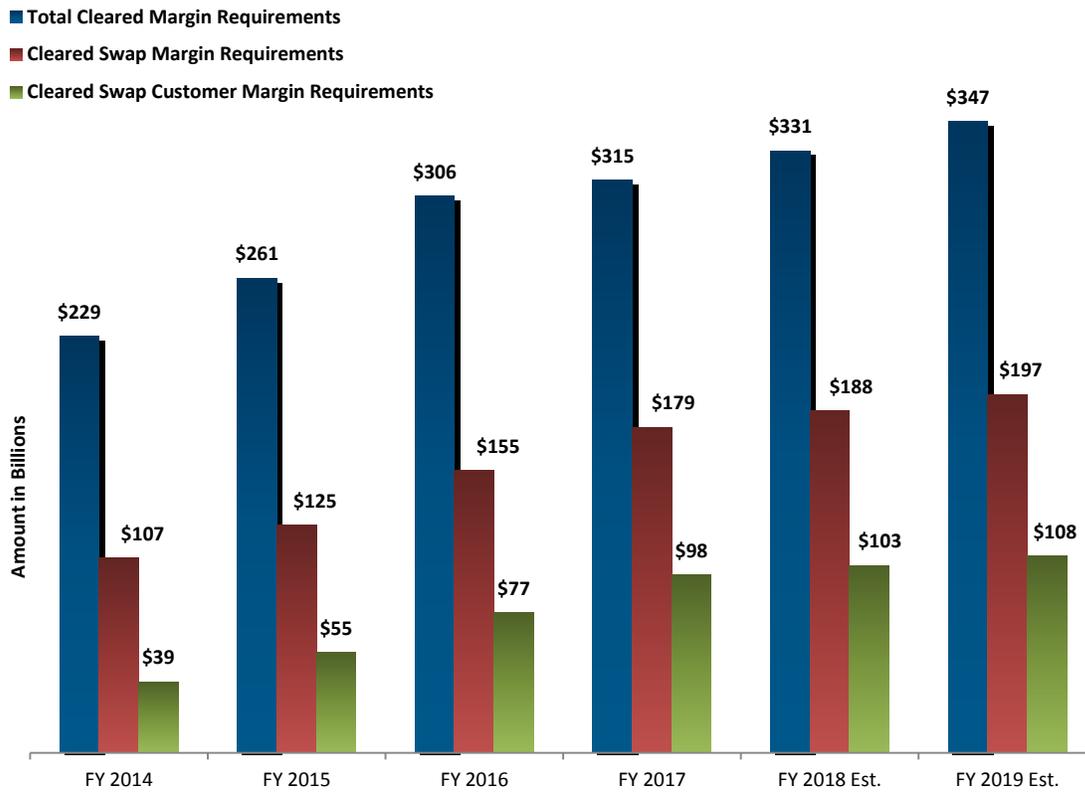


Figure 7: Margin Requirements

³⁰ Data Source: Part 39 data filings provided daily by DCOs.

Data Streams Supported and Being Received³¹

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 113 types of files) will rise as the Commission accommodates virtual currencies, starting with the Bitcoin markets, and improve reporting from SDRs.

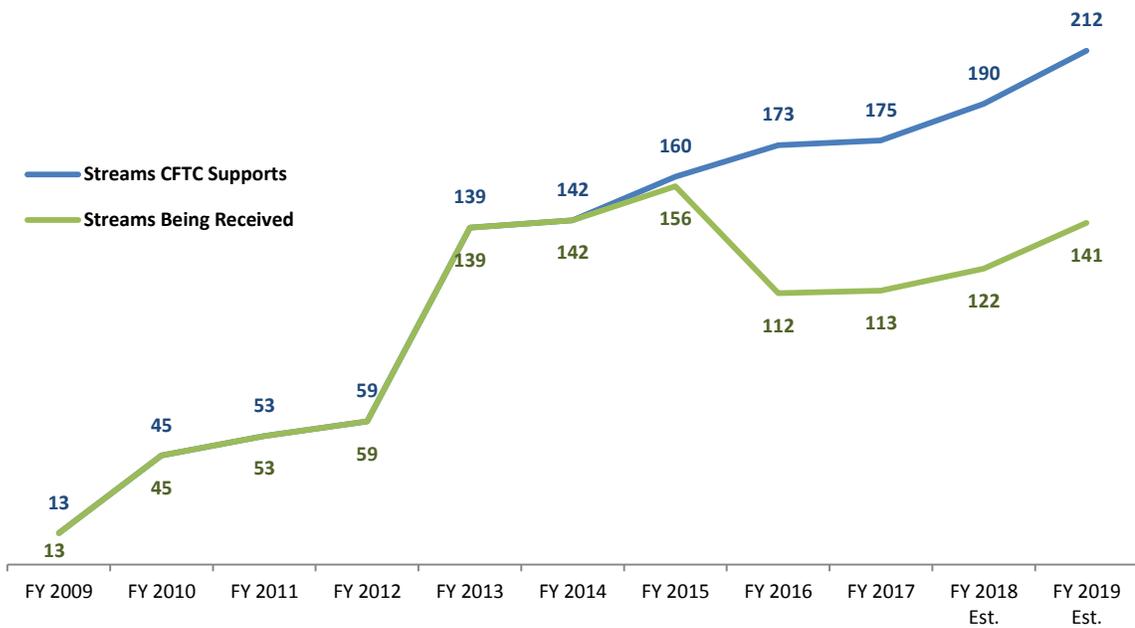


Figure 8: CFTC-Supported Data Streams Received from Industry

³¹ 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 2017, 25 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.

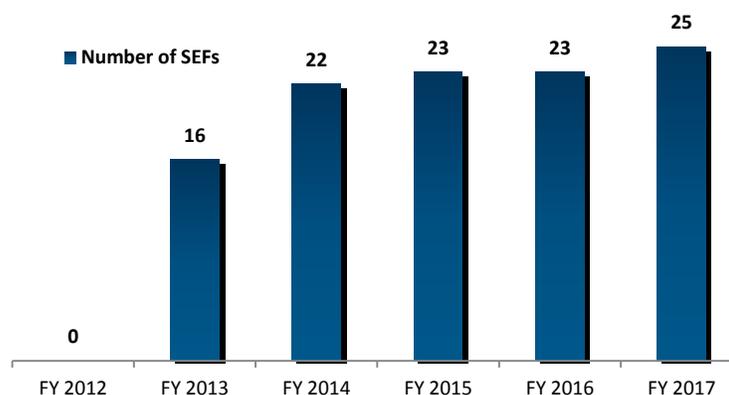


Figure 9: Number of Swap Execution Facilities Registered with the CFTC

Table 22: FY 2017 Swap Execution Facilities

1	360 Trading Networks, Inc.	14	LatAm SEF, LLC
2	BGC Derivatives Markets, L.P.	15	Ledger X SEF
3	Bloomberg SEF LLC	16	MarketAxess SEF Corporation
4	Cboe SEF LLC	17	NEX SEF Limited
5	Chicago Mercantile Exchange, Inc.	18	Seed SEF LLC
6	Clear Markets North America	19	SwapExLLC
7	DW SEF LLC	20	TeraExchange, LLC
8	FTSEF LLC	21	Thomson Reuters (SEF) LLC
9	GFI Swaps Exchange LLC	22	tpSEF Inc.
10	GTX SEF LLC	23	Tradition SEF, Inc.
11	ICAP Global Derivatives Limited	24	trueEX LLC
12	ICAP SEF (US) LLC ³²	25	TW SEF LLC
13	ICE Swap Trade LLC		

³² The business of ICAP SEF (US) LLC was transitioned to tpSEF, effective 10/30/2018. As of that date, ICAP SEF (US) LLC ceased executing trades as a SEF.

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 oversight 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.

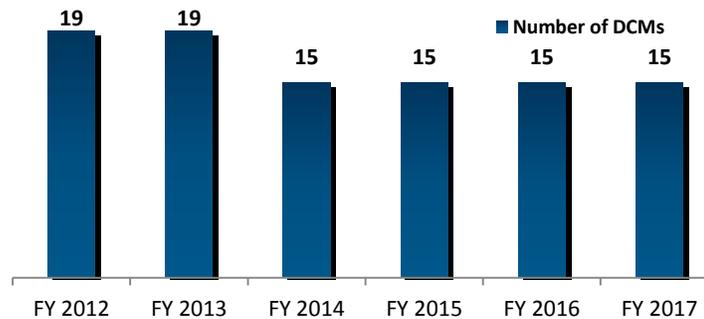


Figure 10: Number of Contract Markets Designated by the CFTC

Table 23: FY 2017 Designated Contract Markets

1	Cantor Futures Exchange, L.P.	9	Minneapolis Grain Exchange, Inc.
2	Board of Trade of the City of Chicago	10	North American Derivatives Exchange, Inc. ³³
3	CBOE Futures Exchange, Inc.	11	NASDAQ OMX Futures Exchange, Inc. ³⁴
4	Chicago Mercantile Exchange, L.P.	12	New York Mercantile Exchange, Inc.
5	Commodity Exchange Inc.	13	Nodal Exchange, LLC
6	ELX Futures, L.P. ³⁵	14	OneChicago LLC Futures Exchange
7	Eris Exchange, LLC	15	trueEx LLC
8	ICE Futures US, Inc. ³⁶		

³³ Formerly, HedgeStreet, Inc.

³⁴ Formerly, Philadelphia Board of Trade

³⁵ Dormant as of 7/1/2017

³⁶ Formerly, New York Board of Trade

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 2017, 16 DCOs were registered with the CFTC. The Commission is currently processing one application for DCO registration and expects to receive one or two more applications in FY 2018. These numbers do not include foreign clearinghouses that have expressed an interest in receiving from the Commission an exemption from DCO registration. Any clearinghouse that receives such an exemption would still be subject to limited oversight by the Commission.

The number of DCOs registered with the CFTC is on the rise due to 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 swaps clearing requirements, 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 is rising also due to the increasing interest in clearing products related to virtual currencies. In FY 2017, the CFTC registered the first DCO devoted solely to clearing options on Bitcoin. The CFTC expects to receive additional applications from other entities that wish to clear other Bitcoin products or products related to other virtual currencies, such as Ethereum.

Two existing DCOs have started clearing futures contracts on Bitcoin indices. 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 risk management portion of the examination program to include this new analysis.

Finally, as cybersecurity incidents increase in the financial market sector, the Commission must spend more time analyzing these incidents, updating the information security portion of the examination program, and assessing DCOs' compliance with Commission regulations, which incorporate best practices established by industry groups, such as NIST.

As the number of DCOs increase, so does the number of quarterly financial resource reports, certified financial statements, chief compliance officer reports, and other event-driven notifications that are filed 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 will be examined. All of these activities require staff attention to monitor and analyze.

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.

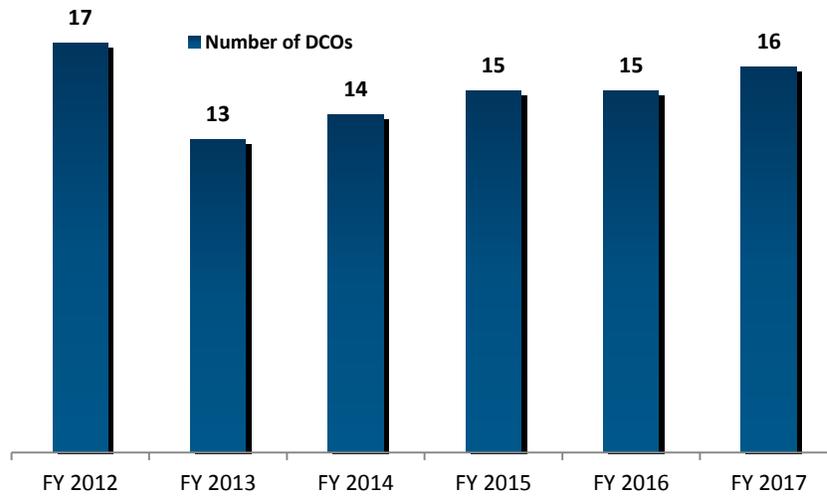


Figure 11: Number of Derivatives Clearing Organizations Registered with the CFTC

Table 24: FY 2017 Derivatives Clearing Organizations Registered with the CFTC

1	Cantor Clearinghouse L.P.	9	LCH, Clearnet SA
2	Chicago Mercantile Exchange , Inc.	10	LedgerX LLC
3	Eurex Clearing AG	11	Minneapolis Grain Exchange Inc.
4	ICE Clear Credit, LLC	12	Natural Gas Exchange Inc.
5	ICE Clear Europe Ltd	13	Nodal Clear, LLC
6	ICE Clear US, Inc. ³⁷	14	North American Derivatives Exchange, Inc. ³⁸
7	LCH, Clearnet LLC ³⁹	15	Options Clearing Corporation
8	LCH, Ltd	16	Singapore Exchange Derivatives Clearing

³⁷ Formerly, New York Clearing Corporation

³⁸ Formerly, HedgeStreet, Inc.

³⁹ Formerly, International Derivatives Clearinghouse LLC

Systemically Important Derivatives Clearing Organizations⁴⁰

A SIDCO is a DCO that is designated as a systemically important financial market utility. Systemic importance is defined to address a situation where the failure of or disruption to the functioning of the financial market utility 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 system⁴¹. The FSOC was granted the authority under Title VIII of the Dodd-Frank Act to designate those financial market utilities that are systemically important.

In 2012, the FSOC made the determination that two DCOs listed below meet the designation criteria under Section 804 of the Dodd-Frank Act. Under Title VIII, the Supervisory Agency is the Federal agency that has primary jurisdiction over the designated financial market utility (DFMU), and the CFTC is the Supervisory Agency for the two SIDCOs listed in the table below:

Table 25: FY 2017 Systemically Important Derivatives Clearing Organizations

- | | |
|----------|--|
| 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 Agency⁴².

In December 2016, the CFTC reviewed DFMU's rules related to recovery and wind-down plans of the SIDCOs listed below. The CFTC has developed an examination program to measure compliance with CFTC Regulation 39.39 and has measured compliance with the regulation during an examination for one of the entities and will be measuring compliance with the regulation for the other entity in the first quarter of 2018.

In September 2016, the Commission enhanced its regulations associated with cyber resiliency with Regulation 39.18. As a result, there are explicit requirements regarding internal penetration testing, external penetration testing, vulnerability scanning, controls testing, enterprise risk technology assessment, and the testing of the security incident response plan. The CFTC must develop written examination programs to access and measure compliance with the enhanced regulation. The enhanced regulations became effective in September 2017. The CFTC plans to assess compliance with the enhanced regulation for all SIDCOs in 2018.

⁴⁰ 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).

⁴¹ See Section 803(9) of the Dodd-Frank Act.

⁴² 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. As of mid-FY 2018, the Commission has two pending petitions for exemption.

Exempt DCOs are required to submit on a quarterly basis volume and open interest by asset class for U.S. based FCMs. On an annual basis, the home country regulator for each exempt DCO must submit information indicating if the exempt DCO is in compliance with the principles for financial market infrastructures.

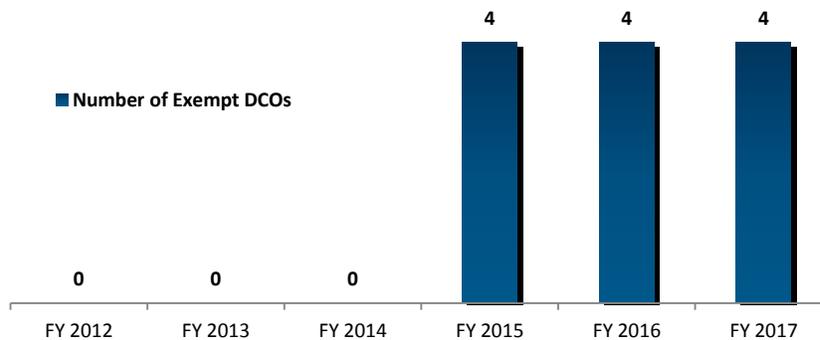


Figure 12: Number of Systemically Important Derivatives Clearing Organizations

Table 26: FY 2017 Exempt Derivatives Clearing Organizations

- 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 2017, 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 over the past 10 years 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.

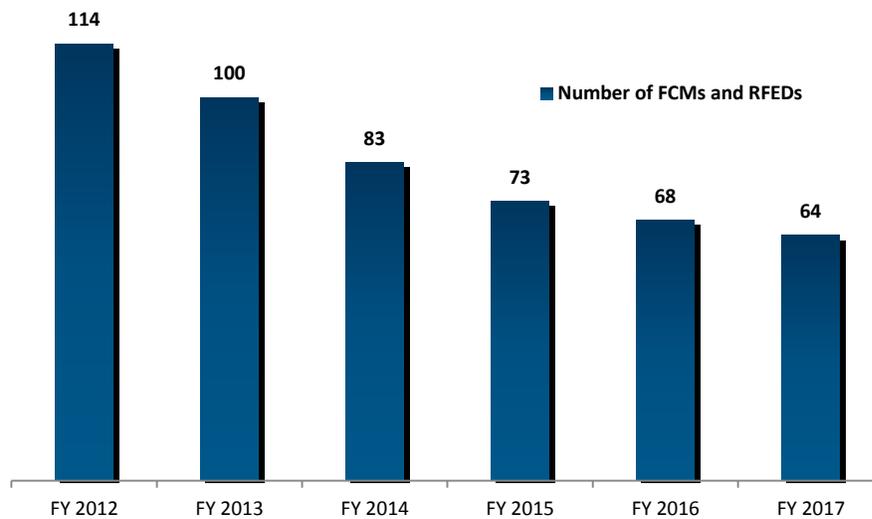


Figure 13: Number of Futures Commission Merchants and Retail Foreign Exchange Dealers Registered with the CFTC

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

Table 27: FY 2017 Futures Commission Marchants and Retail Foreign Exchange Dealers

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

⁴³ GAIN Capital Group, LLC is an FCM that is also registered as an RFED.

⁴⁴ 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.

The *de minimis* registration threshold will automatically decrease to \$3 billion on December 31, 2019 absent further action by the Commission. Commission staff are assessing swap data received through the SDRs and other information to explore possible recommendations for amending the *de minimis* threshold and the Commission expects to consider the recommendations in FY 2018.

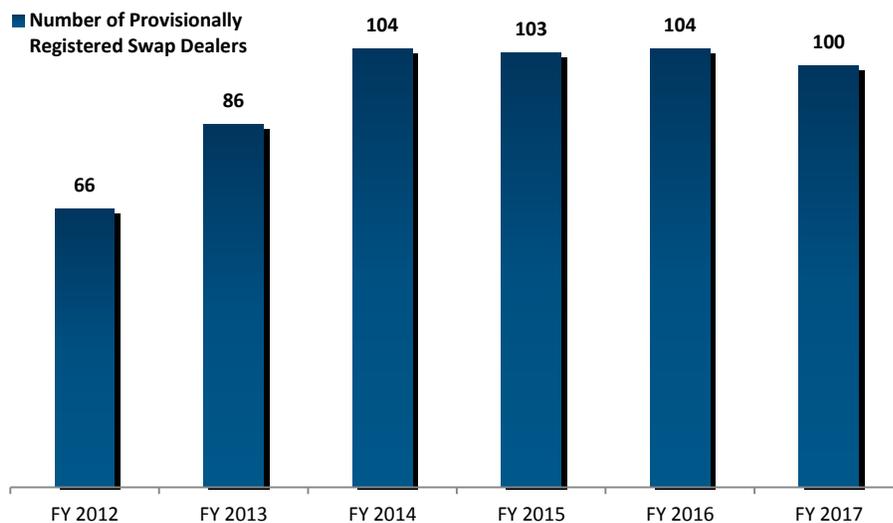


Figure 14: Number of Swap Dealers Provisionally Registered with the CFTC

The next page contains a listing of Swap Dealers by name.

Table 28: FY 2017 Swap Dealers

1	Abbey National Treasury Services PLC	35	Goldman Sachs Bank USA	69	Morgan Stanley Bank International Limited
2	Australia and New Zealand Banking Group Ltd	36	Goldman Sachs Financial Markets LP	70	Morgan Stanley Bank NA
3	Banco Bilbao Vizcaya Argentaria SA	37	Goldman Sachs Financial Markets Pty Ltd	71	Morgan Stanley Capital Group Inc.
4	Banco Santander SA	38	Goldman Sachs International	72	Morgan Stanley Capital Products LLC
5	Bank of America Merrill Lynch International DAC	39	Goldman Sachs Japan Co Ltd	73	Morgan Stanley Capital Services LLC
6	Bank of America NA	40	Goldman Sachs Mexico Casa De Bolsa SA De Cv	74	Morgan Stanley Mexico Casa De Bolsa Sa De Cv
7	Bank of Montreal	41	Goldman Sachs Mitsui Marine Derivative Products LP	75	Morgan Stanley Mufg Securities Co Ltd
8	Bank of New York Mellon, The	42	Goldman Sachs Paris Inc.Et Cie	76	MUFG Securities Emea PLC
9	Bank of Nova Scotia, The	43	HSBC Bank PLC	77	National Australia Bank Limited
10	Bank of Tokyo Mitsubishi UFJ Ltd, The	44	HSBC Bank USA NA	78	Natixis
11	Barclays Bank PLC	45	ICBC Standard Bank PLC	79	Nomura Derivative Products Inc.
12	BNP Paribas SA	46	ING Capital Markets LLC	80	Nomura Global Financial Products Inc.
13	BP Energy Company	47	Intesa Sanpaolo SPA	81	Nomura International PLC
14	BTIG LLC	48	Intl FCStone Markets LLC	82	Northern Trust Company, The
15	Canadian Imperial Bank of Commerce	49	J Aron & Company LLC	83	PNC Bank National Association
16	Cantor Fitzgerald Securities	50	J Aron & Company Singapore Pte	84	RJ O'Brien Associates LLC
17	Cargill Incorporated	51	JB Drax Honore Uk Ltd	85	Royal Bank of Canada
18	Citadel Securities Swap Dealer LLC	52	Jefferies Financial Products LLC	86	Royal Bank of Scotland PLC, The
19	Citibank N A	53	Jefferies Financial Services Inc.	87	Shell Trading Risk Management LLC
20	Citigroup Energy Inc.	54	JP Morgan Securities LLC	88	Skandinaviska Enskilda Banken Ab Publ
21	Citigroup Global Markets Inc.	55	JP Morgan Securities PLC	89	SMBC Capital Markets Inc.
22	Citigroup Global Markets Limited	56	JP Morgan Ventures Energy Corporation	90	Societe Generale International Limited
23	Commerzbank AG	57	JPMorgan Chase Bank National Association	91	Societe Generale S A
24	Commonwealth Bank of Australia	58	Keybank National Association	92	Standard Chartered Bank
25	Credit Agricole Corporate and Investment Bank	59	Lloyds Bank PLC	93	State Street Bank and Trust Company
26	Credit Suisse Capital LLC	60	Macquarie Bank Limited	94	Suntrust Bank
27	Credit Suisse International	61	Macquarie Energy LLC	95	Toronto Dominion Bank, The
28	Credit Suisse Securities Europe Limited	62	Merrill Lynch Capital Services Inc.	96	UBS AG
29	Danske Bank AS	63	Merrill Lynch Commodities Inc.	97	Unicredit Bank AG
30	Deutsche Bank AG	64	Merrill Lynch International	98	US Bank NA
31	ED&F Man Capital Markets Limited	65	Merrill Lynch Japan Securities Co Ltd	99	Wells Fargo Bank NA
32	Fifth Third Bank	66	Mizuho Capital Markets LLC	100	Westpac Banking Corporation
33	Gain GTX LLC	67	Morgan Stanley & Co International PLC		
34	Goldman Sachs & Co LLC	68	Morgan Stanley & Co LLC		

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, governing registration and regulation of SDRs and establishing registration requirements and core duties and responsibilities for SDRs. The Commission, in turn, has promulgated the Part 49 regulations implementing Section 21. SDRs are required to register with the Commission and comply with rules promulgated by the CFTC. These rules include requirements for public reporting of swap transaction and pricing data and for providing swap data to the Commission.

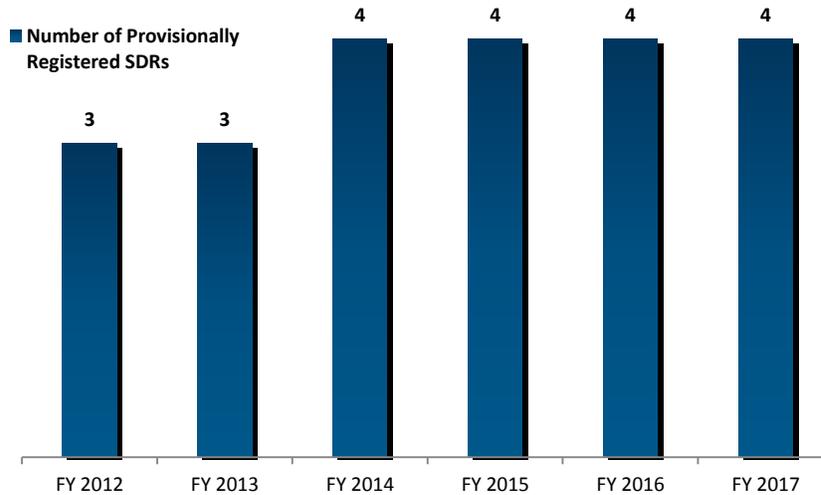


Figure 15: Number of Provisionally Registered Swap Data Repositories

Table 29: FY 2017 Swap Data Repositories

- 1 BSDR LLC
- 2 Chicago Mercantile Exchange
- 3 DTCC Data Repository, LLC
- 4 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 four essential functions:

- Process Whistleblower Submissions. WBO receives, tracks, and handles whistleblower submissions and inquiries.
- 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.
- Inform Market Participants. WBO engages with the public on several fronts in an effort to make potential whistleblowers aware of the program’s existence and benefits. WBO’s website, www.whistleblower.gov, serves as a one-stop-shop for information about the Whistleblower Program and affords a convenient way for the public to submit whistleblower tips and award applications. WBO staff also attend conferences and other industry gatherings to reach traders as well as hedgers, farmers, ranchers, producers, and commercial end users. WBO seeks to inform and tailor its outreach efforts by leveraging market data the CFTC collects.
- 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.

In FY 2016, the CFTC issued two orders granting awards to whistleblowers for providing valuable information about violations of the CEA—one for more than \$10 million and another for approximately \$50,000. While the notice-and-comment process on amended Whistleblower Rules progressed to its conclusion in FY 2017, the processing of whistleblower award applications was on hold. No awards were paid in FY 2017.

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 2019, the Commission will continue to increase its communications with market participants and voluntary whistleblowers about the protections and incentives under the Whistleblower Program.

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 will serve 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. OCEO will use in-person and online events, social media, and other forms of digital engagement to inform customers and identify emerging issues or learning needs.

The Commission also plans an alliance-based outreach strategy utilizing partnerships with Federal and state agencies as well as nonprofit and industry groups. Its first major anti-fraud initiative, "CFTC SmartCheckSM," is now in its fourth year and will provide customers and educators with new tools and resources to combat investment fraud. In addition, OCEO will provide new and engaging educational content for CFTC.gov and contribute 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.

OCEO, in coordination with other Commission offices and divisions, launched a new initiative to educate customers about fraud and violations that have been identified in connection with the purchase and trading of virtual currencies. This effort will continue through FY 2019 and beyond, and emphasize the use of digital outreach to provide just-in-time education to help customers make more informed decisions. The initiative also will include print materials that could 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.

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 2019, the CFTC estimates that it will use up to \$41.9 million:

- Up to \$13.4 million will be used to finance customer education initiatives, administrative expenses, and 15 FTE, an increase of \$3 million over the FY 2018 level.
- Whistleblower award payouts are estimated at \$25 million.
- Up to \$3.5 million will be used for the WBO to fund administrative expenses and 10 FTE, which is a decrease of \$0.1 million over projected FY 2018 level.

Table 30: Customer Protection Fund

	FY 2017 Actual (\$000)	FY 2018 Estimate (\$000)	FY 2019 Estimate (\$000)
Budget Authority – Prior Year	\$245,161	\$234,426	\$137,076
Budget Authority – New Year	1,532	1,469	5,144
Prior Year Recoveries	365	0	0
Sequestration	(106)	(97)	(330)
Total Budget Authority	246,952	236,147	141,890
Whistleblower Program	2,878	3,662	3,504
Whistleblower Awards	0	85,000	25,000
Customer Education Program	9,299	10,408	13,386
Total Planned Expenditures	12,177	99,097	41,890
Unobligated Balance	\$234,775	\$137,076	\$100,000

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
DHS	U.S. Department of Homeland Security
DOT	U.S. Department of Transportation
GSA	U.S. General Services Administration
OMB	Office of Management and Budget
SEC	U.S. Securities and Exchange Commission

Other Abbreviations

CIGIE	Council of the Inspectors General on Integrity and Efficiency
CME	Chicago Mercantile Exchange
CPF	CFTC Customer Protection Fund
CPO	Commodity Pool Operator
CR	Continuing Resolution
CTA	Commodity Trading Advisor
CUI	Controlled Unclassified Information
DCM	Designated Contract Market
DCO	Derivatives Clearing Organization
DFMU	Designated Financial Market Utility
DSRO	Designated Self-Regulatory Organization
EU	European Union
FBOT	Foreign Board of Trade
FCM	Futures Commission Merchant

Federal Reserve Board	Board of Governors of the Federal Reserve System
FinTech	Financial Technology
FOREX	Foreign Currency
FSB	Financial Stability Board
FSOC	Financial Stability Oversight Council
FTE	Full-time Equivalent
FY	Fiscal Year
IOSCO	International Organization of Securities Commissions
ISDA	International Swaps and Derivatives Association
IT	Information Technology
KISS	Keep It Simple, Stupid
MSP	Major Swap Participant
NIST	National Institute of Standards and Technology
NFA	National Futures Association
OTC	Over-the-Counter
PIV	Personal Identity Verification
PPA	Program, Project, and Activity
RFED	Retail Foreign Exchange Dealer
SDR	Swap Data Repository
SEF	Swap Execution Facility
SIDCO	Systemically Important Derivatives Clearing Organization
SRO	Self-Regulatory Organization
UK	United Kingdom