COMMODITY FUTURES TRADING COMMISSION

AGENCY FINANCIAL REPORT

FISCAL YEAR 2015

40th ANNIVERSARY

1975-2015

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COMMODITY FUTURES TRADING COMMISSION

Timothy G. Massad
Chairman

Anthony C. Thompson
Executive Director

Mary Jean Buhler
Chief Financial Officer

January 2016

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COMMODITY FUTURES TRADING COMMISSION

AGENCY FINANCIAL REPORT

FISCAL YEAR 2015

This report is made by the U.S. Commodity Futures Trading Commission. Information in this Agency Financial Report is provided as of January 15, 2016 and covers the period October 1, 2014 to September 30, 2015, unless otherwise indicated.

In March 2016, the CFTC 2015 Summary of Performance and Financial Information will be available on the web at *http://www.CFTC.gov/About/CFTCReports/Index.htm*. The FY 2015 Annual Performance Report and CFTC FY 2014–2018 Strategic Plan is also available at this web location.

COMMODITY FUTURES TRADING COMMISSION

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Fiscal Year 2015 Commissioners

From left to right; **J. Christopher Giancarlo**, *Commissioner*; **Mark P. Wetjen**, *Commissioner*; **Timothy G. Massad**, *Chairman*; **Sharon Y. Bowen**, *Commissioner*

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CFTC Mission

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, abusive practices related to derivatives and other products that are subject to the Commodity Exchange Act.

A Message from the Chairman

I am pleased to present the Agency Financial Report for Fiscal Year (FY) 2015, which details our performance accomplishments and audited financial statements for this period. Over the past year, the U.S. Commodity Futures Trading Commission (CFTC or Commission) continued to make progress on behalf of the American people. We have brought increased transparency and sensible oversight to the derivatives markets, so they continue to operate with integrity and stability.

The CFTC oversees the U.S. derivatives markets, which include commodity futures, options, and swaps. Although most Americans do not participate in these markets directly, they are vital to our economy, affecting the prices we pay for food, energy and other goods and services. They are critical to the economic success of many businesses, farmers and ranchers in the United States, who use them for price discovery and to manage routine commercial risk.

The Commission's key focus remains to foster transparent, open, competitive and financially sound markets. Our mission is to protect market participants from fraud, manipulation and abusive practices, while safeguarding customer funds. And we seek to protect the public from the buildup of excessive risk, the very type that contributed to making the 2008 financial crisis the worst since the Great Depression.

The derivatives markets are continuously evolving, driven by new technologies, innovation, competition and a global marketplace. As a result, the Commission's work is constantly changing, increasingly complex and focused on the challenges that lie ahead.

This past year marked significant continued progress implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) and bringing transparency to the over-the-counter swaps market. Clearing is now mandated for most interest rate and credit default swaps. Today, approximately 75 percent of swap transactions are being cleared, as compared to about 16 percent in 2007. We now require registration and regulation of swap dealers. More than 100 are now registered and required to comply with strong risk management practices.

There are now more than 23 swap execution facilities (SEFs). The volume of trading taking place on SEFs is growing. We have four swap data repositories (SDRs) that are collecting market data and making it available publically. As a result, market participants, the public, and we as regulators have much more information regarding the swaps marketplace.

The CFTC also continues to fulfill its traditional duties in overseeing the futures and options markets. We are working tirelessly to help these markets operate safely and with integrity.

Over the past year, the Commission continued to focus on an aggressive enforcement program that protects customers and prevents fraud and manipulation. The Commission filed 69 new enforcement actions in FY 2015 and imposed a record $3.1 billion in civil monetary penalties against wrongdoers. This included an $800 million sanction, the largest in Commission history. In addition to these sums, the CFTC was also awarded $59 million in restitution and disgorgement orders, bringing its total monetary sanctions to over $3.2 billion for the year. Robust enforcement is vital to maintaining the integrity of our markets, and will remain a priority going forward.

Over the past year, the Commission has placed a particular emphasis on making sure that, amidst various regulatory changes, commercial end-users can continue to use the derivatives markets efficiently and effectively. Many companies rely on these markets to hedge price, production and other types of risk. For example, we exempted commercial end-users from our proposed rule on margin for uncleared swaps. We amended our rules so that publicly-owned utility companies can continue to effectively hedge their risks in the energy swaps market, which helps them provide reliable, cost-effective service to their customers. We approved a modification to the "residual interest" rule, which can affect when customers must post collateral with clearing members. We exempted end-users from certain recordkeeping requirements to avoid undue burdens. And we have made some important rule adjustments and clarifications addressing contracts with embedded volumetric optionality.

Over the past year, the Commission also has been very focused on the resiliency of clearinghouses. With the increased significance they have taken on in the financial system, it is important we make sure they are strong and stable. In addition to our domestic efforts on this issue, we are leading substantial work that is taking place internationally—working with foreign regulators and other U.S. agencies. We are also working to strengthen the security of our financial markets against cyber-attacks and technological failures.

Commission staff has also taken a number of actions to fine-tune our rules to improve SEF trading. However, SEF trading is still new, and we still have significant work ahead of us. Our objectives go beyond improving and further encouraging the open, transparent and competitive trading of swaps on SEFs. It's also about making SEF trading attractive, to build participation and create a strong foundation upon which it can thrive.

The Commission has also made a number of technological improvements this past year. Among many other efforts, the CFTC opened its "OPERA" (Organizations, Products, Events, Rules and Actions) portal, which allows submissions to be electronically filed with the Commission. Over the course of the year, nearly 96 percent of the product and rule amendment filings made by designated contract markets, SEFs, and SDRs were filed through OPERA, making data entry, filings and review more efficient.

How far we have come is a credit to the hardworking and dedicated efforts of the professional staff of the CFTC. Their significant contributions are highlighted in the pages that follow.

Although much progress has been made, there is much more we need to accomplish. The Dodd-Frank Act greatly expanded the CFTC's responsibilities. The $270 trillion swaps market we are now tasked with overseeing is vast, global in nature and dramatically larger than the futures and options markets we also must oversee. But simply put, our budget has not kept pace with this expansion. As a result, our markets cannot be as well-supervised, participants cannot be as well-protected, and market transparency and efficiency cannot be as fully achieved as we believe the American people deserve.

The CFTC places a strong emphasis on being an effective steward of its operating funds. The CFO's message includes the results of the independent audit of our FY 2015 Financial Statements. The auditors have identified a material weakness in financial reporting related to the Commission's historic

practice with respect to the recording of lease obligations. When the Commission entered into multiple year leases, such as in 1994 for its Washington office, it recorded only the annual lease payments each year, rather than the full multi-year obligation in the year the lease was initiated. The Commission is awaiting a GAO opinion on this matter, and it is reasonably possible that the CFTC will need to recognize the unfunded obligations covering all future payments. We believe that this is an isolated issue which does not impact our overall internal controls. The Commission remains committed to high standards of financial operations, reporting, and accountability, and to the continued improvement of our financial management and internal controls.

The CFTC and its talented staff worked diligently during fiscal year 2015, and accomplished a great deal on behalf of the American public. As a result, the markets we oversee are stronger, more transparent, and more competitive.

Timothy G. Massad
Chairman
January 15, 2016

FY 2015 Commissioners

Timothy G. Massad, Chairman

Timothy Massad was sworn-in as Chairman of the CFTC on June 5, 2014, after being confirmed by the U.S. Senate as Chairman and as a Commissioner of the CFTC.

Previously, Mr. Massad was nominated by President Obama and confirmed by the U.S. Senate as the Assistant Secretary for Financial Stability at the U.S. Department of the Treasury (Treasury). In that capacity, Mr. Massad oversaw the Troubled Asset Relief Program (TARP), the principal U.S. governmental response to the 2008 financial crisis designed to help stabilize the economy and provide help to homeowners. Under TARP, Treasury's investments in financial institutions, the credit markets and the auto industry prevented the economy from falling into a depression. Mr. Massad was responsible for the day-to-day management and recovery of TARP funds, and during his tenure, Treasury recovered more on all the crisis investments than was disbursed. Mr. Massad also served as Chief Counsel for the program prior to becoming Assistant Secretary.

Prior to joining Treasury, Mr. Massad served as a legal advisor to the Congressional Oversight Panel for TARP, under the leadership of (now Senator) Elizabeth Warren. Mr. Massad assisted the panel in its first report evaluating the investments made by Treasury under TARP.

Prior to his government service, Mr. Massad was a partner in the law firm of Cravath, Swaine & Moore, LLP. Mr. Massad had a broad corporate practice with a focus on corporate finance and financial markets. He helped to draft the original standardized agreements for swaps and helped many businesses negotiate and execute transactions to hedge exposures in the derivatives markets.

Mr. Massad earned his bachelor's and law degrees at Harvard. Mr. Massad was born in New Orleans, Louisiana, and also lived in Texas, Oklahoma and Connecticut as a child. He and his wife, Charlotte Hart, live in Washington with their two children.

Sharon Y. Bowen, Commissioner

Sharon Y. Bowen was sworn in as a Commissioner of the CFTC on June 9, 2014 for a five-year term.

Ms. Bowen was previously confirmed by the U.S. Senate and appointed by President Obama on February 12, 2010 to serve as Vice Chair of the Securities Investor Protection Corporation (SIPC). She assumed the role of Acting Chair in March 2012. Prior to her appointment to the CFTC, Ms. Bowen was a partner in the New York office of Latham & Watkins LLP. Ms. Bowen's broad and diverse corporate and transactional practice of almost 32 years began in 1982 when she started her career as an associate at Davis Polk & Wardwell. She joined Latham as a senior corporate associate in the summer of 1988 and became a partner January 1991.

Ms. Bowen's practice has included corporate, finance, and securities transactions for large global corporations and financial institutions, including mergers and acquisitions, private equity, securities offerings, strategic alliances, corporate restructurings, leveraged finance, securitizations, distressed debt and asset acquisitions, and venture capital financings.

Ms. Bowen served in several leadership positions in her firm, including co-chair of the Diversity Committee, co-chair of the Diversity Hiring Subcommittee and co-founder and head of Latham's Women Enriching Business (WEB) Task Force, whose mission is to create broader networks and productive business development relationships for women.

Ms. Bowen has been involved in numerous pro bono, educational, diversity and civic matters throughout her career and has received many awards in recognition of her contributions. She has served as a member of the Board (formerly Executive Committee and Chair) and Emeritus Board of New York Lawyers for the Public Interest, Inc., the Boards of New York City Economic Development Corporation (formerly Executive Committee), Northwestern University Law School (formerly Executive Member and Chair), and Public Education Needs Civil Involvement in Learning (PENCIL) (formerly Executive Committee).

Ms. Bowen is one of America's "Top Black Lawyers" according to Black Enterprise Magazine. She is a recipient of the 2011 Diversity Trailblazer Award of the New York State Bar Association, and was selected as the New York City Bar Association 2007 Diversity Champion and the Metropolitan Black Bar Association 2006 Lawyer of the Year.

Ms. Bowen was born in Chesapeake, Virginia. She received her B.A. in Economics from the University of Virginia, MBA from the Kellogg School of Management and J.D. from Northwestern University School of Law. She lives with her husband in New York City.

J. Christopher Giancarlo, Commissioner

J. Christopher "Chris" Giancarlo was nominated by President Obama on August 1, 2013 and confirmed by unanimous consent of the U.S. Senate on June 3, 2014. On June 16, 2014, Mr. Giancarlo was sworn in as a CFTC Commissioner for a term expiring in April 2019.

Before entering public service, Mr. Giancarlo served as the Executive Vice President of GFI Group Inc., a financial services firm. Prior to joining GFI, Mr. Giancarlo was Executive Vice President and U.S. Legal Counsel of Fenics Software and was a corporate partner in the New York law firm of Brown Raysman Millstein Felder & Steiner. Mr. Giancarlo joined Brown Raysman from Giancarlo & Gleiberman, a law practice founded by Mr. Giancarlo in 1992 following his return from several years in London with the international law firm of Curtis, Mallet-Prevost, Colt & Mosle.

Mr. Giancarlo was also a founding Co-Editor-in-Chief of eSecurities, Trading and Regulation on the Internet (Leader Publications). In addition, Mr. Giancarlo has testified three times before Congress regarding the implementation of the Dodd-Frank Act, and has written and spoken extensively on public policy, legal and other matters involving technology and the financial markets.

Mr. Giancarlo was born in Jersey City, New Jersey. He attended Skidmore College in Saratoga Springs, New York where he graduated Phi Beta Kappa with Government Department Honors. Mr. Giancarlo received his law degree from the Vanderbilt University School of Law where he was an associate research editor at the Vanderbilt Journal of Transnational Law and President of the Law School's International Law Society. Mr. Giancarlo has been a member of the Bar of the State of New York since 1985.

Mark P. Wetjen, Commissioner

Mark P. Wetjen served as a Commissioner until August 28, 2015. His seat is presently vacant.

Mr. Wetjen was nominated by President Obama to serve a five-year term in March 2011 and was confirmed by the U.S. Senate in October 2011. Subsequent to his confirmation as commissioner, Mr. Wetjen was elected to serve as the CFTC's acting chairman upon the departure of the previous chairman, Gary Gensler, in 2013. Mr. Wetjen served in that role for approximately five months, managing daily operations and setting overall policy direction of the Commission. During his chairmanship, Mr. Wetjen oversaw implementation of the first trading mandate for certain interest rate and credit default swaps (CDS) and approved or directed the Commission and its staff to undertake approximately 95 enforcement and implementing actions related to the Dodd-Frank Act and the CFTC's other responsibilities under the Commodity Exchange Act (CEA).

Prior to joining the CFTC, Mr. Wetjen worked for seven years in the U.S. Senate as a senior leadership staffer advising on all financial-services-related matters, including the Dodd-Frank Act. Mr. Wetjen also advised Senator Harry Reid and members of the Democratic caucus on a number of banking, housing, communications, technology, and gaming policy issues and legislative initiatives.

Before his service in the U.S. Senate, Mr. Wetjen was a lawyer in private practice and represented clients in a variety of litigation, transactional and regulatory matters. Born and raised in Dubuque, Iowa, Mr. Wetjen received a bachelor's degree from Creighton University and a law degree from the University of Iowa College of Law.

40th ANNIVERSARY 1975–2015

CFTC Celebrates 40 Years of Service to the American People

The CFTC began as the Commodity Exchange Authority, a small bureau in the U.S. Department of Agriculture (USDA). In 1974, there were roughly 20 staff members in Washington DC, and in Chicago, the Commodity Exchange Authority was housed in the basement of the Chicago Board of Trade (CBOT). The Commodity Exchange Authority's authority extended only to agricultural commodities specifically identified in statutes. With the adoption of the broad definition of "commodity" in 1975, the CFTC opened its doors to the world of derivative contracts and trading.

Although few Americans participate directly in the financial markets overseen by the Commission, these markets profoundly affect the economy. They enable businesses of all kinds to hedge commercial risk, and they affect the prices Americans pay for food, transportation, and many other goods and services. Most recently, in the 2008 financial crises; the Nation saw the consequences of having an unregulated swaps market. The true cost of the crises; were millions of jobs lost, millions of foreclosed homes, countless retirements and college educations deferred, and many businesses shuttered.

In 2010, Congress recognized the critical importance the CFTC plays in these markets and expanding its mission. With the passage of the Dodd-Frank Act, the Commission was given the responsibility to bring regulatory reform to the trillion dollar swaps marketplace.

Over the span of leadership of 23 Chairpersons, significant changes have taken place in the financial marketplace and subsequently at the Commission. The first Chairman of the Commission, William T. Bagley, observed that an entire industry expanded "over 10,000 percent" since the founding of the Commission because of, not in spite of, the CFTC's regulation.

Today, the CFTC has 731 employees. Every CFTC employee, from accounting specialists through web developers, has played an integral part in the continued success of the Commission.

CFTC Charter Staff Members

There are charter staff members who have been with the CFTC since its first day on April 21, 1975 and have seen the Commission's transformation first-hand. Congratulations and thank you for your dedication!

Jon Hultquist

Walter Maksymec

Charles Ricci

Lee Smith

CFTC Chairpersons 1975 – Present

William T. Bagley
Chairman
04/15/1975 – 11/15/1978

Gary L. Seevers
Acting Chairman
12/06/1978 – 05/03/1979

James M. Stone
Chairman
05/04/1979 -06/08/1981

Philip McBride Johnson
Chairman
06/08/1981 – 05/01/1983

Susan M. Philips
Acting Chairwoman
05/02/1983 – 11/16/1983
Chairwoman
11/17/1983 – 07/24/1987

Kalo A. Hineman
Acting Chairman
07/27/1987 – 02/22/1988

Wendy L. Gramm
Chairwoman
02/22/1988 – 01/22/1993

William P. Albrecht
Acting Chairman
01/22/1993 – 08/20/1993

Sheila C. Bair
Acting Chairwoman
08/20/1993 – 12/21/1993

Barbara P. Holum
Acting Chairwoman
12/23/1993 – 10/12/1994

Mary L. Schapiro
Chairwoman
10/13/1994 – 01/26/1996

John E. Tull, Jr.
Acting Chairman
01/29/1996 – 08/26/1996

Brooksley E. Born
Chairwoman
08/26/1996 – 06/01/1999

David D. Spears
Acting Chairman
06/02/1999 – 08/10/1999

William Rainer
Chairman
08/11/1999 – 01/19/2001

James E. Newsome
Acting Chairman
01/20/2001 – 12/26/2001
Chairman
12/27/2001 – 07/23/2004

Sharon Brown-Hruska
Acting Chairwoman
07/26/2004 – 07/10/2005

Reuben Jeffery, III
Chairman
07/11/2005 – 06/27/2007

Walter L. Lukken
Acting Chairman
06/27/2007 – 01/20/2009

Michael V. Dunn
Acting Chairman
01/20/2009 – 05/25/2009

Gary Gensler
Chairman
05/26/2009 – 01/03/2014

Mark P. Wetjen
Acting Chairman
01/03/2014 – 06/04/2014

Timothy G. Massad
Chairman
06/05/2014 – Present

CFTC Timeline FY 1975 – FY 2015[1]

Significant Dates in CFTC History — 1970s

October 23-24, 1974—Congress passes the Commodity Futures Trading Commission Act of 1974, and it is signed by President Gerald Ford. The bill overhauls the CEA and creates the CFTC, an independent agency with powers greater than those of its predecessor agency, the Commodity Exchange Authority. For example, while the Commodity Exchange Authority only regulated agricultural commodities enumerated in the CEA, the 1974 act granted the CFTC exclusive jurisdiction over futures trading in all commodities.

April 15, 1975—Four of the first five CFTC members, including the CFTC's first Chairman, are sworn in.

April 21, 1975—Authority for the regulation of futures trading is transferred from the Commodity Exchange Authority, an agency in the USDA, to the CFTC.

July 18, 1975[2]—The CFTC authorizes exchanges to continue trading futures contracts on a number of commodities previously unregulated under the CEA. Effectively, this action brings under Federal regulation all commodities for which a futures contract is actively traded.

November 26, 1975—The CFTC approves the first futures contract on U.S. government debt—the Chicago Mercantile Exchange (CME) 90-Day U.S. Treasury bill futures contract.

May 25, 1976—The New York Mercantile Exchange (NYMEX) declares a default in its May Maine potato contract. After an extensive investigation, the CFTC brings manipulation charges against both the long and short position holders.

April 28, 1977—The CFTC asks the U.S. District Court in Chicago to order seven members of the Hunt family of Dallas, and a related company, to liquidate positions that exceed the three million bushel speculative position limit for soybean futures on the CBOT.

August 2, 1977—The CFTC approves the first futures contract on long-term U.S. government debt—the CBOT U.S. Treasury bond futures contract.

November 23, 1977—The CFTC declares a market emergency in the December coffee "C" futures contract on the New York Coffee and Sugar Exchange (which merged with the New York Cocoa Exchange to form the Coffee Sugar and Cocoa Exchange in 1979 and has now become part of Intercontinental Exchange Futures U.S. (ICE)), resulting in an orderly reduction of the open interest in that contract. This is one of several emergencies in coffee futures during the late 1970s.

June 1, 1978—The CFTC suspends most commodity options transactions in the United States because of pervasive fraud in so-called "London options" and dealer options on physical commodities.

September 30, 1978—The Futures Trading Act of 1978 is signed into law by President Carter. The act renews the CFTC's regulatory authority for four years, requires the CFTC to maintain communication with the U.S. Securities and Exchange Commission (SEC), Treasury, and the Federal Reserve Board, and makes some technical changes to the CEA.

January 2, 1979—The CFTC adopts the first rules to govern the operations of commodity pool operators and commodity trading advisors in a new Part 4 of its rules.

January 4, 1979—The CFTC announces a temporary moratorium on entry into the leverage contract business in gold and silver bullion and bulk coins.

March 16, 1979—In an emergency action, the CFTC votes to prohibit further trading in the CBOT March wheat futures contract, the first time the Commission orders a market closed in the interest of preventing a price manipulation.

September 12, 1979—The U.S. Court of Appeals for the Seventh Circuit affirms the CFTC's authority to act during market emergencies, and concludes that judicial review of the Commission's determination of such an emergency would thwart the purpose for which Congress granted the CFTC emergency powers.

APPROPRIATION AND EMPLOYMENT HISTORY FY 1975 – FY 1979

FY 1975[3]	FY 1976	FY 1977	FY 1978	FY 1979
514	533	495	459	474
$7	$11	$13	$14	$16

LEGEND: Actual FTE ▭ Approved Appropriation *(in millions)* ▭

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[1] *Significant dates in the history of futures regulation before the creation of the CFTC and additional dates in CFTC history are located at: http://www.cftc.gov/About/HistoryoftheCFTC/index.htm.*

[2] *Previous reports have cited September 11, 1975 as a significant date in the CFTC's history because of the Commission's approval of the first futures contract on a financial instrument—the CBOT Government National Mortgage Association certificates futures contract. However, the first futures contract on a financial instrument approved by the Commission—relating to foreign currencies—was actually introduced by the CME three years earlier in 1972. The Commission authorized this contract on July 18, 1975 when it authorized exchanges to continue trading futures contracts previously unregulated by the CEA.*

[3] *On April 21, 1975, authority for the regulation of futures trading was transferred from the Commodity Exchange Authority to the CFTC. The FY 1975 Appropriation and FTE include historical totals from both the Commodity Exchange Authority and the CFTC.*

Commission History At A Glance

Significant Dates in CFTC History — 1980s

January 6, 1980—In an emergency action, the CFTC orders the suspension of futures trading for two days for wheat, corn, oats, soybean meal, and soybean oil on four exchanges after President Carter announces an embargo on the sale of certain agricultural goods to the Soviet Union that includes substantial amounts of grain.

January 21, 1980—Commodity Exchange Division (COMEX) orders trading for liquidation only in its silver futures contract.

September 8, 1981—The CFTC adopts a comprehensive set of regulations to govern exchange-trading of options on futures contracts under a controlled and monitored three-year pilot program.

September 22, 1981—The CFTC grants registration to the National Futures Association (NFA) as a self-regulatory futures association and approves its articles, bylaws, and rules. NFA begins to hire staff and commences operations on October 1, 1982.

December 7, 1981—The CFTC and SEC jointly announce a basic jurisdictional agreement on the regulatory responsibility of each agency for a variety of financial instruments, in particular stock index futures. This agreement was known as the Shad-Johnson Accord and later became part of the Commodity Exchange Act.

February 16, 1982—The CFTC approves the first futures contract based on a stock index, the Value Line Index Average traded on the Kansas City Board of Trade (KCBT).

January 11, 1983—President Reagan signs the Futures Trading Act of 1982, renewing the CFTC's mandate to regulate futures trading for four more years and clarifying Commission jurisdiction in a number of areas. Among other things, this act codified the Shad-Johnson Accord (which gave the CFTC jurisdiction over broad-based stock index futures and banned single-stock and narrow-based stock index futures), and required the CFTC to act on new contract proposals and rule amendments within specified time periods (365 days for new contracts and 180 days for rule amendments).

August 29, 1984—The CFTC approves amendments to CME rules that allow it to establish a trading link with the Singapore International Monetary Exchange, the first trading and clearing link between a domestic and a foreign exchange.

September 28, 1984—The CFTC submits "A Study of the Nature, Extent and Effects of Futures Trading by Persons Possessing Material, Nonpublic Information" to its Congressional oversight committees.

February 28, 1985—The CFTC concludes its silver investigation, alleging that Nelson Bunker Hunt, William Herbert Hunt, and other individuals and firms manipulated and attempted to manipulate silver prices in 1979 and 1980.

March 20, 1985—Volume Investors, Inc., a clearing member at COMEX, defaults on a margin call on options on gold futures. The default affects the funds of 100 customers, mostly local traders, and causes the Commission to consider numerous changes to its rules. Ultimately, improved surveillance early warning, and margining procedures are developed.

September 23, 1986—The CFTC, SEC, and the U.K. Department of Trade and Industry announce the signing of a memorandum of understanding (MOU), which will enhance cooperation and mutual assistance in securing compliance with and enforcement of securities and commodities laws in both countries. Since then, the Commission has entered into information-sharing and enforcement MOUs with many other foreign regulators.

October 19, 1987—In the biggest one-day price plunge in stock market history, no CFTC-regulated systems fail and no firms default on obligations.

May 16, 1988—The President's Working Group on Financial Markets, composed of CFTC, SEC, Treasury, and the Federal Reserve Board, presents its report on the October 1987 stock market break to President Reagan.

October 18, 1988—The CFTC approves proposals to amend daily price limits and trading halt provisions for stock index futures and option contracts traded on CME, CBOT, Kansas City Board of Trade, and New York Futures Exchange. These proposals were based on recommendations by the President's Working Group.

January 20, 1989—The news media report the disclosure of a two-year undercover investigation of the Chicago trading pits conducted by the U.S. Federal Bureau of Investigation (FBI) in cooperation with the CFTC and U.S. Department of Justice (DOJ). The CFTC takes a number of market integrity actions in the following months.

February 2, 1989—The CFTC unanimously approves rules proposed by CME for the basic Globex system, the first international electronic trading system. Trading begins in June 1992.

July 11, 1989—CBOT institutes an emergency action concerning the July 1989 CBOT soybean futures contract. CBOT requires all large traders to reduce their positions prior to the expiration of the July contract. The contract expires in an orderly manner.

APPROPRIATION AND EMPLOYMENT HISTORY FY 1980 – FY 1989

FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986	FY 1987	FY 1988	FY 1989
465	485	484	493	500	520	489	491	516	529
$17	$19	$21	$24	$27	$28	$28	$30	$33	$35

LEGEND: Actual FTE ▭ Approved Appropriation *(in millions)* ▭

Significant Dates in CFTC History — 1990s

November 1991—The CFTC and SEC concurrently approve proposed rule changes by the Options Clearing Cooperation (OCC) and CME intended to improve coordination in the clearance and settlement of futures and options. The rule changes expand the existing cross-margining programs between OCC and CME to permit clearing members to include intermarket futures and option positions held in certain non-proprietary accounts.

October 28, 1992—President Bush signs the CFTC's reauthorization legislation, The Futures Trading Practices Act of 1992 (FTPA), expanding the CFTC's regulatory authority and reauthorizing the Commission until October 1994. The FTPA, among other things, granted the Commission the authority to exempt over-the-counter (OTC) derivative and other transactions from CFTC regulation and provided for registration of local traders.

March 1993—Futures trading in New York is disrupted and the CFTC's New York office is temporarily relocated due to the explosion of a bomb placed by terrorists in the basement of the World Trade Center.

April 9, 1993—The CFTC adopts rules requiring the registration of floor brokers (FBs) and ethics training for all individual registrants, as mandated by the FTPA. The Commission also adopts rules permitting the suspension of registrants charged with felonies under authority granted by the FTPA.

January 10, 1994—The CFTC files an administrative complaint against two former CBOT members, Anthony Catalfo and Darrell Zimmerman, alleging that the respondents engaged in a scheme to manipulate Treasury bond futures and put options on CBOT.

June 28, 1994—The CFTC approves final rules permitting registrants to provide to customers a "generic" risk disclosure statement that will satisfy risk disclosure requirements applicable to both domestic and foreign commodity futures and options transactions. On September 26, 1994, an administrative law judge issues a default order against both respondents finding that they committed the violations as alleged.

December 1994—The CFTC, in coordination with the SEC, files and simultaneously settles, for a fine of $10 million, an administrative complaint against BT Securities, a subsidiary of Bankers Trust. The Commission's complaint alleges that BT Securities committed fraud in its OTC derivatives transactions with Gibson Greetings.

February 29, 1996—The CFTC's Division of Trading and Markets issues a no-action letter to permit the Deutsche Terminborse (DTB) [predecessor to Eurex] to install and utilize DTB computer terminals in the United States in connection with the purchase and sale of certain futures and options contracts—the staff's first consideration of a request to place computer terminals of an off-shore exchange in the United States.

July 10, 1996—A CFTC order imposes a $600,000 civil monetary penalty against Fenchurch Capital Management Inc. of Chicago, on charges of market manipulation and cornering of the cheapest-to-deliver note deliverable against the CBOT 10-year Treasury note futures contract.

December 19, 1996—The CFTC notifies CBOT that the delivery terms of its corn and soybean futures contracts do not satisfy the statutory objectives of Section 5a(a)(10) of the CEA of "permit[ting] the delivery of any commodity . . . at such point or points and at such quality and locational price differentials as will tend to prevent or diminish price manipulation, market congestion, or the abnormal movement of such commodity in interstate commerce" and gives CBOT 75 days to respond.

November 7, 1997—The CFTC orders CBOT to change the delivery specifications for its corn and soybean futures contracts pursuant to Section 5a(a)(10) of the CEA. The Commission notes that the CBOT can propose alternate specifications that meet the requirements of the CEA.

December 4, 1997— SEC vetoes the CBOT's proposed futures and futures options on the Dow Jones Transportation Average and the Dow Jones Utilities Average, stating that these contracts are too narrow-based to meet the requirements of the 1982 Shad-Johnson Accord. This is the only time SEC exercised its veto power under the Accord. A court decision subsequently overturns the SEC veto and the CFTC approves the contracts on October 27, 1999.

May 7, 1998—The CFTC approves CBOT's new corn and soybean futures contracts with delivery specifications that supersede those ordered by the CFTC on November 7, 1997.

May 11, 1998—The CFTC enters into a settlement with Sumitomo Corporation to resolve allegations of manipulating the copper market in 1995 and 1996 that includes a civil monetary penalty of $150 million.

November 4, 1999—The CFTC staff issues a report comparing the global competitiveness of U.S. futures and option markets to their counterparts abroad. The report, *The Global Competitiveness of US Futures Markets Revisited*, updates a 1994 CFTC study, using the same methodology as the earlier study.

November 9, 1999—The PWG issues a report unanimously calling for legislation creating greater legal certainty for OTC derivatives.

APPROPRIATION AND EMPLOYMENT HISTORY FY 1990 – FY 1999

FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
527	551	592	564	545	545	543	553	560	567
$39	$44	$47	$47	$47	$49	$54	$55	$58	$61

LEGEND: Actual FTE ▭ Approved Appropriation *(in millions)* ▭

Commission History At A Glance

Significant Dates in CFTC History — 2000s

February 22, 2000—The CFTC transmits to Congress a staff report, *A New Regulatory Framework*, which recommends changes to the CFTC's regulatory structure. The report details changes that will lessen the regulatory burdens on U.S. futures markets by creating a more flexible regulatory framework. At the same time, the framework provides the OTC markets with greater legal certainty. Much of this framework will be incorporated into the Commodity Futures Modernization Act of 2000 (CFMA).

September 14, 2000—The CFTC and SEC announce an agreement providing for joint jurisdiction over security futures products, that is, single stock futures and futures on narrow-based stock indexes. Under the agreement, which will be incorporated into the CFMA, the CFTC retains exclusive jurisdiction over futures contracts on broad-based stock indexes.

December 21, 2000—President Clinton signs into law the CFMA, which, among other things, reauthorizes the Commission for five years, overhauls the CEA to create a flexible structure for the regulation of futures and options trading, clarifies Commission jurisdiction over certain retail foreign currency transactions, and repeals the 18-year-old ban on the trading of single stock futures. On the same day, the CFTC withdraws most of the New Regulatory Framework; however, the amendments to Regulation 1.25 concerning investment of customer funds by FCMs and DCOs are made effective immediately with some technical corrections. The amendments permit investment of customer funds in new types of instruments, such as money market mutual funds.

April 18, 2001—For the first time since the passage of the CFMA, the CFTC uses its newly clarified authority to file a complaint charging fraud and the offering of illegal futures contracts against a firm soliciting retail investors to trade foreign currency contracts. Over the next several years, the CFTC filed similar complaints against dozens of firms that solicit retail investors to trade foreign currency.

July 9, 2001—The CFTC approves the application of EnergyClear Corporation for registration as a derivative clearing organization (DCO) under the CEA. This is the first new derivative clearing organization that is not affiliated with a trading facility to be granted registration by the Commission since the passage of the CFMA. DCOs for the existing futures exchanges were grandfathered in under the CFMA.

August 1, 2001—The CFTC kicks off implementation of the CFMA by adopting new rules for the various types of exchanges (with different levels of regulatory oversight) created by the CFMA. These types of exchanges include designated contract markets (DCMs), derivatives transaction execution facilities, exempt boards of trade, and exempt commercial markets (ECMs).

August 22, 2001—The CFTC adopts new rules for DCOs, further implementing the CFMA.

September 11, 2001—The CFTC's New York office in the World Trade Center is destroyed in a terrorist attack; fortunately, all Commission staff escape without serious injury. The trading floor of New York Board of Trade (NYBOT) is also destroyed and trading is disrupted on other exchanges. NYBOT soon resumes trading on a back-up trading floor it has maintained since the 1993 World Trade Center bombing and eventually moves into permanent space in the NYMEX building.

Note: The picture at right shows the brass CFTC seal that was recovered from the Ground Zero rubble of the World Trade Center in the aftermath of the September 11, 2001 terrorist attack. The seal is in remarkably good condition and presently displayed in the main reception area of the CFTC's relocated New York Office at 140 Broadway. (See *http://www.cftc.gov/PressRoom/Events/opaspotlight080703* for more information on the Homecoming Ceremony for the CFTC's seal held at the New York Office on August 7, 2003)

March 12, 2003—The CFTC charges the bankrupt Enron Corporation and a former Enron vice president with manipulating prices in the natural gas market. Enron also is charged with operating an illegal, undesignated futures exchange and offering illegal lumber futures contracts through Enron Online, its Internet trading platform. Enron settles in May 2004 and the trader settles in July 2004.

December 19, 2006—Fifteen defendants from "Operation Wooden Nickel" ordered by U.S. District Court to pay restitution return ill-gotten gains and pay fines totaling over $25 million. Penalties were imposed subsequently on nine additional defendants. During this time period the investigation and litigation of fraud in retail forex is the largest area of the CFTC's anti-fraud enforcement program.

May 22, 2008—Congress enacts the Food, Conservation, and Energy Act of 2008 (FARM Bill). The FARM Bill reauthorizes the CFTC until 2013 and gives the Commission additional regulatory and enforcement tools necessary to continue to effectively oversee the futures industry, particularly transactions in energy products and foreign currency.

APPROPRIATION AND EMPLOYMENT HISTORY FY 2000 – FY 2009

FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
556	546	509	521	517	487	493	437	449	498
$63	$71	$88	$85	$90	$94	$97	$98	$111	$146

LEGEND: Actual FTE ▭ Approved Appropriation *(in millions)* ▭

June 3, 2008—The CFTC announces several policy initiatives aimed at addressing concerns in the agricultural futures markets raised at its April 22nd roundtable in Washington, DC. These include, among other things: 1) measures to obtain more information from index traders and swap dealers (SDs); 2) the development of a new monthly publication on trader data for agricultural and other markets, beginning in July 2008; and 3) the disclosure of an investigation into cotton futures trading.

June 10, 2008—In light of the recent rise in crude oil and other commodity prices and the influx of new investors into commodity futures markets, the CFTC announces the formation of an interagency task force to evaluate developments in commodity markets. The task force includes staff representatives from the CFTC, Federal Reserve, Treasury, SEC, U.S. Department of Energy, and USDA.

June 17, 2008—The CFTC announces that Commission staff has amended the "no-action relief letter" under which Intercontinental Exchange (ICE) Futures Europe is permitted direct access to U.S. customers. The amended letter conditions direct access on ICE Futures Europe's adoption of equivalent U.S. position limits and accountability levels on its West Texas Intermediate (WTI) crude oil contract, which is linked to the NYMEX crude oil contract.

November 13, 2008—The CFTC, Board of Governors of the Federal Reserve, and SEC enter into an MOU to establish a framework for consultation and information sharing on regulatory issues related to central counterparties for CDS.

March 23, 2009—The CFTC approves final rules and rule amendments that increase the Commission's oversight of ECMs. The rules implement provisions of the CFTC Reauthorization Act of 2008, which created a new regulatory category—ECMs with significant price discovery contracts—and subjected these electronic trading facilities to additional regulatory and reporting requirements.

September 4, 2009—The CFTC begins disaggregating the data in its weekly Commitments of Traders (COT) reports and begins releasing, on a quarterly basis, data collected from an ongoing special call on SDs and index traders in the futures markets. Rather than breaking traders into two broad categories: commercial and noncommercial, the new COT reports break the data into four categories of traders: Producer/Merchant/Processor/User; SDs; Managed Money; and Other Reportables.

Significant Dates in CFTC History — 2010s

April 29, 2010—The CFTC issues an order filing and simultaneously settling (for a civil monetary penalty of $25 million among other things) charges that Moore Capital Management, LP, and various affiliated companies attempted to manipulate the settlement prices of platinum and palladium futures contracts on the NYMEX. The CFTC settles similar charges with Moore trader Christopher L. Pia on July 25, 2011.

July 21, 2010—President Obama signs the Dodd-Frank Act. Title VII of the Dodd-Frank Act amends the CEA to establish a comprehensive new regulatory framework for swaps and security-based swaps. The legislation is enacted to reduce risk, increase transparency, and promote market integrity within the financial system by, among other things: 1) providing for the registration and comprehensive regulation of SDs and major swap participants (MSPs); 2) imposing clearing and trade execution requirements on standardized derivative products; 3) creating robust recordkeeping and real-time reporting regimes; and 4) enhancing the Commission's rulemaking and enforcement authorities with respect to, among others, all registered entities and intermediaries subject to the Commission's oversight. On the same day, the CFTC releases a list of 30 areas of rulemaking to implement the Dodd-Frank Act.

July 7, 2011—The CFTC holds the first of many open meetings to finalize rules to implement the Dodd-Frank Act, including new rules regarding the prohibition on manipulative trading and the definition of agricultural commodity.

June 27, 2012—The CFTC orders Barclays Bank to pay a $200 million penalty for attempting to manipulate the London Interbank Offered Rate (LIBOR) and Euro Interbank Offered Rate (Euribor) benchmark interest rates and making related false reports to benefit its derivatives trading positions. The CFTC order also finds that Barclays made false LIBOR reports at the direction of members of senior management to protect its reputation during the global financial crisis of 2008.

November 28, 2012—The CFTC issues new rules to require certain credit default swaps and interest rate swaps to be cleared by DCOs. The rules establish the first clearing determination by the Commission under the Dodd-Frank Act. Under the rules, market participants are required to submit a swap that is identified in the rule for clearing by a DCO as soon as technologically practicable and no later than the end of the day of execution.

December 19, 2012—The CFTC orders UBS AG (UBS), a Swiss bank, to pay a $700 million penalty to settle charges of manipulation, attempted manipulation and false reporting of LIBOR and other benchmark interest rates. In summary, the CFTC's Order finds that for at least six years UBS regularly tried to manipulate (and at times successfully manipulated) multiple benchmark interest rates for profit, and that there were more than 2,000 instances of unlawful conduct involving dozens of UBS employees, including colluding with other panel banks, inducing interdealer brokers to spread false information and influence other banks; and the making of false LIBOR submissions to protect its reputation during the global financial crisis.

December 31, 2012—SD registration and real-time reporting of swaps transactions begin, pursuant to reforms enacted in the Dodd-Frank Act.

Commission History At A Glance

February 6, 2013—In its third LIBOR-related action, the CFTC orders The Royal Bank of Scotland plc (RBS) and RBS Securities Japan to pay a $325 million civil monetary penalty to settle charges of manipulation, attempted manipulation, and false reporting of yen and Swiss franc LIBOR.

May 16, 2013—The CFTC holds an open meeting where it finalizes rules to implement the "pre-trade" transparency module including: 1) procedures to establish appropriate minimum block sizes for large notional off-facility swaps and block trades (Swaps Block Rule); 2) process for a DCMs or SEF to make a swap available to trade under the trade execution requirement of the CEA; (Made Available to Trade Rule); and 3) core principles and other requirements for SEFs.

June 27, 2013—The CFTC files and simultaneously settles charges in U.S. District Court against MF Global and its former CEO Jon S. Corzine and former employee Edith O'Brien of, among other violations, MF Global's unlawful use of customer funds that harmed thousands of customers and violated fundamental customer protection laws on an unprecedented scale. The settlement, subject to court approval, directs payment of all funds still owed to commodity customers and imposes a $100 million penalty against the company.

July 12, 2013—The CFTC holds an open meeting where it finalizes cross-border interpretive guidance, a policy statement, and a cross-border phase-in exemptive order regarding compliance with certain swap regulations.

July 22, 2013—The CFTC fines Panther Energy Trading LLC and its principal Michael J. Coscia $1.4 million for engaging in the disruptive practice of "spoofing," that is, utilizing a computer algorithm that was designed to illegally place and quickly cancel bids and offers in futures contracts across a broad spectrum of commodities from August 8, 2011 through October 18, 2011 on CME Group's Globex trading platform.

October 2, 2013—Trading begins on temporarily registered SEFs as the SEF core principle rulemaking goes into effect.

October 16, 2013—The CFTC files and settles charges against JPMorgan Chase Bank, N.A., for manipulating conduct in connection with "London Whale" credit default swaps trades. JPMorgan admits to reckless conduct in first case charging violation of the Dodd-Frank Act prohibition against manipulative conduct and is ordered to pay $100 million penalty.

October 29, 2013—The CFTC orders Rabobank to pay $475 million to settle attempted manipulation, manipulation, false reporting and aiding and abetting charges related to U.S. Dollar, Yen, Sterling LIBOR and Euribor.

February 15, 2014, February 21, 2014 and February 26, 2014—Made available-to-trade (MAT) determinations for certain interest rate swap and credit default swap contracts go into effect. Those swaps therefore become subject to the trade execution mandate and must, with certain exceptions, be traded on a SEF or DCM. (CFTC Press Release 6831-14, January 16, 2014, CFTC Press Release 6838-14, January 23, 2014, CFTC Press Release 6841-14, January 28, 2014, and CFTC Press Release 6843-14, January 30, 2014).

May 20, 2014—The CFTC issues its first whistleblower award under the whistleblower program created by the Dodd-Frank Act. The award is approximately $240,000 for providing valuable information about violations of the CEA.

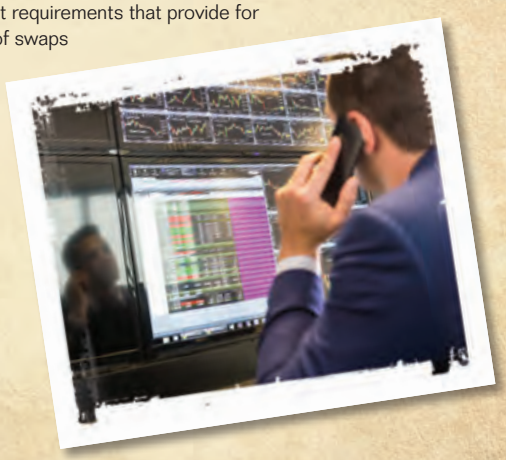
November 12, 2014—The CFTC orders five banks, Citibank, HSBC, JPMorgan, Royal Bank of Scotland, and UBS, to pay over $1.4 billion in penalties for attempted manipulation of, and for aiding and abetting other banks' attempts to manipulate, global foreign exchange benchmark rates to benefit the positions of certain traders.

March 16, 2015—The CFTC orders ICE, a DCM to pay a $3 million civil monetary penalty and to comply with undertakings for submitting inaccurate and incomplete reports and data to the CFTC over at least a 20-month period.

May 20, 2015—The CFTC orders Barclays Bank to pay a $400 million fine to settle CFTC charges of attempted manipulation and false reporting of foreign exchange benchmark rates and separately orders Barclays to pay a $115 million fine to settle charges of attempted manipulation and false reporting of U.S. dollar ISDAFIX benchmark swap rates. This is in addition to the $200 million fine previously imposed on Barclays on June 27, 2012 attempting to manipulate the LIBOR and Euribor benchmark interest rates.

August 18, 2015— The CFTC issues an order of exemption from registration as a DCO to ASX Clear (Futures) Pty Limited (ASX). The order is the first issued by the Commission based on its authority under Section 5b(h) of the CEA.

September 30, 2015—The CFTC ordered Deutsche Bank to pay a $2.5 million civil monetary penalty for swaps reporting violations and related supervision failures. This is the CFTC's first action enforcing the new Dodd-Frank Act requirements that provide for the real-time reporting of swaps transactions and the reporting of swap data to swap data repositories (SDRs).



APPROPRIATION AND EMPLOYMENT HISTORY FY 2010 – FY 2015

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
605	666	684	682	647	690
$169	$202	$205	$195	$215	$250

LEGEND: Actual FTE ▭ Approved Appropriation *(in millions)* ▭

How This Report is Organized

The Reports Consolidation Act of 2000 authorizes Federal agencies, with Office of Management and Budget (OMB) concurrence, to consolidate various reports in order to provide performance, financial, and related information in a more meaningful and useful format. The Commission has chosen an alternative to the consolidated Performance and Accountability Report and instead, produces an Agency Financial Report (AFR), Annual Performance Report (APR), and a Summary of Performance and Financial Information, pursuant to OMB Circular A-136, *Financial Reporting Requirements*.

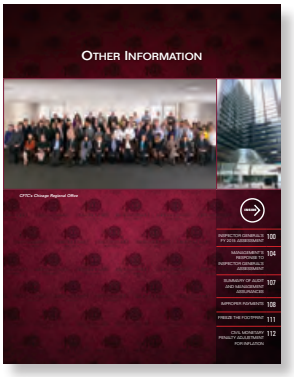
This report is made by the CFTC. Information in this AFR is provided as of January 15, 2016, and covers the period October 1, 2014, to September 30, 2015, unless otherwise indicated.

In March 2016, the CFTC 2015 Summary of Performance and Financial Information will be available on the web at *http://www.CFTC.gov/About/CFTCReports/Index.htm*. The FY 2015 APR is also available at this web location.

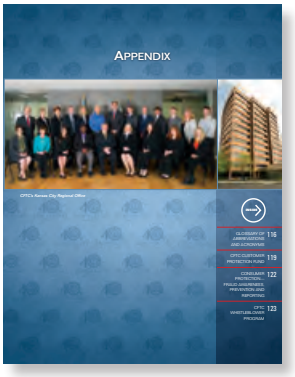
Three documents comprise the FY 2015 AFR, in addition to the Appendix.

The **Management's Discussion and Analysis** (MD&A) section is an overview of the entire report. The MD&A presents performance and financial highlights for FY 2015 and discusses compliance with legal and regulatory requirements, business trends and events, and management issues.

The **Financial Section** includes the Commission's financial statements and the Independent Auditors' report, and the Required Supplementary Information containing the unaudited Combined Statement of Budgetary Resources.



Other Information contains the Inspector General's FY 2015 assessment of management challenges facing the Commission, the Commission's summary of audit and management assurances, and a discussion of improper payments.



The **Appendix** contains the glossary of abbreviations and acronyms used throughout the report and special features on the Customer Protection Fund, Consumer Outreach, and the Whistleblower Program.

Management's Discussion and Analysis

CFTC's Washington D.C. Headquarters

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The Commission in Brief

Organization and Location

The Commission consists of five Commissioners, with two positions currently vacant. 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.

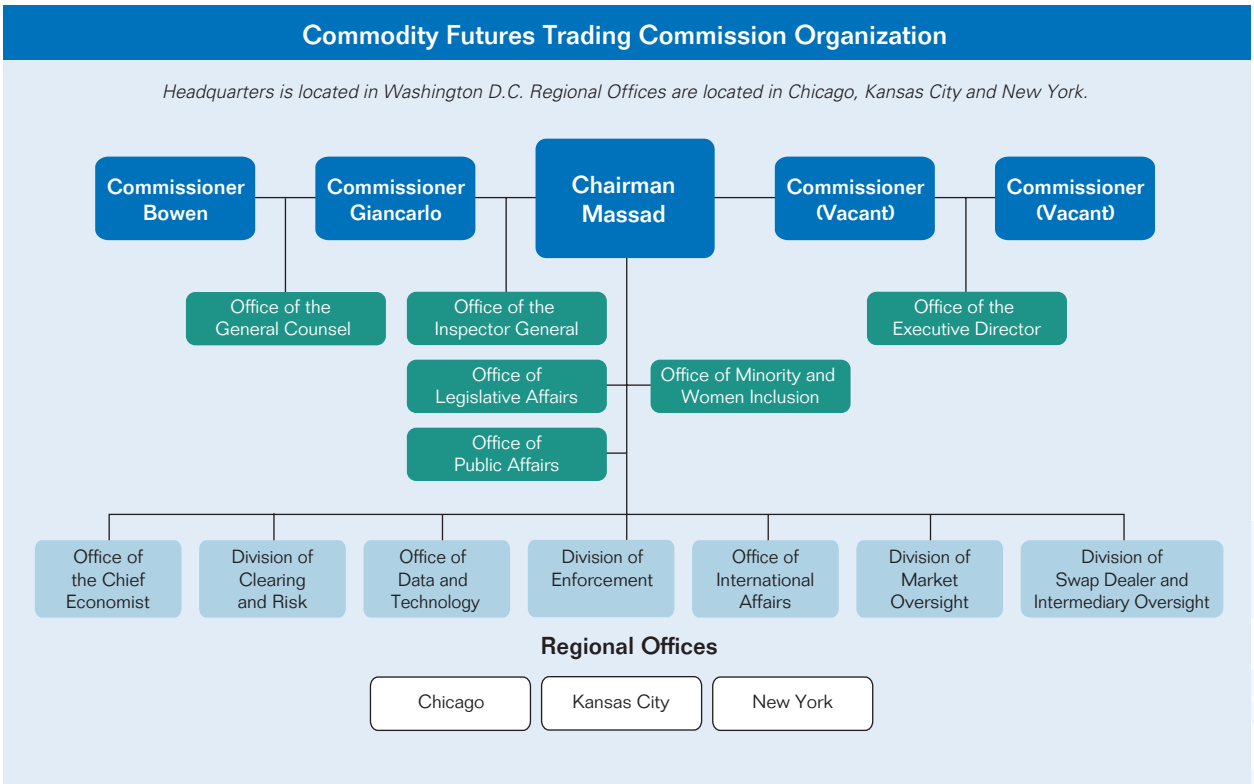
The Office of the Chairman oversees the Commission's principal divisions and offices that administer and enforce the CEA and the regulations, policies, and guidance thereunder.

The Commission is organized largely along programmatic and functional lines. The four programmatic divisions—the Division of Clearing and Risk (DCR), Division of Enforcement (DOE), Division of Market Oversight (DMO), and the Division of Swap Dealer and Intermediary Oversight (DSIO)—are partnered with, and supported by, a number of offices, including the Office of the Chief Economist (OCE), Office of Data and Technology (ODT), Office of the Executive Director (OED), Office of the General Counsel (OGC), and the Office of International Affairs (OIA). The Office of the Inspector General (OIG) is an independent office of the Commission.

The Dodd-Frank Act 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. For more information on the CPF see pages 120–124.

CFTC Organization Structure, Locations and Facilities

The Commission is headquartered in Washington D.C. Regional offices are located in Chicago, Kansas City and New York. The CFTC organization chart is also located on the Commission's website at *http://www.cftc.gov/About/CFTCOrganization/index.htm*.



The CFTC Organization

Below are brief descriptions of the organizations:

The Commission

The Offices of the Chairman and the Commissioners provide executive direction and leadership to the Commission—specifically, as it develops and adopts agency policy that implements and enforces the CEA and amendments to the Act, and the Dodd-Frank Act. 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.

Office of the General Counsel

The 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 and regulatory issues.

Office of the Inspector General

The OIG is an independent organizational unit at the CFTC. 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. As such it has the ability to review all of the Commission's programs, activities, and records. In accordance with the Inspector General Act of 1978, as amended, the OIG issues semiannual reports detailing its activities, findings, and recommendations.

Office of the Executive Director

The OED, by delegation of the Chairman, 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 programs: Business Management and Planning, Executive Secretariat (which includes Counsel to the Executive Director, Library, Records, and Privacy, and Proceedings), Financial Management, Human Resources, and Consumer Outreach. 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. The Office of Consumer Outreach administers the Commission's consumer anti-fraud and public education initiatives.

Office of the Chief Economist

The 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 plays a key role in transparency initiatives of the Commission.

Division of Clearing and Risk

The DCR oversees DCOs and other market participants that may pose risk to the clearing process including futures commission merchants (FCMs), SDs, MSPs, and large traders, and the clearing of futures, options on futures, and swaps by DCOs. The DCR staff: 1) prepare proposed regulations, orders, guidelines, and other regulatory work products on issues pertaining to DCOs; 2) review DCO applications and 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 systemically important DCOs 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.

Office of Data and Technology

The ODT is led by the Chief Information Officer and delivers services to CFTC through three components: Systems and Services, Data Management, and Infrastructure and Operations. Systems and Services focuses on several areas: 1) market and financial oversight and surveillance; 2) enforcement and legal support; 3) document, records, and knowledge management; 4) CFTC-wide enterprise services; and 5) management and administration. Systems and services provide access to data and information, platforms for data analysis, and enterprise-focused automation services. Data Management focuses on data analysis activities that support data acquisition, utilization, management, reuse, transparency reporting, and data operations support. Data Management provides a standards-based, flexible data architecture; guidance to the industry on data reporting and recordkeeping; reference data that is correct; and market data that can be efficiently aggregated and correlated by staff. 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. The three service delivery components are unified by an enterprise-wide approach that is driven by the Commission's strategic goals and objectives and incorporates information security, enterprise architecture, and project management.

Division of Enforcement

The DOE investigates and prosecutes alleged violations of the CEA and Commission regulations. 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 defendants from trading and being registered in its markets; 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 Whistleblower Office within DOE receives tips, complaints and referrals of potential violations, which allows the staff to bring cases more quickly and with fewer agency resources, and guides the handling of whistleblower matters as needed during investigation, litigation and award claim processes.

Office of International Affairs

The 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 International Organization of Securities Commissions (IOSCO) and OTC Derivatives Regulators Group, and bilateral dialogues, such as the US-EU Financial Markets Regulatory Dialogue; coordinates Commission policy as it relates to policies and initiatives of major foreign jurisdictions, the G20, Financial Stability Board and the U.S. Treasury Department (Treasury); and provides technical assistance to foreign market authorities.

Division of Market Oversight

The DMO fosters the integrity and transparency of derivatives markets by promoting open competitive markets that are free from fraud, manipulation, and other abuses to the extent that the prices discovered on the markets accurately reflect the forces of supply and demand. To achieve this goal, DMO oversees trading organizations, performs market surveillance, reviews new applications for exchanges, SEFs and data repositories, and examines existing trading organizations and data repositories to ensure their compliance with the applicable core principles. Other important work includes evaluating new products to ensure the products are not susceptible to manipulation, and reviewing entity rules to ensure compliance with the CEA and CFTC regulations.

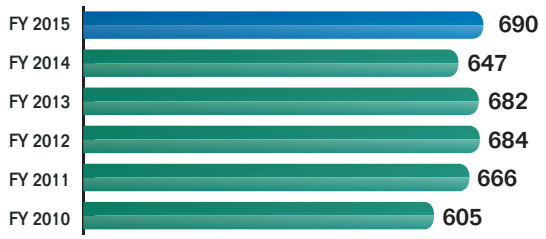
Division of Swap Dealer and Intermediary Oversight

The DSIO oversees the registration and compliance activities of registered intermediaries, as well as the oversight of examinations of intermediaries by the industry self-regulatory organizations (SROs). The division develops and implements regulations applicable to intermediaries with respect to registration, fitness, financial adequacy, sales practices, risk management, business conduct, and protection of customer funds. The division provides oversight and guidance to intermediaries for complying with the requirements established by the CEA and the Commission's regulations. The division also reviews whether registrants maintain sufficient financial resources, risk management procedures, and compliance with customer protection rules to enhance the financial stability of market participants. Further, the division is responsible to respond to emergency market-related events that might impact intermediaries.

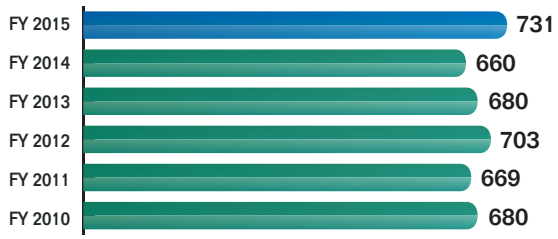
Our People

Collectively, the Commission employs 731 full-time permanent employees that compute to 690 FTE[4] in FY 2015. CFTC staff are comprised of 75 percent direct mission staff (attorneys, economists, auditors, risk and trade analysts, and other financial specialists) and 25 percent management and support staff to accomplish four strategic goals and one management objective in the regulation of commodity futures, options, and swaps.

Full-Time Equivalents



Number of Employees



Attorneys across the CFTC's divisions and offices represent the Commission in administrative and civil proceedings, assist U.S. Attorneys in criminal proceedings involving violations of the CEA, develop regulations and policies governing clearinghouses, exchanges and intermediaries, and monitor compliance with applicable rules.

Auditors, Investigators, Risk Analysts, and Trade Practice Analysts examine records and operations of derivatives exchanges, clearinghouses, and intermediaries for compliance with the provisions of the CEA and the Commission's regulations.

Economists and Data Analysts monitor trading activities and price relationships in derivatives markets to detect and deter price manipulation and other potential market disruptions. Economists also analyze the economic effect of various Commission and industry actions and events, evaluate policy issues and advise the Commission accordingly.

Management Professionals support the CFTC mission by performing strategic planning, information technology, human resources, staffing, training, accounting, budgeting, contracting, procurement, and other management operations.

[4] *In the U.S. Federal government, FTE is defined by the Government Accountability Office, as the number of total hours worked divided by the maximum number of compensable hours in a full-time schedule as defined by law.*

CFTC Regulatory Landscape

CFTC Mission

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 Commodity Exchange Act.

The Commission administers the CEA, 7 U.S.C. section 1, *et seq*. The 1974 Act brought under Federal regulation futures trading in all goods, articles, services, rights and interests; commodity options trading; leverage trading in gold and silver bullion and coins; and otherwise strengthened the regulation of the commodity futures trading industry. The Commission's mandate has been renewed and expanded several time since then, most recently by the 2010 Dodd-Frank Act.

In carrying out this mission and to promote market integrity, the Commission polices the derivatives markets for various abuses and works to ensure the protection of customer funds. Further, the agency seeks to lower the risk of the futures and swaps markets to the economy and the public.

Derivatives first began trading in the United States before the Civil War, when grain merchants came together and created this new marketplace. When the Commission was founded in 1974, the majority of derivatives trading consisted of futures trading in agricultural sector products. These contracts gave farmers, ranchers, distributors, and end-users of products ranging from corn to cattle an efficient and effective set of tools to hedge against price risk.

DERIVATIVE

is a financial instrument, traded on or off an exchange, the price of which is directly dependent upon (*i.e.*, derived from) the value of one or more underlying securities, equity indices, debt instruments, commodities, other derivative instruments, or any agreed upon pricing index or arrangement (*e.g.*, the movement over time of the Consumer Price Index or freight rates). Derivatives include futures, options, and swaps.

The Commission construes the definition of a futures contract broadly, but it is an agreement to purchase or sell a commodity for delivery in the future: 1) at a price that is determined at initiation of the contract; 2) that obligates each party to the contract to fulfill the contract at the specified price; 3) that is used to assume or shift price risk; and 4) that may be satisfied by delivery or offset. The CEA generally requires futures contracts to be traded on regulated exchanges, with futures trades cleared and settled with clearinghouses, referred to as DCOs. To that end, futures contracts are standardized to facilitate exchange trading and clearing.

Although a futures contract agreement is set today, the person selling (for example, a farmer marketing bushels of wheat) will not receive payment and the buyer (in this case a bakery) will not receive goods purchased until the predetermined delivery date agreed to in the contract, which is November 1 in the following example. The farmer benefits from this agreement because he is certain as to the amount of money he will earn from the farming operation, even if the price of wheat changes between today and November 1. Similarly, the bakery buying the wheat also benefits by knowing how much the wheat will

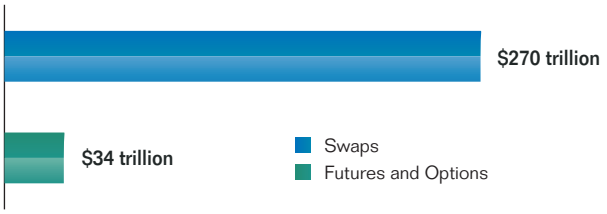
cost on November 1 and it will be better positioned to estimate its baking costs and set prices for its products. Finally, even though the actual price of wheat on November 1 (when the contract is fulfilled) may be greater or less than the pricing in the November 1 contract, the price is fixed and both the farmer and the bakery are bound by the price agreed to when they entered into the agreement. Most futures contracts are not settled with the actual physical delivery of the commodity, but by the purchase of opposite (offsetting) futures contracts, which serve to close out the original positions, with profits or losses dependent on the direction in which the price of the contracts have moved relative to those positions.

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

Over the years, the futures industry has become increasingly diversified. Futures based on other physical, such as metals and energy products were developed. Highly complex financial contracts based on interest rates, foreign currencies, Treasury bonds, security indexes, and other products have far outgrown the agricultural contracts in trading volume.

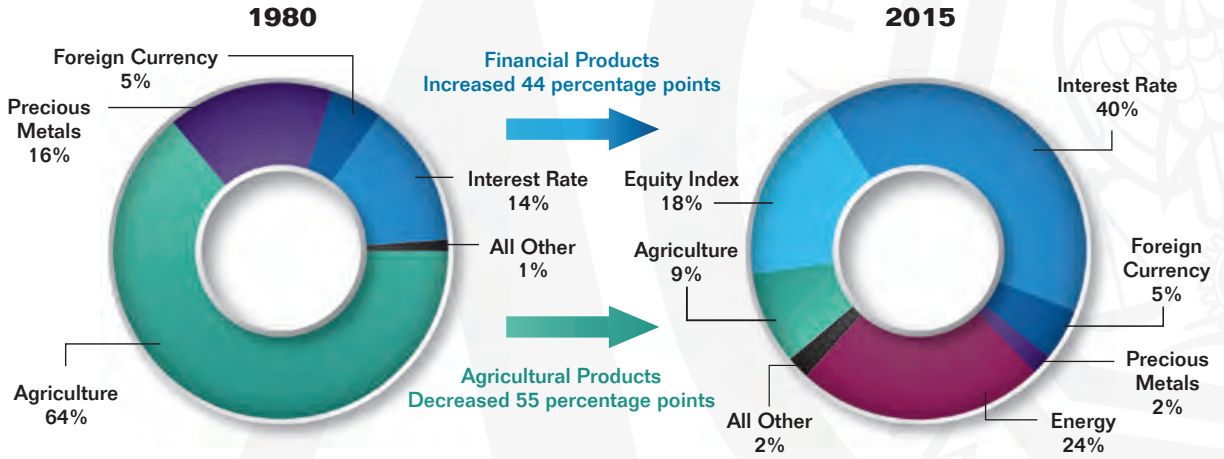
Electronic integration of cross-border markets and firms, as well as cross-border alliances, mergers and other business activities have transformed the futures markets and firms into a global industry. With the passage of the Dodd-Frank Act, the Commission was tasked with bringing regulatory reform to the swaps marketplace. Swaps, which had not previously been regulated in the United States, formed a collective global trading market valued in the hundreds of trillions of dollars when measured by notional amount.

Notional Value of Futures, Options, and Swaps Traded in the U.S.



The notional value of the U.S. swaps markets, as reported in the October 30, 2015 CFTC weekly swaps report, is almost eight times larger than the U.S. futures markets the Commission has historically overseen.

Generally speaking, a swap is an exchange of one asset or liability for a similar asset or liability for the purpose of, *inter alia*, shifting risks, where the value of those payments is determined in the future based on some previously agreed measure. With a swap, counterparties agree to exchange future cash flows at regular intervals, with each cash flow calculated on a different (previously agreed-upon) basis. Before the Dodd-Frank Act, swaps were, for the most part,



Over a 35 year span, the share of on-exchange commodity futures and option trading activity in the agricultural sector decreased 55 percentage points, while the share of the financial sector commodity futures and option contracts increased 44 percentage points.

traded over-the-counter (also called bilaterally), which means that swaps were not traded on regulated derivatives exchanges and many were not cleared through DCOs. Swaps are tools for hedging risks associated with, among other things, interest rates, currency fluctuations, and the cost of energy products, such as oil and natural gas. The value of a swap is derived from the value of the underlying asset or rate that serves as the basis for each (or both) legs of the exchange.

For example, two people may agree to swap the cost of a fixed interest rate on a $100,000 mortgage for a variable interest rate on a $100,000 mortgage. Person A agrees to pay a fixed interest rate of five percent to Person B, every month for a year. In exchange, Person B agrees to pay Person A variable interest rate based on the prime rate (currently 3.25 percent) plus 1.75 percent. Because these two interest rates equal each other at the time the swap is agreed, neither person owes anything to the other. If, however, the prime rate rises, then Person B will owe more money to Person A. Thus, at the time the swap is agreed, Person A is assuming interest rates will rise, whereas Person B is hoping interest rates will fall.

In normal times, these markets create substantial, but largely unseen, benefits for American families. During the recent financial crisis, however, their effect was just the opposite. It was during the financial crisis that many Americans first heard the word derivatives. That was because OTC swaps accelerated and intensified the crisis. The government was then required to take actions that today still stagger the imagination: for example, largely because of excessive swap risk, the government committed $182 billion to prevent the collapse of a single company—AIG—because its failure at that time, in those circumstances, could have caused our economy to fall into another Great Depression.

It is hard for most Americans to fathom how this could have happened. While derivatives were just one of many things that caused or contributed to the crisis, the structure of some of these products created significant risk in an economic downturn. In addition, the extensive, bilateral transactions between the largest banks and other institutions meant that trouble at one institution could cascade quickly through the financial system like a waterfall. The opaque nature of this market meant that regulators did not know the level of exposure that any one institution or the financial system faced.

Dodd-Frank Act: Enhanced Regulatory Environment

On July 21, 2010, the Dodd-Frank Act was enacted and the CEA was significantly amended to establish a comprehensive new regulatory framework to include swaps, as well as enhanced authorities over historically regulated entities.

The purpose of the derivatives provisions of the Dodd-Frank Act was to implement the commitments made by the United States at the G20 summit in Pittsburgh in 2009. The members of the G20 made four commitments: 1) require regulatory oversight of the major market players; 2) require clearing of standardized transactions through regulated DCOs; 3) require more transparent trading of standardized transactions; and 4) require regular reporting so that regulators and market participants would have an accurate picture of what is going on in the market.

Regulatory Oversight

Five years ago, SDs had no specific requirement to their swap dealing activity. The first of the major directives Congress gave to the CFTC was to create a framework for the registration and regulation of SDs and MSPs. The Commission has done this. As of September 30, 2015, there are 104 SDs and one MSP provisionally registered with the CFTC.

REGISTERED PROFESSIONALS AS OF SEPTEMBER 30, 2015

Type of Registered Professional	Number
Associated Persons (AP) (Sales People)	56,003
Commodity Pool Operators (CPOs)	1,719
Commodity Trading Advisors (CTAs)	2,377
Floor Brokers (FBs)	4,191
Floor Traders (FTs)	764
Futures Commission Merchants (FCMs)[5]	71
Introducing Brokers (IBs)	1,306
Major Swap Participant (MSP)	1
Retail Foreign Exchange Dealer (RFEDs)	5
Swap Dealer (SDs)	104
TOTAL	**66,541**

Companies and individuals who handle customer funds, solicit or accept orders, or give trained advice must apply for CFTC registration through the NFA, an SRO with delegated oversight authority from the Commission. The Commission regulates the activities of over 66,000 registrants.

The Commission has adopted rules requiring strong risk management by SDs and MSPs. It will be carrying out periodic examinations to assess risk and compliance at these registered entities. The new framework requires registered SDs and MSPs to comply with various business conduct requirements. These include strong standards for documentation and confirmation of transactions, as well as dispute resolution processes. The regulations include requirements to reduce risk of multiple transactions through what is known as portfolio reconciliation and portfolio compression. In addition, SDs are required to make sure their counterparties are eligible to enter into swaps, and to make appropriate disclosures to those counterparties of risks and conflicts of interest.

As directed by Congress, the Commission has worked with SEC, other U.S. regulators, and our international counterparts to establish this framework. The Commission will continue to work with them to achieve as much consistency as possible. It will also look to make sure these rules work to achieve their objectives, and fine-tune them as needed where they do not.

Clearing

15 DCOs are temporarily registered with the Commission

A second directive of the Dodd-Frank Act was to require clearing of standardized transactions at DCOs. DCOs reduce the risk that one market participant's failure could adversely impact other market participants or the public, by standing in between the two original counterparties to a transaction—as the buyer to every seller and the seller to every buyer—and maintaining financial resources to cover potential defaults. DCO's value positions daily and require parties to post adequate margin on a regular basis. "Margin" is the collateral that holders of financial instruments have to deposit with DCOs to cover some or all of the risk of the positions. Collateral must be in the form of cash or highly liquid securities.

The use of DCOs in financial markets is commonplace and has been around for over one hundred years. The idea is simple: if many participants trade standardized products on a regular basis, the tangled, hidden web created by thousands of private two-way trades can be replaced with a more transparent and orderly structure, like the spokes of a wheel, with

[5] *Includes FCMs registered as RFEDs.*

the DCO at the center interacting with market participants. The DCO is required to monitor the overall risk and positions of each participant.

The CFTC was the first of the G-20 nations' regulators to implement a regime for mandatory clearing of swaps. The Commission has required clearing for certain types of interest rate swaps denominated in U.S. dollars, Euros, Pounds and Yen, as well as CDS on certain North American and European indices. Based on CFTC analysis of data reported to SDRs, as of September 2015, measured by notional value, 75 percent of all outstanding transactions were cleared. This is compared to estimates by the International Swaps and Derivatives Association (ISDA) of only 16 percent in December 2007. With regard to index CDS, most new transactions are being cleared—85 percent of notional value, as of September 2015.

The CFTC rules for clearing swaps were patterned after the successful regulatory framework used for many years in the futures market. The Commission requires that clearing occurs through CFTC-registered or exempt DCOs that meet certain standards—a comprehensive set of core principles and regulations that ensures each DCO is appropriately managing the risk of its members, and monitoring its members for compliance with important rules.

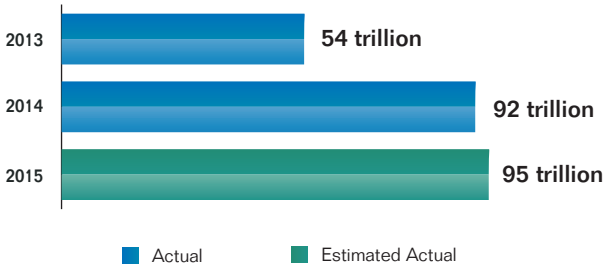
Of course, central clearing by itself is not a panacea. DCOs do not eliminate the risks inherent in the swaps market. The Commission must therefore be vigilant. It must do all it can to ensure that DCOs have financial resources, robust risk management tools, systems that minimize operational risk, and all the necessary standards and safeguards consistent with the core principles to operate in a fair, transparent and efficient manner. DCOs must also have tools in place to address a wide range of situations that may arise if a clearing member defaults. They must develop plans to deal with losses to the DCO in non-default situations. The Commission must also make sure that DCO contingency planning to deal with operational events, such as cyber-attacks, is sufficient.

Trading

The third area for reform under the Dodd-Frank Act was to require more transparent trading of standardized derivatives products. In the Dodd-Frank Act, Congress provided that certain swaps must be traded on a SEF or a DCM exchange.

The Dodd-Frank Act defined a SEF as "a trading system or platform in which multiple participants have the ability to execute or trade swaps by accepting bids and offers made by multiple participants." The trading requirement was designed to facilitate a more open, transparent and competitive marketplace, benefiting, among others, commercial end-users seeking to lock in a price or hedge risk.

Volume of Swaps Traded on U.S. Swap Execution Facilities



Swap execution facilities, a new type of CFTC-regulated platform for trading swaps, began operating on October 2, 2013. The annualized volume of 54 trillion in 2013 is a partial year based on actual trading volume between October 2 and December 31, 2013.

The CFTC finalized its rules for SEFs in June 2013. Twenty-three SEFs have been temporarily registered with the CFTC, and one application is pending. These SEFs are diverse, but each will be 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.

Trading on SEFs began in October 2013. As of February 2014, specified interest rate swaps and CDSs were required to be traded on a SEF or other regulated exchange. As of July 2015, 60 percent of client trading by notional volume is now electronic, up from nine percent in 2010. Notional value executed on SEFs has generally been in excess of $1 trillion monthly. It is important to remember that trading of swaps on SEFs is still new. SEFs are still developing best practices under the new regulatory regime. The new technologies that SEF trading requires are likewise being refined. Additionally, other jurisdictions have not yet implemented trading mandates, which has slowed the development of cross-border platforms. There will be issues as SEF trading continues to mature. The Commission will need to work through these to fully achieve the goals of efficiency and transparency SEFs are meant to provide.

Data Reporting

The fourth G20 reform commitment implemented by the Dodd-Frank Act was to require ongoing reporting of swap activity. Having rules that require oversight, clearing, and transparent trading is not enough. The Commission must have an accurate, ongoing picture of what is going on in the marketplace to achieve greater transparency and to address potential systemic risk. Title VII of the Dodd-Frank Act assigns the responsibility for collecting and maintaining swap data to SDRs, a new type of entity necessitated by these reforms. All swaps, whether cleared or uncleared, must be reported to SDRs. There are currently four SDRs that are provisionally registered with the CFTC.

The collection and public dissemination of swap data by SDRs helps regulators and the public. It provides regulators with information that can facilitate informed oversight and surveillance of the market and implementation of our statutory responsibilities. Dissemination, especially in real-time, also provides the public with information that can contribute to price discovery and market efficiency. While the Commission has accomplished a lot, much work remains. The task of collecting and analyzing data concerning this marketplace requires intensely collaborative and technical work by industry and the agency's staff. Going forward, it must continue to be one of the CFTC's chief priorities.

There are three general areas of activity. The CFTC must have data reporting rules and standards that are specific and clear, and that are harmonized as much as possible across jurisdictions. The Commission is leading the international effort in this area. It is an enormous task that will take time. The Commission must also make sure the SDRs collect, maintain, and publicly disseminate data in the manner that supports effective market oversight and transparency. Finally, market participants must live up to their reporting obligations. Ultimately, the market participants bear the responsibility to make sure that the data is accurate and reported promptly.

Guiding Principles

A few core principles must motivate the Commission's work in implementing the Dodd-Frank Act. The first is that the CFTC must never forget the cost of the financial crisis to American families, and it must do all it can to address the causes of that crisis in a responsible way. The second is that the United States has the best financial markets in the world. They are the strongest, most dynamic, most innovative, most competitive and transparent. They have been a significant engine of U.S. economic growth and prosperity. The Commission's work should strengthen U.S. markets and enhance those qualities in a way that does not place unnecessary burdens on the dynamic and innovative capacity of the industry.

Forward Looking – Future Business Trends and Events

Evolving Industry Trends and Their Implications for CFTC

The market participants (the industry) under CFTC jurisdiction continue to change how they conduct business in order to comply with regulatory responsibilities and to maximize opportunities. Industry continues to shift its operating model due to other environmental influences, such as global prudential and other regulatory framework, macroeconomic, and technology trends. As industry continues to evolve, the CFTC must have the ability to make accompanying changes across all components of its operations.

This understanding is critical to the Commission's ability to appropriately regulate industry of today and tomorrow.

Swap Markets are Increasingly Operating under the Dodd-Frank Regulatory Framework

By the end of FY 2016, participants in the swaps market under CFTC jurisdiction will be registered and operating under the framework established by the Dodd-Frank Act. The low-tech, high-touch bilateral voice transactions era for swaps trading will be increasingly replaced by trading on regulated platforms, central clearing and real-time trade reporting as provided for in the Dodd-Frank Act. Much of the regulatory uncertainty for these market participants will have been lifted, and while phasing and fine-tuning of rules will be ongoing, the marketplace will be increasingly trading, settling, and reporting swaps, and reaping the benefits of risk-mitigated hedging strategies. CFTC resources will shift largely from a rule-writing focus, through a period of intense interpretative guidance development, moving towards an operational stance that will emphasize compliance, risk management, monitoring and further refinement and improvement to the Commission's regulatory framework.

Growth in Clearing through DCOs, New Requirements for Uncleared Swaps, and Monitoring DCOs Reduces Swaps-Related Risks

Fundamental to the Dodd-Frank Act were heightened risk management requirements for DCOs and swap counterparties. Market participants (mainly dealers) began moving to central clearing of standardized swaps prior to the issuance of the CFTC's mandatory clearing determination for interest rate swaps and CDS, reducing credit risk between counterparties.

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Clearing Members are registered with the Commission

Under the Dodd-Frank Act, clearing members and swap customers are required to pay variation margin through their FCMs to avoid the accumulation of large gain and/or loss obligations. In addition, clearing members and swap customers are required to post initial margin to cover the potential future exposure of their positions in the event of default. Complementary margin requirements have been proposed for uncleared

swaps for SDs and MSPs subject to the CFTC's jurisdiction (*i.e.*, non-bank SDs and MSPs). In addition to posting margin, non-bank SDs and MSPs are required to hold minimum levels of capital under Section 731 of the Dodd-Frank Act. These capital and margin requirements are intended to reduce swaps-related systemic risk in the global financial system and to encourage clearing. As DCOs offer new swaps for clearing, the CFTC will evaluate whether such swaps should be required to be cleared, as well as assess the ability of the DCO to properly manage the risk of clearing those swaps.

The CFTC faces a number of challenges with its new jurisdiction related to swaps. Foremost, the notional value of cleared swaps is estimated to be on the order of a factor of almost eight times that of futures and options. This fact alone demonstrates the need for the CFTC to apply significant staffing resources to monitor the risk surveillance activities of DCOs, FCMs, and swaps market participants, in addition to maintaining (if not increasing) surveillance of futures and options market participants. FCMs and end-users are keenly aware of the importance of DCOs, and of their exposure to loss if DCOs fail to properly manage risk, and thus the CFTC will focus on supervision of DCOs to ensure their reliable and safe operation.

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. As more swap activity migrates to clearing the DCOs are holding substantially more collateral that has been deposited by market participants. There is a need to perform examinations of DCOs to evaluate the resources and capabilities of the DCO to monitor and control their financial and operational risks.

Clearing Firms and Customers Trade the Same Asset Class at Multiple DCOs

Firms and customers often clear the same asset classes at multiple DCOs. Each DCO's view is limited to the position it clears, while the Commission has the unique perspective of being able to analyze positions and the risks that they pose across DCOs. The Commission has to ensure it has the data and tools necessary to evaluate the risk of these positions. The Commission should be able to ascertain if the positions at the multiple DCOs increase or offset risk. The Commission must further be able to determine if the firm or customer has the resources to cover the potential losses at each DCO and not require the gains at one DCO to pay the losses at the others.

Aggregating Cleared Swaps and Futures Risk

Many large swap accounts (firms and customers) also clear large futures positions. In many cases, the swaps and futures are cleared at the same firm. The Commission has to ensure it has the procedures in place to first identify these accounts. Then secondly, the Commission has to ensure it has the software and information necessary to determine if the different asset classes increase or decrease risk. DCOs now and increasing in the future are offering cross-margin programs between asset classes. The Commission has to ensure it receives all position and account information for accounts in these programs. The Commission then has to have the software and expertise necessary to review and understand the risk and margin offsets present in the program.

New Regulatory Environment Driving Innovations in Derivatives Markets

The Commission will also continue to oversee the activities of existing SEFs and DCMs to ensure compliance with Commission regulations and the CEA. In addition, the Commission expects to receive new applications for SEF registration and DCM designation. The industry is responding quickly to the competitive opportunities engendered by the shifting regulatory landscape—the introduction of futures contracts by DCMs that are economically equivalent to standardized swaps is one such example. Innovation in the industry, which is likely to increase in pace with the addition of SEFs, will continue to add complexity in ways currently unanticipated. For example, the Commission is seeing new methods for executing transactions that were not proposed in previous years. While these changes will impact all of the CFTC mission activities, the near-term impacts will fall most heavily on the registration, product review, examinations, enforcement, and economic analysis mission activities.

23 SEFs are registered with the Commission

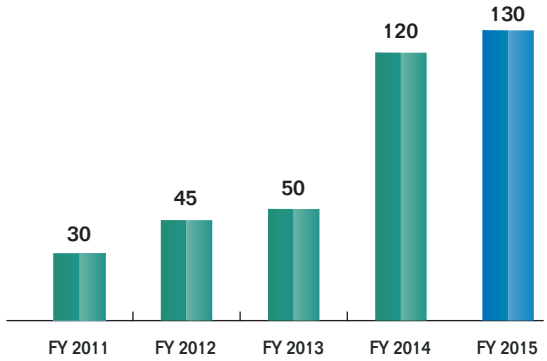
15 DCMs are registered with the Commission

Exponential Growth in Data Must be Acquired, Validated, Warehoused, and Analyzed to Fulfill the Commission's Regulatory Responsibilities

The Commission continues to enhance its software and automated tools to accommodate its enhanced surveillance responsibilities and access to data, including that generated by the swap data reporting rules, enhanced customer protection rules, chief compliance officer annual reports, risk exposure reports, Volcker Rule[6], other regulatory changes, increasing number of participants, and increasing number and complexity of data sources relevant to surveillance. The technology (data and processes) required for surveillance of swaps markets differs from that required for futures and options markets, and differs across asset classes. In addition, the ability to view risk across asset classes and in combination with futures is an overarching requirement that must also be automated and the Commission must continue to work closely with the SDRs, SROs and other Federal and international regulators (as appropriate) to harmonize how this data is recorded, organized, and stored. In response to the influx of new types of data from new and existing registrants, the CFTC must build its own information infrastructure and analytical capabilities to support its responsibilities as a first line regulator.

The CFTC is required to perform a comprehensive function that cannot be done by any single SRO and needs to see data from all industry participants in the swaps and futures markets. In response to the influx of new types of data from new and existing registrants, the CFTC must continue to enhance and adjust its information infrastructure and analytical capabilities to support its responsibilities as a first line regulator. Only by providing advanced tools and enriched data for staff to connect, analyze, and aggregate data can the Commission apply its unique view of the derivatives market toward effective market and risk surveillance. With each additional set of data collected there are data, technology, and usage requirements:

Growth in Number of Types of Swaps Data[7] Loaded into CFTC Systems



The CFTC receives data from more than 200 new entities, such as clearing members, SDs, DCO's, large banks and traders in futures and options markets, SDRs and SEFs, which did not previously provide data prior to the Dodd-Frank Act. The amount of data received and loaded into CFTC systems over five years has more than quadrupled. CFTC currently has plans to receive automated data from up to 6,000 new reporting entities in the coming years. The 6,000 entities represent market participants that will be required to submit Form 40[8] reports electronically once the Ownership and Control Reporting (OCR) rule is fully implemented.

- Defining data standards (*e.g.*, FIXML, FpML) to collect data;
- Architecting data repositories to facilitate data loading and integration;
- Developing software to load new data;
- Developing data validation mechanisms to report errors and metrics to submitters;

[6] *The Volcker Rule refers to refers to § 619 (12 U.S.C. § 1851) of the Dodd-Frank Act, originally proposed by American economist and former United States Federal Reserve Chairman Paul Volcker to restrict U.S. banks from making certain kinds of speculative investments that do not benefit their customers. Volcker argued that such speculative activity played a key role in the financial crisis of 2007–2010. The rule is often referred to as a ban on proprietary trading by commercial banks, whereby deposits are used to trade on the bank's own accounts, although a number of exceptions to this ban were included in the Dodd-Frank law.*

[7] *Swaps data include Part 20 and Part 39 interim records reporting files, additional by-rule development, Part 45 swaps data reporting, OCR-ownership and control reporting, and Volcker data.*

[8] *CFTC Form 40, Statement of Reporting Trader, is a reporting requirement for every person that holds a reportable position in accordance to Section 1804 of the CEA. The information requested is used generally in the Commission's market surveillance activities to provide information concerning the size and composition of the commodity futures or option markets, and to permit the Commission to monitor and enforce the speculative position limits that have been established. The complete listing of routine uses, in accordance with the Privacy Act, 5 U.S.C. §522a, and the Commission's rules thereunder, 17 CFR Part 146, of the information contained in these records is found in the Commission's annual notice of its system of records.*

- Providing operations support to facilitate timely submission of data;
- Developing data profiles on data submissions, submitters, markets, *etc.* (not currently done); and
- Analyzing data in a wide variety of ways to support mission functions.

The Commission will continue to adapt its data architecture and data management practices to manage the exponential growth in the size and complexity of mission data and facilitate continuous improvements in data quality and the ability to isolate anomalous market activity and complex financial and systemic risk.

There is heightened attention, both domestically and internationally, to cyber-security and the risk of cyber-attacks against DCOs, DCMs, SEFs, and the Commission itself. The CFTC will utilize and collaborate with FS-ISAC, Chicago-FIRST, CYWATCH™, and NIST and other regulatory bodies to ensure that current information and trends can be used when monitoring compliance with the systems safeguards core principle applicable to registered entities. The Commission also continues to increase its own cyber-security protections over the data collected from market participants for surveillance and enforcement.

Growth and Complexity of the Market the Commission Enforces

The CFTC will continue to use the resources it has to engage in robust enforcement, including using its anti-manipulation authority for the futures and swaps markets and the statutory prohibition on disruptive trading, including the provision outlawing "spoofing". The Commission continues to investigate cases of high-frequency trading and spoofing tactics, however the analytics required to interpret the "layering algorithms" are an issue, particularly given the resource-intensive nature of the matters. Without adequate resources, the Commission may be limited in its ability to prevent fraud from use of algorithms, high-frequency trading, and other automated trading.

Growth and Complexity of the Markets and Schemes

The CFTC continues to devote significant resources to investigate and prosecute trading schemes that threaten the integrity of the markets and place market participants at risk. With the increase of markets and products that the Commission oversees and growing complexity and interrelated nature of the markets, the CFTC will see a commensurate increase in the complexity of its investigations of manipulative, fraudulent and disruptive trading practices. For example, while the Commission continues to investigate cases of spoofing tactics by high-frequency traders and other market partici-

COMPARISON OF REPORTED PUBLIC SECTOR AND FINANCIAL SERVICES SECTOR[9] CYBER-SECURITY BREACHES[10]

Year	Confirmed Breaches	Records Compromised	Public Sector	Financial Services Sector
2010	75	4 million	4%	22%
2011	855	174 million	7%	28%
2012	621	44 million	5%	8.1%
2013	1,367	200 million	13%	34%
2014	2,122	700 million	14%	13%

As a Federal government agency, the CFTC is a public sector entity that provides regulatory oversight for parts of the financial services sector, or marketplace. Both sectors are a magnet for those looking for economic advantage or wishing harm to the Federal government, therefore the Commission's due diligence in ensuring systems safeguards for CFTC-registered entities and its own cyber-security protections is critical.

[9] *Public sector is defined as Federal government entities and the financial services sector encompasses a broad range of businesses that manage money, including credit unions, banks, credit-card companies, insurance companies, accountancy companies, consumer-finance companies, stock brokerages, investment funds and some government sponsored enterprises.*

[10] *Data Source: Verizon Data Breach Investigation Reports 2010–2014, http://www.verizonenterprise.com/dbir. The 2015 Cyber Security Breach report has not been published, to date.*

pants, the Commission needs to ensure it has the requisite expert capabilities and analytical resources to efficiently and effectively investigate.

Maintaining Integrity of Benchmarks

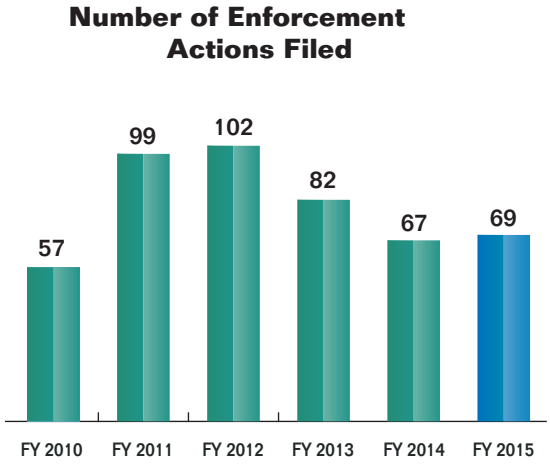
The integrity of benchmarks remains a priority for the Commission. Over the last two years, the Commission has imposed civil monetary penalties of $4.7 billion for manipulation and attempted manipulation of global benchmark rates, including: $1.9 billion for misconduct relating to foreign exchange benchmarks; and over $2.8 billion for misconduct relating to International Swaps and Derivatives Association Fix (ISDAFIX), LIBOR, Euribor, and other interest rate benchmarks. These benchmarks are an essential valuation tool for thousands upon thousands of derivatives across financial markets, including: options on interest rate swaps, or swaptions; cross-currency swaps; foreign exchange swaps; spot transactions; forwards; options; and futures. These investigations are global in nature and continue to require a significant allocation of enforcement resources.

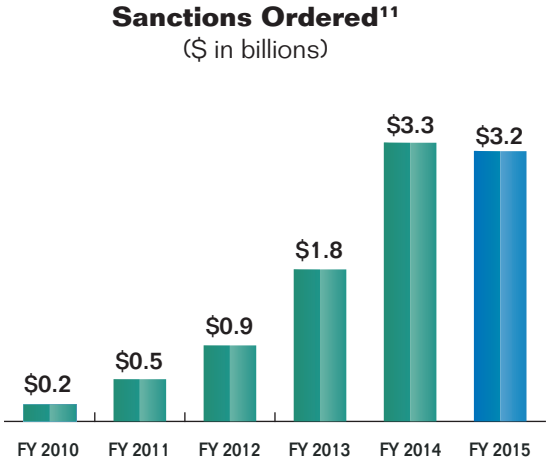
Protecting Customers from Fraud

Anti-fraud enforcement remains a core commitment of the CFTC's enforcement program. During FY 2015, the Commission prosecuted wrongdoers for a wide range of fraudulent schemes, including Ponzi schemes that preyed upon the retail public's hopes to participate in forex trading, precious metals speculation, and commodity pools. The Commission's experience with fraudsters is that they gravitate towards, and flourish in, financial markets that are not "policed." Therefore, the Commission must continue to devote significant resources to "walk the beat" of the financial markets within its jurisdiction and protect the retail public that wants to participate in them.

Ensuring that Markets, Firms and Participants Meet their Obligations

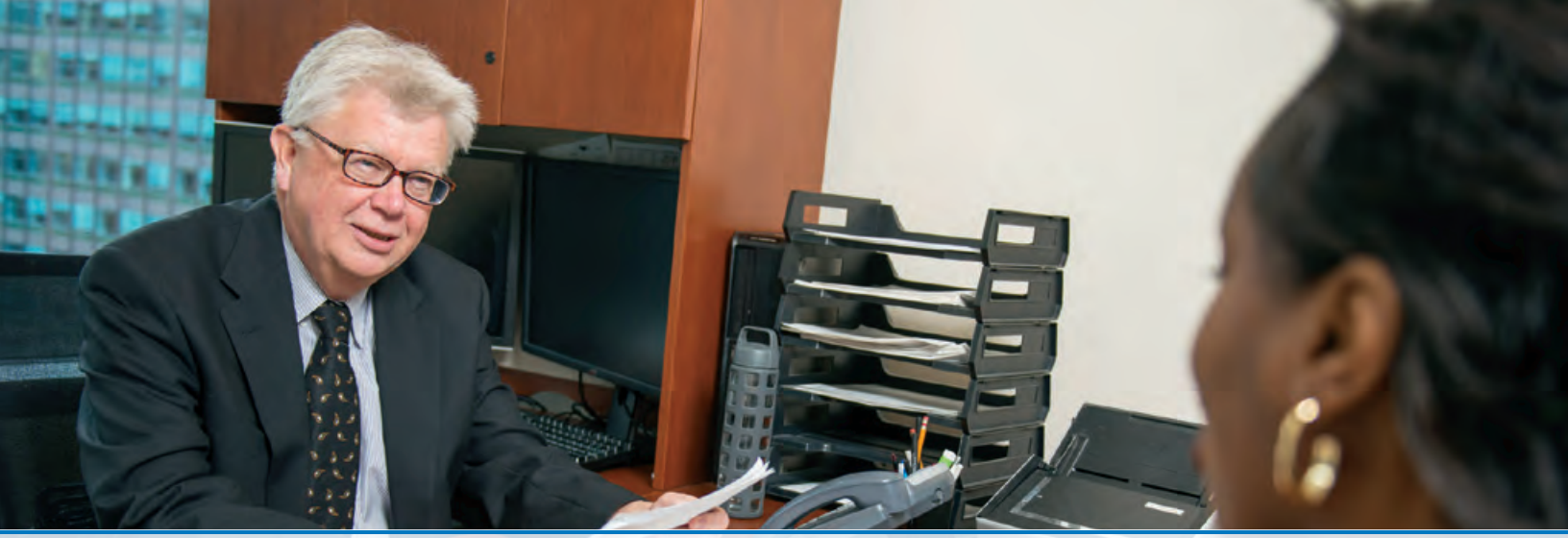
In protecting the markets and market participants, the Commission engages in investigations and takes enforcement action, when necessary, to make sure that firms maintain their financial integrity and that markets, firms and significant market participants fulfill their regulatory obligations, including reporting obligations. Commission registrants are required to meet standards for their capitalization and handling of funds, which standards are intended to safeguard against market disruption and abuse from imprudent practices or intentional misconduct and to protect customers. The reporting requirements for markets, firms and significant market participants are essential to the CFTC's ability to conduct effective surveillance of the futures and derivatives markets that it regulates. With the Dodd-Frank Act's expansion of the Commission's responsibility, the Commission is doing all it can with its available resources to ensure that the markets, firms and significant market participants in the trillion dollar swaps marketplace uphold these essential obligations.





The CFTC utilizes every tool at its disposal to detect and deter illegitimate market forces. Through enforcement action, the Commission preserves market integrity and protects market users, demonstrating that the Commission has significant authority and intends to use it.

[11] *The sanctions ordered represent civil monetary penalties, disgorgement, and restitution.*



Performance Highlights

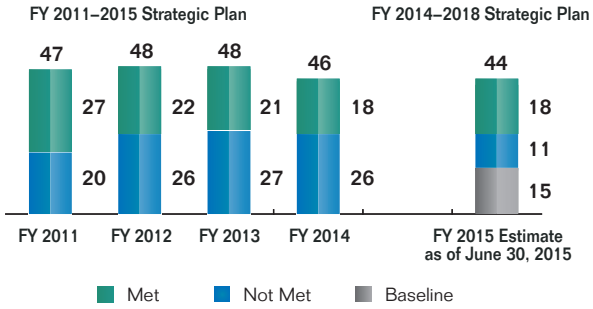
CFTC FY 2014–2018 Strategic Plan

The FY 2014–2018 Strategic Plan, released in the fall of 2014, was prepared in accordance with the requirement of the Government Performance and Results Modernization Act (GPRMA) of 2010 and OMB Circular A-11, Part 6. The Strategic Plan presents the CFTC's strategic goals, objectives, and strategies for achieving those goals, as well as performance goals for measuring success.

Summary of FY 2014–2018 Strategic Goals

CFTC MISSION	
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, abusive practices related to derivatives and other products that are subject to the Commodity Exchange Act.	
STRATEGIC GOAL 1: MARKET INTEGRITY AND TRANSPARENCY	
The focus of *Market Integrity and Transparency* is to recognize that derivatives markets provide a means for market users to offset price risks inherent in their businesses and to serve as a public price discovery mechanism.	
Objective 1.1	Markets not readily susceptible to manipulation and other abusive practices.
Objective 1.2	Effective self-regulatory framework.
Objective 1.3	Availability of market information to the public and for use by authorities.
Objective 1.4	Integrate swaps data with futures and options on futures data.
STRATEGIC GOAL 2: FINANCIAL INTEGRITY AND AVOIDANCE OF SYSTEMIC RISK	
The focus of *Financial Integrity and Avoidance of Systemic Risk* is to strive to ensure that Commission-registered DCOs, SDs, MSPs, and FCMs have the financial resources, risk management systems and procedures, internal controls, customer protection systems, and other controls necessary to meet their obligations so as to minimize the risk that the financial difficulty of any of these registrants, or any of their customers has systemic implications.	
Objective 2.1	Reduce the risk of disruptions to the system for clearing and settlement of contract obligations.
Objective 2.2	Provide market participants with regulatory guidance.
Objective 2.3	Strong governance and oversight of Commission registrants.
Objective 2.4	Assess whether SDs, MSPs and FCMs maintain sufficient financial resources, risk management procedures, internal control, and customer protection practices.
STRATEGIC GOAL 3: COMPREHENSIVE ENFORCEMENT	
Through the goal of *Comprehensive Enforcement*, the CFTC enforces the CEA and Commission regulations, and works to promote awareness of and compliance with these laws.	
Objective 3.1	Strengthen capacity to receive and expeditiously handle high-impact tips, complaints, and referrals.
Objective 3.2	Execute rigorous and thorough investigations.
Objective 3.3	Effectively prosecute violations.
Objective 3.4	Remedy past violations, deter future violations and related consumer losses.
STRATEGIC GOAL 4: DOMESTIC AND INTERNATIONAL COOPERATION AND COORDINATION	
***Domestic and International Cooperation and Coordination* focuses on how the Commission interacts with domestic and international regulatory authorities, market participants, and others affected by the Commission's regulatory policies and practices.**	
Objective 4.1	Broad outreach on regulatory concerns.
Objective 4.2	Sound international standards and practices.
Objective 4.3	Provide global technical assistance.
Objective 4.4	Robust domestic and international enforcement cooperation and coordination.
MANAGEMENT OBJECTIVES	
To advance its mission goals and objectives, the CFTC will achieve Commission-wide excellence by empowering strong, enterprise-focused leaders, maintaining a high-performing and engaged workforce, and ensuring effective stewardship of resources.	
Objective 5.1	A high-performing, diverse, and engaged workforce.
Objective 5.2	Effective stewardship of resources.
Objective 5.3	Robust and comprehensive consumer outreach program.

Summary of Performance Results[12]



The bar graph above presents the ratings distribution for performance results reported from FYs 2011 through 2015. The FY 2015 estimates are preliminary results as of third quarter, ending June 30, 2015. Fifteen baseline metrics, included in the graph, were under development during FY 2015 and currently are not measurable.

Results prior to FY 2015 are based on targets contained in the FY 2011–2015 Strategic Plan. FY 2015 results are based on targets contained in the CFTC's new Strategic Plan, which covers FY 2014–2018. Although results achieved under the two Strategic Plans are not directly comparable, results from years prior to FY 2015 are presented to provide a historical context to the current performance data.

The following, in chronological order, are the results for the past five years:

- In FY 2011, CFTC published the FY 2011–2015 Strategic Plan introducing 54 performance metrics; however, most of FY 2011 was spent under a continuing resolution, making it challenging to fund mission critical activities, which resulted in 27 of the 54 targets being met. In addition, seven performance measures were considered "Not Applicable" during FY 2011 either because they were dependent on completion of rules related to the Dodd-Frank Act or remained in development from the onset of the Strategic Plan. These seven "Not Applicable" measures were not included in the Summary of Performance Results which brings the total number of performance metrics to 47 for FY 2011.
- In FY 2012, results declined to 22 targets being met. Progress was hampered in many areas by significant resource deficiencies and reallocations as the Commission focused on writing new rules required under the Dodd-Frank Act.
- In FY 2013, the Commission was not provided with the commensurate increase in budget authority to oversee the markets and market participants. These constraints, which were exacerbated by the FY 2013 budget sequestration, limited the effectiveness of the Commission in carrying out its mission, leading to 21 targets met by year end.
- In FY 2014, the Commission demonstrated some progress toward achievement of the Commission's mission and strategic goals. However, in many key areas, such as risk-based examinations of entities, including clearinghouses, exchanges, and swap dealers that the Commission oversees, progress was limited by resource constraints, ending the year with 18 targets met.
- In early FY 2015, the CFTC published a new Strategic Plan that spans 2014-2018, with a new set of 44 metrics. Fifteen of the 44 metrics are being "baselined" in FY 2015 and thus do not have annual targets. These baseline metrics are being evaluated during FY 2015 with the intent of creating a basis for future measurement. Of the remaining 29 measurable metrics, 18 met the FY 2015 targets.

Strategic Goals and Key Results

The selected accomplishments described below demonstrate progress made in FY 2015 toward the achievement of the Commission's mission and strategic goals. In order to provide better and more frequent assessments to leadership, the CFTC is monitoring the progress of these performance goals on a quarterly basis.

The Commission's FY 2015 APR and FY 2017 Agency Performance Plan, to be issued in February 2016 as part of its Congressional Budget Justification in conjunction with the President's Budget, will present more detailed analysis of the following performance results.

[12] *Expired performance measures were under the FY 2011–2015 Strategic Plan.*

Strategic Goal One

Strategic Goal One

Market Integrity and Transparency

FY 2015 INVESTMENT

Net Cost: $68.3 Million

Staffing: 186 FTE

Goal One Market Integrity and Transparency

Derivatives markets are designed to provide a means for market users to offset price risks inherent in their businesses and to act as a public price discovery platform from which prices are broadly disseminated for public use. For derivatives markets to fulfill their role in the national and global economy, they must operate efficiently and fairly, and serve the needs of market users. The markets best fulfill this role when they are open, competitive, and free from fraud, manipulation, and other abuses.

The Commission strives to assure that Goal One is effectively met through the combined use of several oversight strategies including: 1) the review of new contracts and rules and changes to contracts and rules; 2) continual surveillance of trading activity in the futures and swaps markets; 3) the review of regulated exchanges, DCMs and SEFs to ensure that they are fulfilling applicable laws and Commission rules including their self-regulatory obligations; 4) the review of registered SDRs to ensure that they are fulfilling their reporting and recordkeeping requirements; and 5) the adoption of policies and strategies to promote market transparency.

Goal One FY 2015 Key Results

- Continued the implementation of the rules providing registration and operation requirements for SEFs, and temporarily registered 23 SEFs.
- Completed four rule enforcement reviews (RERs) of designated contract markets. These include a joint Trade Practice Surveillance RER of NYMEX and COMEX; a joint Audit Trail RER of CME and CBOT; a joint Disciplinary RER of CME, CBT, NYMEX, and COMEX; and, a Market Surveillance RER of Minneapolis Grain Exchange.
- Completed reviews of 649 new product certifications, 946 rule filings, 10 foreign security index certifications, and one foreign board of trade (FBOT) no-action request.
- Continued its efforts to monitor FCMs by conducting various direct and horizontal limited scope reviews while reviewing over 1,200 financial filings and 1,700 notices. The new horizontal reviews focused on the liquidity of FCMs, the sufficiency of excess segregation and secured requirements, risk management, and internal controls at FCMs. With the assistance of the designated SROs, the Commission also successfully managed the wind

down and transfer of customer accounts of four FCMs in financial distress.

- Streamlined and completed approximately half of its sampling review work in connection with the process of registering two new categories of registrants—SDs and MSPs. CFTC provided extensive interpretive guidance to NFA in its front line registration activities.

- Opened the Commission's OPERA portal through which exchanges electronically file submissions directly with the Commission. Nearly 96 percent of the 2,140 product and rule amendment filings made by DCMs, SEFs, and SDRs were filed through OPERA. Portal usage significantly reduces time spent by Commission staff on data entry tasks, which frees up staff time to review product and rule amendment filings to ensure compliance with the CEA and the Commission's regulations.

- Continued extensive use of Special Call Authorities, which require entities to provide data and market behavior explanations not normally available to the CFTC, in conjunction with data already within or available to the Commission to detect compliance violations and manipulation for further referral for investigation to the DOE.

- Continued to refine methods of detection of compliance violations, and prototyped new reports containing either fundamental information or analysis increasing the efficiency of the analysts. A project to write computer code to examine message data for violations is in early stages of development.

- Worked with Treasury Department, the Federal Reserve's Board of Governors, the Federal Reserve Bank of New York, and the SEC to analyze the significant volatility in the U.S. Treasury market on October 15, 2014. Using non-public data from the U.S. Treasury cash and futures markets, co-authored joint report that provided detailed analysis of the market conditions and record trading volumes that day, including an unusually rapid round trip in prices and deterioration in liquidity during a narrow window.

- Contributed to Market Structure related discussions in the U.S. Financial Stability Oversight Council Annual Report.

- Developed capability to analyze and produce summary statistics from order book and message data from futures markets.

Strategic Goal Two

Strategic Goal Two

Financial Integrity and Avoidance of Systemic Risk

FY 2015 INVESTMENT

Net Cost: $73.9 Million

Staffing: 207 FTE

Goal Two Financial Integrity and Avoidance of Systemic Risk

In fostering financially sound markets, the Commission's main priorities are to avoid disruptions to the system for clearing and settling contract obligations and to protect the funds that customers entrust to FCMs, SDs, CPOs, CTAs and other intermediaries.

Effective regulatory oversight of clearing and intermediary entities is integral to the financial integrity of derivatives transactions, and by extension, the faith and confidence of market users. Key aspects of the CFTCs regulatory framework for achieving Goal Two are: 1) requiring that market participants post margin to secure their ability to fulfill financial obligations; 2) requiring participants on the losing side of trades to meet their obligations, in cash, through daily (sometimes intraday) margin calls; 3) requiring FCMs and other intermediaries to maintain minimum levels of operating capital; and 4) requiring FCMs to segregate customer funds from their own funds.

Goal Two FY 2015 Key Results

- Completed annual examinations for the two systemically important DCOs (SIDCOs). The Commission focused on financial integrity, system safeguards, including cyber-security, and risk management for the examinations.
- Granted DCO registration to one clearing organization, Nodal Clear, LLC, and an exemption from registration to another clearing organization, ASX Clear (Futures) Pty Limited. Commission staff also granted no-action relief to several foreign clearing organizations, permitting the clearing of proprietary swap positions for U.S. clearing members, pending the clearing organizations' registration as a DCO or exemption from registration.
- Completed reviews of DCO rules submitted to the Commission to ensure they were consistent with the CEA and Commission regulations. Rules include not only provisions contained in a DCO's rulebook, but also issuances such as interpretations, policies, and clearing member advisories. During this performance period, 170 DCO rules were filed as self-certifications under Regulation 40.6(a), 89 DCO notifications were

filed under Regulation 40.6(d), and three rules were filed under Regulation 40.10, which requires that a SIDCO provide notice to the Commission not less than 60 days in advance of any proposed change to its rules, procedures, or operations that could materially affect the nature or level of risks presented by the SIDCO.

- Issued several staff interpretative letters related to, among other things, the applicability of the clearing requirement to captive finance companies, clarifications surrounding how certain Part 39 regulations encompass the standards set forth in the Principles for Financial Market Infrastructures, and the applicability of certain Commission regulations to DCOs that use of a "firm or forced trades" process to determine the price of certain swaps for which public market prices are not available.
- Finalized rulemaking requiring all Commission registrants to be members of a Registered Futures Association and proposed amendments to CFTC rules for SD portfolio reconciliation.
- Proposed rules for margin for uncleared swaps for SDs and MSPs.
- Provided general and entity-specific guidance to SDs in the second year for implementation of the new compliance program requirements for FCMs and SDs.
- Provided extensive direction to NFA in the review of registration applications under Section 4s of the CEA for demonstrating compliance with the new SD regulations.
- Implemented the metrics reporting requirements of the Volcker Rule, and further coordinated with other Volcker regulatory agencies on implementation.
- Issued final rule amendments revising the Residual Interest Deadline for customers to meet margin obligations to FCMs for futures trading accounts.
- Monitored retail forex dealers during the foreign currency volatility event that occurred in January 2015. Staff worked closely with designated SROs and industry participants to ensure that retail forex dealers remained in compliance with Commission capital and other financial requirements, and that retail forex customer deposits held as security deposits by the retail forex dealers were protected.
- Approved rule amendments submitted by the NFA to enhance capital requirements for retail foreign exchange dealers, and to require such dealers to provide more detailed disclosures to current and prospective customers.
- Performed three limited scope reviews of SDs to discuss important compliance issues and risk management procedures and controls. These reviews were aimed to begin the process of monitoring the industry's compliance with the Commission's regulations and to work with industry participants to help ensure their understanding of Commission regulations.
- Worked closely with designated SROs to develop foundational examination standards for use in their respective examination programs. These standards address areas of examination planning, risk assessment, examination documentation, examiner ethics and examination reports.

Strategic Goal Three

Strategic Goal Three

Comprehensive Enforcement

FY 2015 INVESTMENT

Net Cost: $95.5 Million

Staffing: 262 FTE

Goal Three Comprehensive Enforcement

The Commission is committed to prosecuting violations of the CEA and Commission regulations to protect market participants and promote market integrity. The Commission investigates and litigates cases that have the greatest impact, whether they are against some of the world's largest financial institutions for attempted manipulation, false reporting, customer fund violations, wash trading, supervision failures, or against a Ponzi schemer who perpetrates a multi-million dollar scam on the unsuspecting public. As a result of these efforts, the Commission filed 69 new enforcement actions and opened more than 220 new investigations in FY 2015. In addition, the Commission obtained more than $3.2 billion in sanctions, including orders imposing $3.1 billion in civil monetary penalties and $59 million in restitution and disgorgement.

Goal Three FY 2015 Key Results

In FY 2015, in addition to exercising its anti-fraud authority, the Commission also took significant enforcement action in its: spoofing and disruptive trading enforcement, headlined by its "Flash Crash" enforcement action; benchmark rate manipulation cases; actions against bitcoin trading platforms to ensure their compliance with the CEA; and enforcement actions against swaps markets intermediaries to ensure their compliance with reporting obligations, which are critical to the smooth running of the markets and the CFTC's ability to respond to potential misconduct.

Spoofing and Manipulation, Attempted Manipulation

Two of the important new authorities Congress provided the CFTC in the Dodd-Frank Act were statutory tools to fight manipulation and the market-disrupting tactic of "spoofing," defined as entering an order with the intent to cancel it before it is consummated in a complete transaction. This year, the CFTC has used these tools in its efforts to ensure market integrity.

- Navinder Singh Sarao and his company Nav Sarao Futures Limited PLC were charged with manipulation, attempted manipulation, and spoofing with regard to the E-mini S&P 500 futures contracts over a five-year period, including on May 6, 2010, during which the Defendant's alleged misconduct contributed to the market conditions that led to the "Flash Crash." On April 21, 2015, Sarao, was arrested in his home in London and he is currently fighting extradition to the United States. According to the CFTC's Complaint, from April 2010 to April 2015, Sarao netted over $40 million from his E-mini S&P trading.

- Eric Moncada and proprietary trading firms BES Capital LLC and Serdika LLC settled charges of attempted manipulation through "spoofing" orders, fictitious, and non-competitive transactions in the wheat futures market. After the Enforcement Division persuaded the court to grant summary judgment against Moncada on the charges of fictitious sales and non-competitive transactions, the parties settled the attempted manipulation charges with a $1.6 million civil monetary penalty, a five-year wheat futures trading ban, and one-year bans on registration and trading of other products. Per the consent order, Moncada attempted to manipulate the wheat futures market by entering and cancelling large lot orders without the intent to fill the orders. In FY 2014, the CFTC also obtained default judgments against the firms with civil monetary penalties totaling $32.2 million and permanent trading and registration bans.

Foreign Exchange, LIBOR, and ISDAFIX Benchmark Rates

With this year's actions, the CFTC has imposed over $4.6 billion in penalties in 15 actions against banks and brokers to address FX, LIBOR, and ISDAFIX benchmark abuses and ensure the integrity of global financial benchmarks. As Enforcement Director Goelman emphasized, benchmark corruption is a central concern of the Commission: "Ensuring the integrity of our markets and the public's faith in that integrity is a core mission of the CFTC. There is very little that is more damaging to the public's faith in the integrity of U.S. markets than a cabal of international banks working together to manipulate a widely-used benchmark in furtherance of their own narrow interests."

- Issued five Orders filing and settling charges against Citibank N.A. (Citibank), HSBC Bank plc (HSBC), JPMorgan Chase Bank N.A. (JPMorgan), The Royal Bank of Scotland plc (RBS), and UBS AG (UBS) for attempted manipulation of, and for aiding and abetting other banks' attempts to manipulate, global foreign exchange benchmark rates to benefit the positions of certain traders. The relevant period of conduct varied across the banks, with conduct commencing for certain banks in 2009, and for each bank, continuing into 2012. The Orders collectively imposed over $1.4 billion in civil monetary penalties, specifically: $310 million each for Citibank and JPMorgan, $290 million each for RBS and UBS, and $275 million for HSBC. The CFTC also required the banks to take remedial actions to improve their internal controls and procedures to ensure the integrity of their participation in the fixing of any foreign exchange benchmark rate.
- Issued an order against Deutsche Bank AG (Deutsche Bank) finding that Deutsche Bank routinely engaged in acts of false reporting and attempted manipulation and, at times, succeeded in manipulating the LIBOR for U.S. dollar, yen, sterling, and Swiss franc, and the Euribor, and did so to benefit cash and derivatives trading positions that were priced off LIBOR or Euribor. The CFTC ordered Deutsche Bank to pay an $800 million civil monetary penalty, the largest fine in the CFTC's history.

Other Attempted Manipulation Results

- Joseph F. Welsh III settled charges of attempted manipulation of the settlement prices of NYMEX palladium and platinum futures contracts, while working as a broker at MF Global, Inc. The order requires Welsh to pay a $500,000 civil monetary penalty and permanently bans him from trading those contracts. The CFTC had previously settled related enforcement actions against Welsh's customer for whom the trades were entered, Christopher Louis Pia, and Pia's former employer, Moore Capital Management LLC (a predecessor of Moore Capital Management, LP).

Bitcoin-Related Enforcement Actions

There is a great deal of excitement and press attention to the potential of bitcoin, other crypto-currencies and the block chain technology. The Enforcement Division has acted this year to ensure that those active in these areas understand that they are obliged to comply with the same laws as all other market participants.

- Coinflip, Inc. d/b/a Derivabit (Coinflip), a bitcoin options trading platform operator, and its CEO, Francisco Riordan, operated a facility for the trading or processing of commodity options without complying with the CEA or CFTC regulations otherwise applicable to swaps or conducting the activity pursuant to the CFTC's exemption for trade options. Additionally, the Order finds that Coinflip operated a facility for the trading of swaps but did not register the facility as a SEF or DCM, as required.

- TeraExchange LLC (Tera), a provisionally registered SEF, failed to enforce its prohibition on wash trading and prearranged trading on the SEF platform, which offered for trading a non-deliverable forward contract based on the relative value of the U.S. dollar and bitcoin, a virtual currency (the bitcoin swap). As a provisionally registered SEF, Tera is required under the SEF core principles of the CEA and CFTC regulations to enact and enforce rules prohibiting certain types of trade practices on the SEF, including wash trading and prearranged trading.

Reporting Violations

The reporting requirements for market participants are essential to the CFTC's ability to conduct effective surveillance of the derivatives markets that it regulates. Since the Dodd-Frank Act, this includes reporting obligations related to swaps transactions, part of the Commission's responsibility for bringing greater transparency than heretofore. In FY 2015, the CFTC brought several actions charging reporting violations, including its first enforcement actions enforcing the new Dodd-Frank Act large trader reporting requirements for physical commodity swap positions and for real time public reporting of swap transactions and the reporting of swap data to swap data repositories. The CFTC also took action against an exchange for recurring data reporting problems, sending a clear message that all persons must be held accountable to meet their regulatory responsibilities.

Swaps Reporting

- Deutsche Bank AG, a provisionally registered swap dealer, failed to properly report its swaps transactions, did not diligently address and correct the reporting errors until the bank was notified of the CFTC's investigation, and failed to have an adequate swaps supervisory system governing its swaps reporting requirements; Deutsche Bank was ordered to pay a $2.5 million civil monetary penalty.

Other Reporting Violations

- ICE Futures U.S., Inc. (ICE), a DCM, failed to submit accurate and complete reports, which errors included incorrect clearing member reports, permanent record data, and transaction-level trade data; ICE was ordered to pay a $3 million civil monetary penalty.

Protection of Customer Funds (Including Proper Capitalization and Use of Funds)

- Morgan Stanley & Co. LLC (Morgan Stanley), a registered FCM and provisionally registered swap dealer, failed to hold sufficient U.S. dollars in segregated accounts in the United States to meet all of its U.S. dollar obligations to cleared swaps customers. The CFTC further found that Morgan Stanley did not have in place adequate procedures to comply with the currency denomination requirements for cleared swaps customer collateral and did not train and supervise its personnel to ensure compliance with CFTC regulations. The CFTC implemented these regulations for the protection of cleared swaps customer collateral under the Dodd-Frank Act. Morgan Stanley was required to pay a $300,000 civil monetary penalty.

- MF Global Holdings Ltd. (MFGH) was ordered to pay a $100 million civil monetary penalty and $1.2 billion in restitution or such amount as necessary to ensure that claims of customers of its subsidiary, MF Global Inc. (MFGI), are paid in full. The CFTC previously filed and settled charges against MFGI for misuse of customer funds and related supervisory failures. This settlement together with the Commission's settlement with MFGI required the company to pay restitution to customer claimants. The CFTC is happy to announce that the trustee for the MF Global Inc. estate reported in FY 2015 that funds have been distributed to cover 100 percent of the allowed customer claims. The Enforcement Division continues in its suit against the remaining Defendants, Jon S. Corzine, and Edith O'Brien.

- U.S. Bank National Association (U.S. Bank) was ordered to pay $18 million to be returned to registered FCM Peregrine Financial Group, Inc. (Peregrine) customers. Peregrine and Russell Wasendorf held a customer segregated funds account at the bank that Wasendorf used to defraud more than 24,000 Peregrine clients and misappropriate over $215 million of customers' money.

Trade Practice Violations

- Royal Bank of Canada (RBC) engaged in more than 1,000 illegal wash sales, fictitious sales, and noncompetitive transactions over a three-year period, using a trading strategy designed by senior RBC personnel, which was

motivated in part by tax benefits it generated for the RBC corporate group; RBC was ordered to pay a $35 million civil monetary penalty.

- INTL FCStone Markets, LLC (FCStone) provided inadequate oversight of swaps traders in its Kansas City Energy Group, lacked adequate policies and procedures to ensure that discretionary trading of customer accounts was appropriate and properly controlled, and failed to implement policies and procedures already in place. FCStone was ordered to pay a $200,000 civil monetary penalty. This was the first CFTC enforcement action charging a swap dealer with failure to meet its swaps supervisory obligations required by the Dodd-Frank Act.

- Kent Woods, a longtime floor broker in the soybean commodity futures pit at the CBOT, failed to comply with applicable record-keeping and audit trail rules; created after-the-fact trading records containing fictitious information that were submitted for clearing; engaged in unauthorized trading; and failed to supervise employees of Futures International LLC (FI), an introducing broker (IB) of which he was a principal. The CFTC ordered Woods to pay a $200,000 penalty. The CFTC also obtained a $500,000 penalty in settling the related civil injunctive action against FI and its COO Amadeo Cerrone, a principal of the firm, over violations arising from the same underlying set of facts in the Woods Order.

Anti-Fraud Enforcement

Anti-fraud enforcement remains a core commitment of the CFTC's enforcement program. During FY 2015, the CFTC filed 17 enforcement actions against persons who sought to defraud retail customers, pool participants, and others. Examples of these enforcement actions and litigation successes include:

- Mark Evan Bloom and his company, North Hills Management, LLC, were ordered to pay a $26 million civil monetary penalty for operating a fraudulent commodity pool and misappropriating customer funds. Bloom pled guilty in a related criminal action, which required him to pay restitution to his victims.

- RFF GP, LLC, KGW Capital Management, LLC, and Kevin G. White were ordered to pay a $4,150,000 civil monetary penalty and restitution of $3,365,888 for fraudulently soliciting approximately $7.4 million from more than 20 commodity pool participants and misappropriating approximately $1.7 million of that amount. In a related criminal action, White was sentenced to eight years imprisonment.

- Other Cases Filed: Nick A. Wurl and Ludiera Capital LLC (Ponzi scheme; fraudulently solicited over $9 million from at least 46 pool participants and misappropriated at least $600,000); Allied Markets LLC, Joshua Gilliland and Chawalit Wongkhiao (fraudulently solicited more than $1 million to trade forex in a commodity pool); Maverick Asset Management, LLC, Maverick Investment Holdings, LLC, Rodney Scott Phelps and Jason T. Castenir (fraudulently solicited at least $1.2 million to trade commodity futures in a pool); Dorian A. Garcia, DG Wealth Management, Macroquantum Capital LLC and UKUSA Currency Fund LP (fraudulently solicited approximately $4.7 million from at least 80 customers to invest in forex and options pools); My Monex, Inc., Dinar Corp., Inc. and Husam Tayeh (fraudulently solicited more than $8 million in connection with illegal, off-exchange retail forex transactions); Maverick International, Inc., Wesley Allen Brown and Edward Rubin (fraudulently solicited, and misappropriated, more than $2 million to trade commodity futures contracts in a commodity pool); and Safety Capital Management, Inc., GNS Capital, Inc., John Won, Sungmi Kang, and Tae Hung Kang (fraudulently solicited and accepted over $1.5 million from over 90 retail customers to participate in a forex commodity pool and/or to open forex trading accounts managed by the Defendants).

Illegal, Off-Exchange Precious Metals Transactions

Under the Dodd-Frank Act, financed transactions in precious metals with retail customers are illegal off-exchange transactions unless they result in actual delivery of metal within 28 days. During FY 2015, the Commission continued its vigorous enforcement efforts in this area by filing 11 enforcement actions. Many times, these metals firms represented to customers that their transactions would be introduced

to AmeriFirst Management LLC, Hunter Wise, LLC, Lloyds Commodities, LLC, and/or Worth Group Inc., against whom the CFTC had previously taken action, yet no precious metal was delivered, and some firms also fraudulently solicited their customers. Examples of these and related enforcement actions appear below.

Precious Metals Cases Filed and Results

- The Tulving Company, Inc. and Hannes Tulving, Jr. (solicitation and misappropriation of at least $17.8 million from at least 381 customers); Guardian Asset Group, LLC and Andrew Kurzbard (solicitation of at least $1.7 million and receipt of commissions and fees totaling at least $434,413); Harvard Assets LLC, London Assets Inc., Harvard International Trading, Inc. and Todd Owen Marshall (solicitation of approximately $1.7 million); Mintco LLC and Stuart Rubin and Richard Q. Zimmerman (also charging fraud); Sentry Asset Group, LLC (SAG) and John Pakel (solicitation of $1.1 million and receipt of commissions and fees totaling approximately $278,767).

False Statements to the Commission or the National Futures Association

- Gary Creagh and Wall Street Pirate Management, LLC (Wall Street Pirate) were charged with willfully making false statements or representations to the NFA and concealing material information from the NFA in statutorily required reports and during an NFA audit. The Complaint also charged that Wall Street Pirate failed to maintain required books and records and provide account statements and privacy notices to commodity pool participants.

Whistleblower Program Continues to Grow

The CFTC's Whistleblower Program, which Congress created as part of the Dodd-Frank Act, continues to grow, with the number of tips, complaints and referrals that the Enforcement Division receives continuing to increase year over year. As Director Goelman emphasized, "receiving high quality information from whistleblowers is an essential part of the CFTC's overall enforcement program. Such information allows the staff to bring cases more quickly and with fewer agency resources." In FY 2015, the CFTC made its second Whistleblower award to a person who provided specific and credible information about violations of the CEA that lead to a successful enforcement action.

Domestic and International Cooperative Enforcement

During FY 2015, the Enforcement Division continued to place a high priority on cooperative enforcement efforts with Federal and state criminal and civil law enforcement authorities, self-regulatory organizations, and international civil and criminal authorities. During this time, the Enforcement Division handled nearly 300 matters involving joint cooperation with Federal and state criminal and civil authorities. The Enforcement Division also issued approximately 200 requests for assistance to foreign regulators and received approximately 30 assistance requests from foreign regulators. The information obtained from and exchanged with foreign regulators and domestic government agencies assisted the CFTC in bringing many of its actions in FY 2015, including the Sarao case and the benchmark manipulation cases discussed above, and facilitated the filing of many parallel criminal proceedings.

Approximately 90 percent of the Enforcement Division's major fraud and manipulation cases in FY 2015, involved parallel criminal proceedings. During this time, there were indictments against 24 individuals and criminal judgments against 35 individuals and entities. The criminal judgments imposed sentences up to 21 years in prison, restitution orders of over $265 million, and almost $4.2 billion in penalties and fines resulting from parallel actions taken against seven banks in connection with the forex and LIBOR manipulation cases described above.

Among the most successful cooperative enforcement efforts during FY 2015 was the achievement of substantial customer relief and criminal sanctions in the joint civil and criminal enforcement actions by the Enforcement Division, the Securities and Exchange Commission, and the U.S. Attorney's Office for the Southern District of New York against Stephan Walsh, Paul Greenwood and the entities they controlled. These actions achieved a 97 percent return of losses to defrauded customers in a $7.2 billion Ponzi scheme and the criminal sentencing of Walsh and Greenwood to prison sentences of 20 and 10 years respectively. *CFTC v. Walsh, et al.*, No. 09 CV 1749 (S.D.N.Y).

Strategic Goal Four

Strategic Goal Four

Domestic and International Cooperation and Coordination

FY 2015 INVESTMENT

Net Cost: $12.1 Million

Staffing: 35 FTE

Goal Four Domestic and International Cooperation and Coordination

The implementation of comprehensive regulations under the Dodd-Frank Act marked a new era in the swaps marketplace by mandating, among other things, the regulation of SDs, clearing of swaps, reporting, trade execution and transparency with respect to those transactions. However, because the swaps market is a global market, international cooperation among regulators is necessary to regulate the market effectively.

Recognizing this, President Obama joined other G-20 Leaders in 2009 in making a commitment that all major market jurisdictions bring swaps under regulation. Since that date, the Commission has been engaged in an unprecedented outreach to major market jurisdictions and expanded involvement in numerous international working groups to encourage the adoption of swaps regulations consistent with the G-20 leaders' commitments. The Commission remains committed to taking a strong role in international fora and standard-setting bodies, particularly IOSCO, where the Commission is a member of the IOSCO Board and serves as co-chair of the IOSCO Committee on Commodities Derivatives and co-chair of the IOSCO Task Force on OTC Derivatives.

One critical area for the Commission is ensuring the strength and resiliency of clearinghouses. While this was always a major focus of the Commission, it is even more so today because of the increased importance that the Commission and other financial regulators have placed on central clearing. Through the Commission's co-leadership of the Committee on Payments and Market Infrastructure (CPMI-IOSCO) Policy Standing Group (PSG), the Commission has assisted in creating building blocks for increased central counterparties (CCPs) resiliency. In particular, the PSG has conducted stocktaking surveys among approximately 30 CCPs covering stress testing, margin, recovery, the adequacy of financial resource standards, and "skin-in-the-game," and is analyzing the results of those surveys, and as appropriate, developing guidance on these issues to enhance CCP resiliency. The CPMI-IOSCO Implementation Monitoring Standing Group (IMSG) (in which the Commission also participates) is conducting an assessment, with respect to 10 globally and regionally active CCPs, of the implementation of the risk management standards under the CPMI-IOSCO Principles for Financial Market Infrastructures. The PSG is coordinating with the IMSG, and considering the results of their assessment work in assessing the need for, and developing, guidance on these issues.

The CFTC also participates in the Financial Stability Board (FSB) Resolution Steering Group (ReSG), and the work of the FMI Cross-Border Crisis Management Group. In 2015, the FSB ReSG completed a survey on CCP resolution regimes and resolution planning in FSB member jurisdictions (including the United States). In addition, the Commission participates in an international study group that was created in 2015 to identify, quantify and analyze interdependencies between CCPs, major clearing members, and other significant participants in the financial system, and any resulting systemic implications. The study group will map key interconnections between CCPs, clearing members and other significant participants in the financial system globally—in terms of both memberships and multiple service provisions (such as reliance on particular banks for lines of credit, *etc.*).

With respect to OTC data reporting issues, CFTC staff continued to lead the efforts of the CPMI and IOSCO regarding the potential global aggregation of OTC derivatives trade repository data by co-chairing the CPMI-IOSCO Working Group for Harmonization of Key OTC Derivatives Data Elements with staff of the European Central Bank. In this regard, the Working Group published two consultation reports regarding the harmonization of key OTC derivatives data elements, and the harmonization of a unique transaction identifier data element. The Working Group also collaborated on the development of a consultation report regarding the harmonization of a unique product identifier data element.

CFTC also participated in a peer review team under the Standing Committee on Standards Implementation of the FSB. The peer review team conducted a thematic peer review which evaluated progress within FSB jurisdictions in achieving the G-20 Leaders' commitment that all OTC derivatives transactions should be reported to trade repositories. The peer review team collaborated on a draft report reflecting the findings of the thematic review as well as recommendations relevant for FSB member jurisdictions.

This added emphasis on swap market regulation supplements the Commission's long-standing engagement with foreign regulators to establish and enforce customer and market protection arrangements in derivatives trading, including the Commission's participation in the IOSCO Multilateral MOU, which enables the Commission to obtain cooperation from approximately 100 foreign regulators in enforcement matters. The Commission's successes in bringing LIBOR actions involved valuable assistance from the Commission's cooperative relationships with its counterpart foreign regulators, which aided the Commission's ability to obtain evidence of the widespread wrongdoing. In addition, the Commission is negotiating cooperative arrangements with foreign regulators in connection with the supervision of regulated entities. The Commission signed supervisory arrangements in FY 2015 with regulators in Australia, Canada, and Korea.

CFTC also provides technical assistance to emerging and recently-emerged markets to help these jurisdictions in establishing and implementing laws and regulations that foster global market integrity. Approximately 200 staff from 26 foreign jurisdictions received technical assistance training in FY 2015. In addition, the Commission's international training symposium has continues to attract wide attendance by foreign regulators who look to the Commission as a global leader in derivatives regulation. In FY 2015, there were 56 participants in the training symposium from 21 jurisdictions.

Goal Four FY 2015 Key Results

- Completed the Financial Sector Assessment Program (FSAP), a joint International Monetary Fund-World Bank program providing an integrated analysis of financial stability and development issues. The FSAP includes financial sector analysis, stress testing, and an assessment of the observance and implementation of international standards and codes. OIA led the CFTC's efforts in providing a detailed self-assessment on how U.S. regulation and supervision meets international standards as set forth in the IOSCO Objectives and Principles of Securities Regulation and providing in depth responses to questions as part of the IMF Technical Note on Systemic Risk Oversight and Management (May 2014 through May 2015).

- Worked throughout the year with foreign authorities, including the European Commission, European Securities Market Authority, Financial Conduct Authority and other foreign regulators to coordinate policies that will be needed to harmonize rules for market infrastructure and participants (*e.g.*, with regard to SDRs, DCMs, DCOs, and SEFs).

- Served as a key participant in the OTC Derivatives Regulators Group (ODRG), which is made up of authorities with responsibility for the regulation of OTC derivatives markets in Australia, Brazil, the European Union, Hong Kong, Japan, Ontario, Quebec, Singapore, Switzerland, and the United States. Consistent with a request from the G20 Leaders, the CFTC and other ODRG members have been working on practical aspects of deference in the area of CCPs, by drawing out themes and identifying approaches. The ODRG is also continuing work on monitoring of substituted compliance and equivalence assessments and is looking at furthering its co-operation on clearing obligation mandates, among other issues. The Commission will chair the ODRG in 2016.

- Served as a co-chair of the IOSCO Task Force on OTC Derivatives Regulation, which completed a comprehensive review in 2015 and published a paper on recent developments regarding the implementation of post-trade public transparency requirements in the CDS market. The IOSCO Board recently approved further work by this Task Force in the CDS area, which is now engaged on a new mandate involving the research of information regarding the functioning of the ISDA Credit Determinations Committee and CDS auction processes, and to assess whether the Task Force should recommend to the IOSCO Board further work in this area.

- Actively engaged with its domestic counterparts on a range of projects, such as:

  - Helped to lead efforts within the FSOC Financial Market Utility Committee to assess and promote the resilience of financial market utilities, in particular, central counterparties.

  - Coordinated with FDIC in developing resolution plans for derivatives clearing organizations.

  - Collaborated consistently with the Treasury's Office of Financial Research (OFR) to develop standards for Swaps Data Reporting, including both international and data standards.

  - Collaborating with the SEC on developing of Swaps data reporting standards by working together on the CPMI-IOSCO OTCD Harmonization workgroup to develop international standards for reporting Swaps data.

  - Collaborating with Treasury's OFR, SEC, FDIC, the Federal Reserve and Office of Comptroller of the Currency (OCC) on setting up the Global Legal Entity Identifier System (GLEIS), including the implementation of the LEI Regulatory Oversight Committee that assists the Commission in the implementation of Part 45 Swaps data reporting.

  - Working on margin requirements for uncleared swaps met weekly for over a year with staff of five banking regulators (the Prudential Regulators) to coordinate rulemaking, as required by the Dodd-Frank Act.

- Continued to place a high priority on cooperative enforcement efforts with Federal and state criminal and civil law enforcement authorities, SROs, and international civil and criminal authorities. During this time, the Commission handled nearly 300 matters involving joint cooperation with Federal and state criminal and civil authorities, and approximately 90 percent of its major fraud and manipulation cases in FY 2015 involved parallel criminal proceedings. The Commission also issued approximately 200 requests for assistance to foreign regulators and received approximately 30 assistance requests from foreign regulators. The information obtained from and exchanged with foreign regulators and domestic government agencies assisted the CFTC in bringing many of its actions in FY 2015, including the "Flash Crash" case brought under the Commission's new disruptive trading and "spoofing" authority, and the foreign exchange, LIBOR, and ISDAFIX Benchmark Rates cases, and facilitated the filing of many parallel criminal proceedings.

Management Objectives

Management Objectives

FY 2015 INVESTMENT

The staffing and net cost associated with the management objectives are equally distributed among the four preceding strategic goals.

Management Objectives

Over the past four years the Commission has developed and implemented many rules to implement the Dodd-Frank Act requirements set by Congress. In order for the Commission to efficiently and effectively execute its expanded mission, it is essential to have strong and focused leadership as well as robust planning and governance processes, top notch information technology and infrastructure, efficient execution of resources, and a well-educated and productive workforce.

Management Objectives FY 2015 Key Results

- Conducted executive training and outreach to promote leadership competencies among Federal employees in partnership with Office of Personnel Management (OPM), the League of United Latin American Citizens (LULAC), and the National Association for Hispanic Federal Executives (NAHFE).
- Established a new credit service contract, resulting in instantaneous credit results for potential government employees and contractors, thus expediting the hiring process.
- Delivered role-based training to ODT and to Human Resources Branch and collaborated to improve data-handling practices—one on handling medical records and one on the conversion of paper to electronic official personnel folders.
- Participated in the International Conference of Data Protection and Privacy Commissioners and coordinated with the Administration to raise concerns with the German Minister of Interior regarding proposed data privacy legislation in the European Union.
- Created the Learning Circles Initiative, which delivered a just-in-time knowledge sharing program where senior leaders share their technical expertise with staff.
- Completed an interim union agreement with a new CFTC union, National Treasury Employees Union (NTEU), in less than seven weeks. Negotiated and consulted on more than 100 issues with three bargaining units over a three-month period, including realignments, moves, policies, program implementations, as well as working with the union on a system for the collection of union dues.

- Continued to expand storage, computing, communications infrastructure and enhance analytics platforms to support the continually-increasing volumes of industry data and the increased complexity of surveillance and investigation analytics.
- Continued to support swaps data harmonization, data quality, and international data standards activities that in the long term will lower costs for regulators and industry participants.
- Automated data aggregation methods for futures public reporting and improved the automated validation of both futures and swaps data reported to the Commission.
- Migrated the CFTC Portal and *http://www.cftc.gov* websites to a FedRAMP-certified cloud hosting provider. By implementing this change, CFTC will, at a reduced cost, better support the submission of industry information and an improved public website.
- Enhanced data management tools by internally publishing a data catalog that provides CFTC staff with a timely and consistent source of information regarding industry data ingested by the Commission.
- Employed electronic records and document management solutions to automate internal processes, for example, for Commission and staff letters, legal exemplar documents, and MOU.
- Implemented a new website to provide consumer outreach program information, inform the public of fraud prevention practices, and support continuing financial literacy campaigns.

Financial Highlights

The table below presents trend information for each major component of the Commission's balance sheets and statements of net cost for FY 2011 through FY 2015. The table is immediately followed by a discussion and analysis of the Commission's major financial highlights for FY 2015.

5-Year Financial Summary

Highlights	2015	2014	2013	2012	2011
Condensed Balance Sheet Data					
Fund Balance with Treasury	$ 67,246,060	$ 47,070,343	$ 36,467,970	$ 82,557,690	$ 81,785,717
Investments	263,000,000	270,000,000	95,000,000	77,135,901	–
Accounts Receivable	18,614	11,112	13,252	20,976	59,226
Prepayments	2,473,459	1,712,871	1,541,681	1,803,497	1,109,626
Custodial Receivables, Net	4,696,176	4,218,788	69,744,626	4,140,347	2,574,173
General Property, Plant, and Equipment, Net	50,358,266	54,464,549	58,251,172	53,410,435	42,346,895
Deferred Costs	28,487	64,201	220,953	1,234,223	6,254,873
TOTAL ASSETS	**$387,821,062**	**$377,541,864**	**$261,239,654**	**$220,303,069**	**$134,130,510**
Accounts Payable	$ 8,607,890	$ 5,483,221	$ 5,092,410	$ 7,217,772	$ 7,092,349
FECA Liabilities	498,101	549,734	596,353	764,243	528,512
Accrued Payroll and Annual Leave	15,004,112	13,007,491	11,651,586	16,477,676	15,464,338
Custodial Liabilities	4,696,176	4,218,788	69,744,626	4,140,347	2,574,173
Deposit Fund Liabilities	179,806	134,683	83,997	77,098	57,127
Deferred Lease Liabilities	25,673,457	25,961,973	25,241,114	24,808,042	21,974,782
Contingent Liabilities	300,000	85,000	–	–	–
Other	22,397	11,699	19,600	19,050	19,649
TOTAL LIABILITIES	**$ 54,981,939**	**$ 49,452,589**	**$112,429,686**	**$ 53,504,228**	**$ 47,710,930**
Unexpended Appropriations – All Other Funds	50,997,602	35,420,980	25,006,039	46,349,473	44,666,156
Cumulative Results of Operations – Funds from Dedicated Collections	267,612,410	274,315,312	99,904,291	99,996,749	23,755,000
Cumulative Results of Operations – All Other Funds	14,229,111	18,352,983	23,899,638	20,452,619	17,998,424
Total Net Position	**332,839,123**	**328,089,275**	**148,809,968**	**166,798,841**	**86,419,580**
TOTAL LIABILITIES AND NET POSITION	**$387,821,062**	**$377,541,864**	**$261,239,654**	**$220,303,069**	**$134,130,510**
Condensed Statements of Net Cost					
Gross Costs	$ 249,861,126	$ 217,450,008	$ 218,155,538	$ 207,618,265	$ 187,648,360
Earned Revenue	(53,074)	(31,375)	(49,483)	(227,504)	(88,720)
TOTAL NET COST OF OPERATIONS	**$249,808,052**	**$217,418,633**	**$218,106,055**	**$207,390,761**	**$187,559,640**
Net Cost of Operations by Strategic Goal[13]					
Goal One – Market Integrity and Transparency	$ 68,322,502	N/A	N/A	N/A	N/A
Goal Two – Financial Integrity and Avoidance of Systemic Risk	73,918,203	N/A	N/A	N/A	N/A
Goal Three – Comprehensive Enforcement	95,501,618	N/A	N/A	N/A	N/A
Goal Four – Domestic and International Cooperation and Coordination	12,065,729	N/A	N/A	N/A	N/A
Goal One – Market Integrity	N/A	$ 56,746,263	$ 62,225,658	$ 59,168,584	$ 48,390,387
Goal Two – Clearing Integrity	N/A	51,963,054	57,470,946	54,647,465	43,701,396
Goal Three – Robust Enforcement	N/A	71,530,730	64,123,179	60,972,883	61,144,442
Goal Four – Cross-Border Cooperation	N/A	11,740,606	7,306,553	6,947,591	8,440,184
Goal Five – Organizational and Management Excellence	N/A	25,437,980	26,979,719	25,654,238	25,883,231
	$ 249,808,052	**$217,418,633**	**$218,106,055**	**$207,390,761**	**$187,559,640**

[13] *In FY 2015, the CFTC issued its FY 2014–2018 Strategic Plan. With this plan, the Commission changed Strategic Goal Five, Organizational and Management Excellence, into Management Objectives.*

Financial Discussion and Analysis

The CFTC prepares annual financial statements in accordance with U.S. generally accepted accounting principles (GAAP) for Federal government entities and subjects the statements to an independent audit.

Management recognizes the need for performance and accountability reporting, and regularly assesses risk factors that could have an impact on the Commission's ability to effectively report. Improved reporting enables managers to be accountable and supports the concepts of the Government Performance and Results Act (GPRA), which requires the Commission to: 1) establish a strategic plan with programmatic goals and objectives; 2) develop appropriate measurement indicators; and 3) measure performance in achieving those goals.

The financial summary as shown on the preceding page highlights changes in financial position between September 30, 2015, and September 30, 2014. This overview is supplemented with brief descriptions of the nature of each required financial statement and its relevance. Certain significant balances or conditions featured in the graphic presentation are explained in these sections to help clarify their relationship to Commission operations. Readers are encouraged to gain a deeper understanding by reviewing the Commission's financial statements and notes to the accompanying audit report presented in the Financial Section of this report.

Understanding the Financial Statements

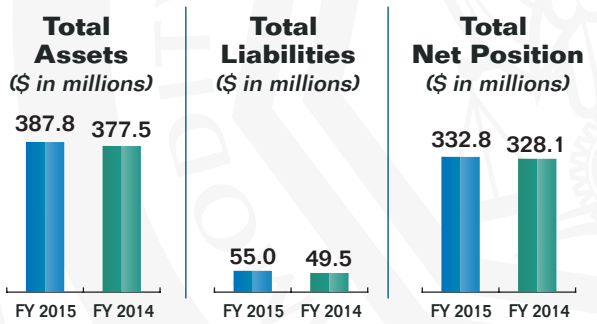
The CFTC presents financial statements and notes in accordance with accounting principles generally accepted in the United States of America and in the form and content requirements of OMB Circular A-136, *Financial Reporting Requirements*, which is revised annually by OMB in coordination with the U.S. Chief Financial Officers Council. The CFTC's current year and prior year financial statements and notes are presented in a comparative format.

The chart below presents changes in key financial statement line items, as of and for, the fiscal year ended September 30, 2015, compared to September 30, 2014.

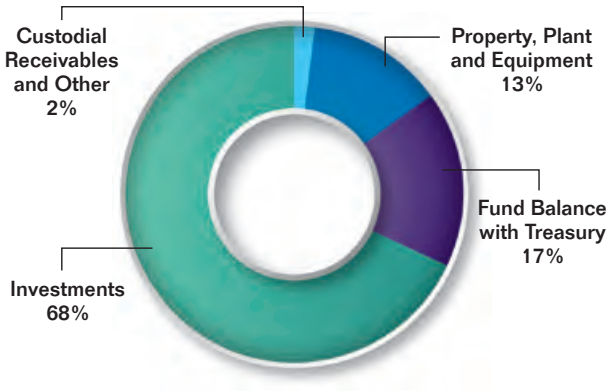
Key Financial Statement Line Items	2015	2014	$ Change	% Change
Total Assets	$ 387,821,062	$ 377,541,864	$ 10,279,198	2.72%
Total Liabilities	$ 54,981,939	$ 49,452,589	$ 5,529,350	11.18%
Total Net Position	$ 332,839,123	$ 328,089,275	$ 4,749,848	1.45%
Transfers-In/Out Without Reimbursement	$ –	$ 176,110,604	$ (176,110,604)	(100.00)%
Spending Authority from Offsetting Collections	$ 230,746	$ 176,261,959	$ (176,031,213)	(99.87)%
Total Budgetary Resources	$ 528,502,937	$ 496,899,396	$ 31,603,541	6.36%
Apportioned	$ 270,359,908	$ 13,437,561	$ 256,922,347	1,911.97%
Unapportioned	$ (558,974)	$ 262,111,560	$(262,670,534)	(100.21)%
Gross Outlays	$ (234,914,187)	$ (204,693,512)	$ (30,220,675)	14.76%
Actual Offsetting Collections	$ (212,554)	$ (176,466,655)	$ 176,254,101	(99.88)%
Custodial Receivables/Liabilities	$ 4,696,176	$ 4,218,788	$ 477,388	11.32%

Balance Sheet

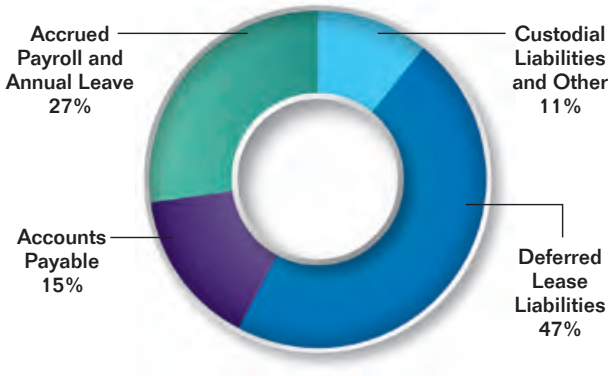
The Balance Sheet presents, as of a specific point in time, the assets and liabilities retained or managed by the Commission. The difference between assets and liabilities represents the net position of the Commission.



FY 2015 Total Assets (Composition)



FY 2015 Total Liabilities (Composition)



Total Assets. For the year ended September 30, 2015, the Balance Sheet reflects total assets of $387.8 million. This is an increase of $10.3 million, or 2.7 percent, over FY 2014. The increase is primarily due to a $20.2 million increase in Fund Balance with Treasury offset by a $7 million decrease in Investments and a $4.1 million decrease in Property, Plant, and Equipment.

The $20.2 million, or 42.9 percent, increase in Fund Balance with Treasury was primarily due to the excess of appropriations of $250 million over appropriations used of $232.3 million due to the timing of cash payments.

The $7.0 million, or 2.6 percent, decrease in Investments is due to the redemption of investments to pay for eligible expenses of the CPF as no further collections of civil monetary sanctions can be deposited into the fund until the balance of the fund falls below $100 million.

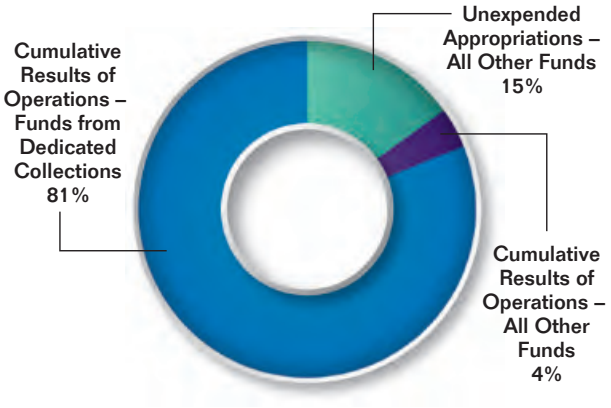
The $4.1 million, or 7.5 percent, decrease in Property, Plant, and Equipment is due to a loss on the disposal of fixed assets of $664 thousand and accumulated depreciation and amortization of fixed assets of $12.7 million in excess of fixed asset purchases of $9.3 million.

Total Liabilities: For the year ended September 30, 2015, the Balance Sheet reflects total liabilities of $55.0 million. This is an increase of $5.5 million, or 11.2 percent, over FY 2014. The increase is primarily due to increases in Accounts Payable, Accrued Payroll, and Contingent Liabilities of $3.1 million, $1.8 million, and $215 thousand, respectively.

The combined $4.9 million increase in Accounts Payable and Accrued Payroll is reasonable given the $35 million increase in appropriations received in FY 2015, which resulted in an increase in contract obligations and the hiring of approximately 113 employees. In addition, one additional workday was accrued in the year-end payroll accrual in FY 2015.

The $215 thousand, or 252.9 percent, increase in Contingent Liabilities is due to a pending whistleblower payment that is expected to be paid in FY 2016 after the appeal period has ended.

FY 2015 Total Net Position (Composition)



Total Net Position: For the year ended September 30, 2015, the Balance Sheet reflects a total net position of $332.8 million. This is an increase of $4.7 million, or 1.5 percent, over FY 2014. The increase is the result of a $15.6 million increase in Unexpended Appropriations—All Other Funds, offset by decreases of $6.7 million in Cumulative Results of Operations—Funds from Dedicated Collections and $4.1 million in Cumulative Results of Operations—All Other Funds.

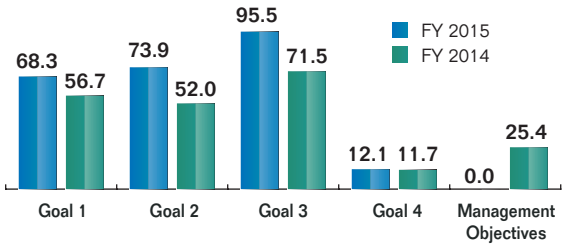
The $15.6 million, or 44.0 percent, increase in Unexpended Appropriations—All Other Funds is primarily due to FY 2015 appropriations received of $250 million in excess of appropriations used of $232.3 million due to the timing of actual cash payments, less $2.2 million in canceled funds returned to Treasury.

The $6.7 million, or 2.4 percent, decrease in Cumulative Results of Operations—Funds from Dedicated Collections is due to CPF expenses of $6.8 million offset by interest revenue of $58 thousand.

The $4.1 million, or 22.5 percent, decrease in Cumulative Results of Operations – All Other Funds is primarily due to an increase in unfunded liabilities of $62 thousand (*e.g.*, accruals for annual leave and Federal Employees' Compensation Act expenses and contingent liabilities), net disposal of fixed assets of $664 thousand, and accumulated depreciation and amortization of fixed assets of $12.7 million in excess of fixed asset purchases of $9.3 million.

Statement of Net Cost

Total Net Cost of Operations By Strategic Goal
($ in millions)



This statement is designed to present the components of the Commission's net cost of operations. Net cost is the gross cost incurred less any revenues earned from Commission activities. The Commission experienced a $32.4 million, or 14.9 percent, increase in the total net cost of operations during FY 2015.

This overall increase is made up of increases of $15.5 million in payroll, $15.4 million in technology and non-Federal service contracts, $618 thousand in intragovernmental expense, $1.0 million in leases, $1.2 million in travel, and $215 thousand in contingent liabilities. These increases were offset by a decrease of $1.5 million in depreciation. The $15.5 million increase in total payroll costs is primarily the result of an increase in the number of employees by approximately 113, or 17.3 percent. The $18.2 million increase in non-payroll expenses is reasonable given the $35 million, or 16.3 percent, increase in appropriations received in FY 2015.

The Commission implemented a new strategic plan in FY 2015 with slightly different goals; as a result, the FY 2015 and FY 2014 net costs by strategic goal are presented separately rather than comparatively. For FY 2015, the Statement of Net Cost is categorized by the following four strategic goals:

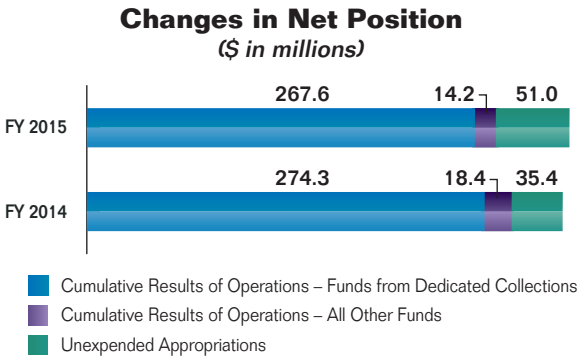
- The focus of Strategic Goal One, Market Integrity and Transparency, is to recognize that derivatives markets provide a means for market users to offset price risks inherent in their businesses and to serve as a public price discovery mechanism. In FY 2015, the net cost of operations for this goal was $68.3 million or 27.4 percent of total net cost of operations.

- The focus of Strategic Goal Two, Financial Integrity and Avoidance of Systemic Risk, is to strive to ensure that Commission-registered derivatives clearing organizations (DCOs), swap dealers (SDs), major swap participants (MSPs), and futures commission merchants (FCMs) have the financial resources, risk management systems and procedures, internal controls, customer protection systems, and other controls necessary to meet their obligations so as to minimize the risk that the financial difficulty of any of these registrants, or any of their customers has systemic implications. In FY 2015, the net cost of operations for this goal was $73.9 million or 29.6 percent of total net cost of operations.

- Through Strategic Goal Three, Comprehensive Enforcement, the CFTC enforces the CEA and Commission regulations, and works to promote awareness of and compliance with these laws. In FY 2015, the net cost of operations for this goal was $95.5 million or 38.2 percent of total net cost of operations.

- The focus of Strategic Goal Four, Domestic and International Cooperation and Coordination, is on how the Commission interacts with domestic and international regulatory authorities, market participants, and others affected by the Commission's regulatory policies and practices. In FY 2015, the net cost of operations for this goal was $12.1 million or 4.8 percent of total net cost of operations.

Statement of Changes in Net Position



The Statement of Changes in Net Position presents the Commission's cumulative net results of operations and unexpended appropriations for the fiscal year. The CFTC's Net Position increased by $4.7 million, or 1.5 percent in FY 2015. As explained in the Total Net Position discussion in the Balance Sheet section above, this increase is the result of a $15.6 million increase in Unexpended Appropriations—All Other Funds, offset by decreases of $6.7 million in Cumulative Results of Operations—Funds from Dedicated Collections and $4.1 million in Cumulative Results of Operations—All Other Funds.

The $15.6 million, or 44.0 percent, increase in Unexpended Appropriations—All Other Funds is primarily due to FY 2015 appropriations received of $250 million in excess of appropriations used of $232.3 million due to the timing of actual cash payments, less $2.2 million in canceled funds returned to Treasury.

The $6.7 million, or 2.4 percent, decrease in Cumulative Results of Operations—Funds from Dedicated Collections is due to CPF expenses of $6.8 million offset by interest revenue of $58 thousand.

The $4.1 million, or 22.5 percent, decrease in Cumulative Results of Operations – All Other Funds is primarily due to an increase in unfunded liabilities of $62 thousand (*e.g.*, accruals for annual leave and Federal Employees' Compensation Act expenses and contingent liabilities), net disposal of fixed assets of $664 thousand, and accumulated depreciation and amortization of fixed assets of $12.7 million in excess of fixed asset purchases of $9.3 million.

Statement of Budgetary Resources

This statement provides information about the provision of budgetary resources and its status as of the end of the year. Information in this statement is consistent with budget execution information and the information reported in the *Budget of the U. S. Government*, FY 2015.

The Commission's Total Budgetary Resources increased by $31.6 million to $250 million, or 6.4 percent, primarily due to an increase in appropriations of $35 million, which was 16.3 percent higher than the FY 2014 appropriated amount of $215 million.

Gross Outlays increased by $30.2 million, or 14.8 percent, due to more funds spent in FY 2015 then in FY 2014, primarily due to the $35 million, 0r 16.3 percent, increase in appropriations received.

Actual Offsetting Collections decreased by $176.3 million, or 99.9 percent, primarily due to a $176.1 million civil monetary sanctions collection recovered from the Treasury in FY 2014.

Statement of Custodial Activity

Total Cash Collections
($ in millions)

Registration and Filing Fees	$	1.6
Fines, Penalties, and Forfeitures	$	2,841.2
General Proprietary Receipts	$	–*
	$	2,842.8

* *Total cash collections include $6.7 thousand, or <$1, in general proprietary receipts.*

Total Disposition of Collections
($ in millions)

This statement provides information about the sources and disposition of collections. CFTC transfers eligible funds from dedicated collections to the CPF when the balance falls below $100 million and other non-exchange revenue to the Treasury general fund. Collections primarily consist of fines, penalties, and forfeitures assessed and levied against businesses and individuals for violations of the CEA or Commission regulations. They also include non-exchange revenues such as registration, filing, appeal fees, and general receipts. The Statement of Custodial Activity reflects total cash collections for FY 2015 in the amount of $2.8 billion, an increase of $1.9 billion, or 200.8 percent, over FY 2014. This increase in collections was expected due to nine large collections in FY 2015 ranging in amounts from $35 million to $800 million that resulted from the Commission's enforcement cases related to attempted manipulation of global foreign exchange and LIBOR benchmark rates. Of the $2.8 billion in FY 2015 cash collections, all $2.8 billion was transferred to the Treasury because the CPF fund balance exceeded $100 million so no collections were eligible to be transferred to it.

Historical experience has indicated that a high percentage of custodial receivables prove uncollectible. An allowance for uncollectible accounts has been established and included in the accounts receivable on the Balance Sheet. The allowance is based on past experience in the collection of accounts receivables and an analysis of outstanding balances. Accounts are re-estimated quarterly based on account reviews and a determination that changes to the net realizable value are needed.

Limitations of Financial Statements

Management has prepared the accompanying financial statements to report the financial position and operational results for the CFTC for FY 2015 and FY 2014 pursuant to the requirements of Title 31 of the U.S. Code, section 3515 (b).

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

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

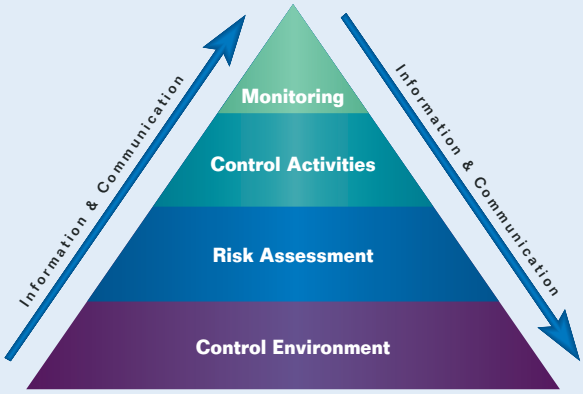
Management Assurances

Management Overview

The CFTC is committed to management excellence and recognizes the importance of strong financial systems and internal controls to ensure accountability, integrity, and reliability. This operating philosophy has permitted the Commission to make significant progress in documenting and testing its internal controls over financial reporting, as prescribed in OMB Circular A-123, *Management's Responsibility for Internal Controls*. The graph below depicts all five components of the internal control process that must be present in an organization to ensure an effective internal control process.

- **Control Environment** is the foundation for an internal control system. It represents management's commitment to encourage the highest level of integrity, personal/professional standards, and promotes internal control through our leadership philosophy and operational style.
- **Risk Assessment** is the identification and analysis of risks associated with business processes, financial reporting, financial systems, controls and legal compliance in the pursuit of agency goals and objectives.
- **Control Activities** are the actions supported by management policies and procedures to address risk, *e.g.*, performance reviews, status of funds reporting, and asset management reviews.
- **Monitoring** is the assessment of internal control performance to ensure the internal control processes are properly executed and operating effectively in compliance with agency policies and procedures.
- **Information and Communication** ensure the agency's control environment, risks, control activities, and performance results are communicated throughout the agency.

Internal Control Process



The Commission relies on its performance management and internal control framework to:

- Ensure that its divisions and mission support offices achieve the intended results efficiently and effectively; and
- Ensure the maintenance and use of reliable, complete, and timely data for decision-making at all levels.

Statement of Assurance

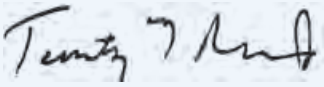
The Statement of Assurance is required by the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and OMB Circular A-123, *Management's Responsibility for Internal Control.* The assurance is for internal controls over operational effectiveness (we do the right things to accomplish our mission) and operational efficiency (we do things right).

Statement of Assurance

"CFTC management is responsible for establishing and maintaining effective internal controls and that the financial management systems meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). The CFTC also reviewed the United States Department of Transportation System and Suitability of the Design and Operating Effectiveness of Controls Report conducted in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Attestation Engagements (SSAE 16) provided by the shared service provider maintaining our financial management system. The CFTC is able to provide a qualified statement of assurance that the internal controls and financial management systems meet the objectives of FMFIA, due to one material weakness. The CFTC was granted independent leasing authority in 1974, and received authority to expend appropriated funds on multiple year leases in FY 1981. The CFTC's historical practice has been to obligate only the annual portion of lease payments due each fiscal year. During the course of FY 2015, the Commission concluded that its historical practice for recording lease obligations may be inconsistent with OMB Circular A-11, Preparation, Submission and Execution of the Budget; 31 U.S.C. § 1501(a)(1); and previous GAO decisions. The Government Accountability Office (GAO) is currently reviewing the matter and the agency expects an opinion to be issued during FY 2016. As a result of the potential findings of the anticipated GAO opinion, it is reasonably possible that an unfunded obligation, covering all potential future payments agreed to under current leases, will need to be recognized. The CFTC believes this is an isolated issue, and the results of this issue do not impact the overall internal controls posture. The CFTC still establishes reasonable assurance that our controls meet the spirit and objectives of FMFIA.

The CFTC conducted an assessment of its internal controls for effectiveness and efficiency of operations and compliance with applicable laws and regulations, in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, the CFTC identified one material weakness in its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2015 as previously referenced. Other than the exception noted, the internal controls were operating effectively and no other reportable conditions were found in the design or operation of the internal controls.

In addition, the CFTC conducts management and internal control reviews which serve as a means of assessing the effectiveness of internal controls over financial reporting. These reviews include an assessment of CFTC's safeguarding of assets, the use of budget authority and other laws and regulations that could have a material effect on the financial statements, in accordance with the requirements of Appendix A of OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, the CFTC identified one material weakness in its internal control over financial reporting as of September 30, 2015 as previously referenced. Other than the exception noted, the internal controls were operating effectively and no other reportable conditions were found in the design or operation of the internal control over financial reporting."



Timothy G. Massad
Chairman
January 15, 2016

During FY 2015, in accordance with the FMFIA, and using the guidelines of the OMB, the Commission reviewed key components of its management and internal control system.

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

- Obligations and costs are in compliance with applicable laws;
- Assets are safeguarded against waste, loss, unauthorized use, or misappropriation;
- Revenues and expenditures applicable to Commission operations are properly recorded and accounted for to permit the preparation of accounts and reliable to financial and statistical reports and to maintain accountability over assets;
- All programs are efficiently and effectively carried out in accordance with applicable laws and management policy; and
- The efficiency of the Commission's operations is evaluated using information obtained from reviews conducted by the Government Accountability Office (GAO) and the Office of the Inspector General (OIG). The reviews are the result of either a specifically requested study or observations of daily operations at the Commission.

The efficiency of the Commission's operations is evaluated using information obtained from reviews conducted by the GAO and the OIG. The reviews are the result of either a specifically requested study or observations of daily operations at the Commission.

These reviews ensure that the Commission's systems and controls comply with the standards established by FMFIA. Moreover, managers throughout the Commission are responsible for ensuring that effective controls are implemented in their areas of responsibility. Individual assurance statements from division and office heads serve as a primary basis for the Chairman's assurance that management controls are adequate. The assurance statements are based upon each office's evaluation of progress made in correcting any previously reported problems, as well as new problems identified by the OIG, GAO, other management reports, and the management environment within each office. CFTC has worked vigorously to continually improve its controls program and assess its effectiveness at accomplishing the FMFIA requirements. Below are examples of some of the FY 2015 work performed to confirm compliance with FMFIA:

- Pay and benefits assessment based on the authority of Section 10702 of the Public Law 107-171, Farm Security and Rural Investment Act of 2002;
- Management and internal control reviews conducted with the express purpose of assessing internal controls;
- Management control reviews conducted with the express purpose of assessing compliance with applicable laws, regulations, government-wide policies, and laws identified by OMB in Bulletin 15-02, *Audit Requirements for Federal Financial Statements*; and
- Information security compliance as required by the Federal Information Security Management Act (FISMA).

FMFIA Section 2, Management Control

The Commission has one declared material weakness under FMFIA for FY 2015 and FY 2014 in the area of financial reporting that limits preparation of accurate financial statements. The CFTC was granted independent leasing authority in 1974, and received authority to expend appropriated funds on multiple year leases in FY 1981. The CFTC's historical practice has been to obligate only the annual portion of lease payments due each fiscal year. During the course of FY 2015, the Commission concluded that its historical practice for recording lease obligations may be inconsistent with OMB Circular A-11, *Preparation, Submission and Execution of the Budget*; 31 U.S.C. § 1501(a)(1); and previous GAO decisions. While the Government Accountability Office (GAO) is currently reviewing the matter and the agency expects an opinion to be issued during FY 2016. As a result of the potential findings of the anticipated GAO opinion, it is reasonably possible that an unfunded obligation totaling approximately $194 million and $212 million as of September 30, 2015 and 2014 respectively, covering all potential future payments agreed to under current leases, will need to be recognized. The CFTC believes this is an isolated issue, and the results of this issue do not impact the overall internal controls posture. Corrective action plans are under development to address any respective deficiencies.

FMFIA Section 4, Financial Management Systems

The Commission declared no nonconformance within our financial systems under FMFIA during FY 2015 and FY 2014.

Financial Section

CFTC's New York Regional Office

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A Message from the Chief Financial Officer

I am honored to join Chairman Massad in presenting the FY 2015 Agency Financial Report (AFR) for the Commodity Futures Trading Commission (CFTC or Commission). This report provides financial and high-level performance information to the American taxpayer and the Commission's stakeholders to enable them to understand and evaluate how the Commission accomplishes its mission. This Financial Section includes the Commission's principal financial statements—Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, Statements of Budgetary Resources, and Statements of Custodial Activity—as well as accompanying notes that are integral to fully understanding the Commission's position and operations for FY 2015.

Despite noteworthy progress, for FY 2015 our independent auditor, KPMG LLP, on behalf of the Commission's Office of the Inspector General, has issued a qualified opinion on our financial statements for FY 2015. In FY 2015, the auditors identified a material weakness in internal controls over financial reporting related to the recording of lease obligations that dates back to the inception of CFTC's leases.

During FY 2015, the Government Accountability Office (GAO) requested information on the Commission's views regarding various legal issues involving the CFTC's leases, including CFTC's practice for recording obligations arising under the agency's current leases for office space in Washington, D.C., Chicago, New York, and Kansas City. The CFTC was granted independent leasing authority in 1974, and received authority to expend appropriated funds on multiple year leases in FY 1981. The CFTC's historical practice has been to obligate only the annual portion of lease payments due each fiscal year. As a result of the CFTC's review of information gathered during the course of responding to the GAO inquiry, the Commission concluded that its historical practice for recording lease obligations may be inconsistent with OMB Circular A-11, *Preparation, Submission and Execution of the Budget*; the recording statute in 31 U.S.C. § 1501 (a)(1); and previous GAO decisions. The GAO is currently reviewing the matter and the agency expects an opinion to be issued during FY 2016. As a result of the potential findings of the anticipated GAO opinion, it is reasonably possible that an unfunded obligation, covering all potential future payments agreed to under current leases, will need to be recognized and the Commission has disclosed this potential obligation in the notes to its financial statements. Once the GAO opinion is received, the agency will address the appropriate accounting treatment of this matter.

Since FY 2007, the CFTC has leveraged a financial management systems platform operated by the U.S. Department of Transportation's (DOT) Enterprise Services Center (ESC), an Office of Management and Budget (OMB) designated financial management service provider. As a result, the CFTC is able to accumulate, analyze, and present reliable financial information, and provide reliable, timely information for managing current operations and timely reporting of financial information to central agencies. The Commission's financial management systems strategy for FY 2016 includes continued monitoring and oversight of the financial management system (DELPHI) operated by its shared service provider; no major upgrades are planned for the near future.

The Commission is committed to maintaining strong internal controls over operations. We will continue to focus efforts to improve the efficiency and effectiveness of agency operations and strive to ensure that the Commission will be well-positioned to respond to additional challenges as they arise.

Mary Jean Buhler
Chief Financial Officer
January 15, 2016

Principal Financial Statements

Commodity Futures Trading Commission

Balance Sheets

As of September 30, 2015 and 2014

	2015	2014
ASSETS		
Intragovernmental		
Fund Balance with Treasury (Note 2)	$ 67,246,060	$ 47,070,343
Investments (Note 3)	263,000,000	270,000,000
Prepayments (Note 1J)	263,851	58,984
Total Intragovernmental	**330,509,911**	**317,129,327**
Custodial Receivables, Net (Note 4)	4,696,176	4,218,788
Accounts Receivable, Net (Note 4)	18,614	11,112
General Property, Plant and Equipment, Net (Note 5)	50,358,266	54,464,549
Deferred Costs (Note 6)	28,487	64,201
Prepayments (Note 1J)	2,209,608	1,653,887
TOTAL ASSETS	**$ 387,821,062**	**$ 377,541,864**
LIABILITIES		
Intragovernmental		
Accounts Payable	$ 387,666	$ 609,101
Custodial Liabilities	4,696,176	4,218,788
FECA Liabilities (Note 9)	82,531	88,975
Total Intragovernmental	**5,166,373**	**4,916,864**
Accounts Payable	8,220,224	4,874,120
Actuarial FECA Liabilities (Note 9)	415,570	460,759
Accrued Payroll	5,215,273	3,417,319
Annual Leave	9,788,839	9,590,172
Deposit Fund Liabilities	179,806	134,683
Deferred Lease Liabilities (Note 10)	25,673,457	25,961,973
Contingent Liabilities (Note 11)	300,000	85,000
Other	22,397	11,699
Total Liabilities	**$ 54,981,939**	**$ 49,452,589**
NET POSITION		
Unexpended Appropriations – All Other Funds	$ 50,997,602	$ 35,420,980
Cumulative Results of Operations – Funds from Dedicated Collections	267,612,410	274,315,312
Cumulative Results of Operations – All Other Funds	14,229,111	18,352,983
Total Net Position	**332,839,123**	**328,089,275**
TOTAL LIABILITIES AND NET POSITION	**$ 387,821,062**	**$ 377,541,864**

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

Commodity Futures Trading Commission

Statements of Net Cost

For the Years Ended September 30, 2015 and 2014

NET COST BY GOAL (NOTE 16)	2015
GOAL 1: MARKET INTEGRITY AND TRANSPARENCY	
Gross Costs	$ 68,337,018
Less: Earned Revenue	(14,516)
NET COST OF OPERATIONS – GOAL ONE	**$ 68,322,502**
GOAL 2: FINANCIAL INTEGRITY AND AVOIDANCE OF SYSTEMIC RISK	
Gross Costs	$ 73,933,907
Less: Earned Revenue	(15,704)
NET COST OF OPERATIONS – GOAL TWO	**$ 73,918,203**
GOAL 3: COMPREHENSIVE ENFORCEMENT	
Gross Costs	$ 95,521,909
Less: Earned Revenue	(20,291)
NET COST OF OPERATIONS – GOAL THREE	**$ 95,501,618**
GOAL 4: DOMESTIC AND INTERNATIONAL COOPERATION AND COORDINATION	
Gross Costs	$ 12,068,292
Less: Earned Revenue	(2,563)
NET COST OF OPERATIONS – GOAL FOUR	**$ 12,065,729**
GRAND TOTAL	
Gross Costs	$ 249,861,126
Less: Earned Revenue	(53,074)
TOTAL NET COST OF OPERATIONS	**$ 249,808,052**

NET COST BY GOAL (NOTE 16)	2014
GOAL 1: MARKET INTEGRITY	
Gross Costs	$ 56,754,452
Less: Earned Revenue	(8,189)
NET COST OF OPERATIONS – GOAL ONE	**$ 56,746,263**
GOAL 2: CLEARING INTEGRITY	
Gross Costs	$ 51,970,552
Less: Earned Revenue	(7,498)
NET COST OF OPERATIONS – GOAL TWO	**$ 51,963,054**
GOAL 3: ROBUST ENFORCEMENT	
Gross Costs	$ 71,541,053
Less: Earned Revenue	(10,323)
NET COST OF OPERATIONS – GOAL THREE	**$ 71,530,730**
GOAL 4: CROSS-BORDER COOPERATION	
Gross Costs	$ 11,742,300
Less: Earned Revenue	(1,694)
NET COST OF OPERATIONS – GOAL FOUR	**$ 11,740,606**
GOAL 5: ORGANIZATIONAL AND MANAGEMENT EXCELLENCE	
Gross Costs	$ 25,441,651
Less: Earned Revenue	(3,671)
NET COST OF OPERATIONS – GOAL FIVE	**$ 25,437,980**
GRAND TOTAL	
Gross Costs	$ 217,450,008
Less: Earned Revenue	(31,375)
TOTAL NET COST OF OPERATIONS	**$ 217,418,633**

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

Commodity Futures Trading Commission

Statements of Changes in Net Position

For the Years Ended September 30, 2015 and 2014

	2015		
CUMULATIVE RESULTS OF OPERATIONS	DEDICATED COLLECTIONS	ALL OTHER FUNDS	CONSOLIDATED TOTAL
Beginning Balances, October 1	**$ 274,315,312**	**$ 18,352,983**	**$ 292,668,295**
Budgetary Financing Sources			
Appropriations Used	–	232,255,603	232,255,603
Nonexchange Interest Revenue (Note 3)	58,152	–	58,152
Other Financing Sources			
Imputed Financing Sources (Note 8)	–	6,667,523	6,667,523
Total Financing Sources	58,152	238,923,126	238,981,278
Net Cost of Operations	**(6,761,054)**	**(243,046,998)**	**(249,808,052)**
Net Change	**(6,702,902)**	**(4,123,872)**	**(10,826,774)**
TOTAL CUMULATIVE RESULTS OF OPERATIONS, SEPTEMBER 30	**$ 267,612,410**	**$ 14,229,111**	**$ 281,841,521**
UNEXPENDED APPROPRIATIONS			
Beginning Balances, October 1	**$ –**	**$ 35,420,980**	**$ 35,420,980**
Budgetary Financing Sources			
Appropriations Received	–	250,000,000	250,000,000
Less: Other Adjustments (Rescissions, *etc.*)	–	(2,167,775)	(2,167,775)
Appropriations Used	–	(232,255,603)	(232,255,603)
Total Budgetary Financing Sources	–	15,576,622	15,576,622
Total Unexpended Appropriations, September 30	**$ –**	**$ 50,997,602**	**$ 50,997,602**
NET POSITION	**$ 267,612,410**	**$ 65,226,713**	**$ 332,839,123**

	2014		
CUMULATIVE RESULTS OF OPERATIONS	DEDICATED COLLECTIONS	ALL OTHER FUNDS	CONSOLIDATED TOTAL
Beginning Balances, October 1	**$ 99,904,291**	**$ 23,899,638**	**$ 123,803,929**
Budgetary Financing Sources			
Appropriations Used	–	203,363,604	203,363,604
Nonexchange Interest Revenue (Note 3)	35,630	–	35,630
Transfers - In Without Reimbursement (Note 18)	176,110,604	–	176,110,604
Other Financing Sources			
Imputed Financing Sources (Note 8)	–	6,773,161	6,773,161
Total Financing Sources	176,146,234	210,136,765	386,282,999
Net Cost of Operations	**(1,735,213)**	**(215,683,420)**	**(217,418,633)**
Net Change	**174,411,021**	**(5,546,655)**	**168,864,366**
TOTAL CUMULATIVE RESULTS OF OPERATIONS, SEPTEMBER 30	**$ 274,315,312**	**$ 18,352,983**	**$ 292,668,295**
UNEXPENDED APPROPRIATIONS			
Beginning Balances, October 1	**$ –**	**$ 25,006,039**	**$ 25,006,039**
Budgetary Financing Sources			
Appropriations Received	–	215,000,000	215,000,000
Less: Other Adjustments (Rescissions, *etc.*)	–	(1,221,455)	(1,221,455)
Appropriations Used	–	(203,363,604)	(203,363,604)
Total Budgetary Financing Sources	–	10,414,941	10,414,941
Total Unexpended Appropriations, September 30	**$ –**	**$ 35,420,980**	**$ 35,420,980**
NET POSITION	**$ 274,315,312**	**$ 53,773,963**	**$ 328,089,275**

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

Commodity Futures Trading Commission

Combined Statements of Budgetary Resources

For the Years Ended September 30, 2015 and 2014

	2015	2014
BUDGETARY RESOURCES		
Unobligated Balance Brought Forward, October 1	$ 275,549,121	$ 104,968,486
Adjustment to Unobligated Balance Brought Forward, October 1	829,170	–
Unobligated Balance Brought Forward, October 1, as Adjusted	276,378,291	104,968,486
Recoveries of Prior Year Unpaid Obligations	4,061,675	1,890,406
Other Changes in Unobligated Balance	(2,167,775)	(1,221,455)
Unobligated Balance from Prior Year Budget Authority, Net	278,272,191	105,637,437
Appropriations	250,000,000	215,000,000
Spending Authority from Offsetting Collections	230,746	176,261,959
TOTAL BUDGETARY RESOURCES	**$ 528,502,937**	**$ 496,899,396**
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred (Note 13)	$ 258,702,003	$ 221,350,275
Unobligated Balance, End of Year		
Apportioned	270,359,908	13,437,561
Unapportioned	(558,974)	262,111,560
Total Unobligated Balance, End of Year	269,800,934	275,549,121
TOTAL BUDGETARY RESOURCES	**$ 528,502,937**	**$ 496,899,396**
CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	$ 40,564,762	$ 25,798,405
Obligations Incurred	258,702,003	221,350,275
Outlays (Gross)	(234,914,187)	(204,693,512)
Recoveries of Prior Year Unpaid Obligations	(4,061,675)	(1,890,406)
Unpaid Obligations, End of Year	60,290,903	40,564,762
Uncollected Payments:		
Uncollected Payments, Federal Sources, Brought Forward, October 1	(54,225)	(45,921)
Change in Uncollected Payments, Federal Sources	(22,435)	(8,304)
Uncollected Payments, Federal Sources, End of Year	(76,660)	(54,225)
Memorandum Entries:		
Obligated Balance, Start of Year	**$ 40,510,537**	**$ 25,752,484**
Obligated Balance, End of Year	**$ 60,214,243**	**$ 40,510,537**
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget Authority, Gross	$ 250,230,746	$ 391,261,959
Actual Offsetting Collections	(212,554)	(176,466,655)
Change in Uncollected Customer Payments from Federal Sources	(22,435)	(8,304)
BUDGET AUTHORITY, NET	**$ 249,995,757**	**$ 214,787,000**
Outlays, Gross	$ 234,914,187	$ 204,693,512
Actual Offsetting Collections	(212,554)	(176,466,655)
Outlays, Net	234,701,633	28,226,857
Distributed Offsetting Receipts	(6,767)	(39,435)
AGENCY OUTLAYS, NET	**$ 234,694,866**	**$ 28,187,422**

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

Commodity Futures Trading Commission

Statements of Custodial Activity

For the Years Ended September 30, 2015 and 2014

	2015	2014
REVENUE ACTIVITY		
Sources of Cash Collections:		
Registration and Filing Fees	$ 1,575,300	$ 2,082,325
Fines, Penalties, and Forfeitures	2,841,186,640	943,104,536
General Proprietary Receipts	6,767	39,484
Total Cash Collections	**2,842,768,707**	**945,226,345**
Change in Custodial Receivables	**477,388**	**(65,525,838)**
TOTAL CUSTODIAL REVENUE	**$2,843,246,095**	**$ 879,700,507**
DISPOSITION OF COLLECTIONS		
Amounts Transferred to:		
Department of the Treasury	(2,842,768,707)	(769,115,741)
CFTC Customer Protection Fund	–	(176,110,604)
Total Disposition of Collections	**(2,842,768,707)**	**(945,226,345)**
Change in Custodial Liabilities	(477,388)	65,525,838
NET CUSTODIAL ACTIVITY	**$ –**	**$ –**

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

Notes to the Financial Statements

As of and For the Fiscal Years Ended September 30, 2015 and 2014

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Commodity Futures Trading Commission (CFTC) is an independent agency of the executive branch of the Federal Government. Congress created the CFTC in 1974 under the authorization of the Commodity Exchange Act (CEA) with the mandate to regulate commodity futures and option markets in the United States. The agency's mandate was renewed and expanded under the Futures Trading Acts of 1978, 1982, and 1986; under the Futures Trading Practices Act of 1992; under the CFTC Reauthorization Act of 1995; under the Commodity Futures Modernization Act of 2000; and under the Dodd-Frank Act of 2010. Congress passed the Food, Conservation, and Energy Act of 2008 (Farm Bill), which reauthorized the Commission through FY 2013. In the absence of formal reauthorization, CFTC has continued to operate through authorized appropriations for FY 2014 and 2015.

The CFTC is responsible for ensuring the economic utility of futures markets by encouraging their competitiveness and efficiency, ensuring their integrity, and protecting market participants against manipulation, abusive trade practices, and fraud.

On July 21, 2010, the "Dodd-Frank Wall Street Reform and Consumer Protection Act" (the Dodd-Frank Act, or the Act) was signed into law, significantly expanding the powers and responsibilities of the CFTC. According to Section 748 of the Act, there is established in the Treasury of the United States a revolving fund known as the "Commodity Futures Trading Commission Customer Protection Fund" (the Fund). The Fund shall be available to the Commission, without further appropriation or fiscal year limitation, for a) the payment of awards to whistleblowers; and b) the funding of customer education initiatives designed to help customers protect themselves against fraud or other violations of this Act or the rules and regulations thereunder.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations for the CFTC, as required by the Accountability of Tax Dollars Act of 2002. They are presented in accordance with the form and content requirements contained in Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, as amended.

The principal financial statements have been prepared in all material respects from the agency's books and records in conformity with U.S. generally accepted accounting principles (GAAP), as prescribed for the Federal government by the Federal Accounting Standards Advisory Board (FASAB). The application and methods for applying these principles are appropriate for presenting fairly the entity's assets, liabilities, financial position, net cost of operations, changes in net position, budgetary resources, and custodial activities.

The books and records of the agency served as the source of information for preparing the financial statements in the prescribed formats. All agency financial statements and reports used to monitor and control budgetary resources are prepared from the same books and records. The statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.

The Balance Sheets present the financial position of the agency. The Statements of Net Cost present the agency's operating results; the Statements of Changes in Net Position display the changes in the agency's equity accounts. The Statements of Budgetary Resources present the sources, status, and uses of the agency's resources and follow the rules for the Budget of the United States Government. The Statements of Custodial Activity present the sources and disposition of collections for which the CFTC is the fiscal agent, or custodian, for the Treasury General Fund Miscellaneous Receipt accounts.

Throughout these financial statements, assets, liabilities, revenues and costs have been classified according to the type of entity with whom the transactions were made.

Intragovernmental assets and liabilities are those from or to other federal entities. Intragovernmental earned revenues are collections or accruals of revenue from other federal entities, and intragovernmental costs are payments or accruals to other federal entities. The CFTC does not transact business among its own operating units, and therefore, intra-entity eliminations were not needed.

C. Budgetary Resources and Status

The CFTC is funded through congressionally approved appropriations. The CFTC is responsible for administering the salaries and expenses of the agency through the execution of these appropriations.

Congress annually enacts appropriations that provide the CFTC with the authority to obligate funds within the respective fiscal year for necessary expenses to carry out mandated program activities. All appropriations are subject to quarterly apportionment as well as Congressional restrictions.

The CFTC's budgetary resources for FY 2015 consist of:

- Unobligated balances of resources brought forward from the prior year,
- Recoveries of obligations made in prior years, and
- New resources in the form of appropriations and spending authority from offsetting collections.

Unobligated balances associated with resources expiring at the end of the fiscal year remain available for five years after expiration only for upward adjustments of prior year obligations, after which they are canceled and may not be used. All unused monies related to canceled appropriations are returned to Treasury and the canceled authority is reported on the Statements of Budgetary Resources and the Statements of Changes in Net Position.

D. Entity and Non-Entity Assets

Assets consist of entity and non-entity assets. Entity assets are those assets that the CFTC has authority to use for its operations. Non-entity assets are those held by the CFTC that are not available for use in its operations. Non-entity assets held by the CFTC include deposit fund balances, custodial fines, interest, penalties, and administrative fees receivable.

E. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the CFTC's funds with Treasury in general, receipt, revolving, and deposit fund accounts. Appropriated funds recorded in general fund expenditure accounts are available to pay current liabilities and finance authorized purchases. Revolving fund custodial collections recorded in the deposit fund and miscellaneous receipts accounts of the Treasury are not available for agency use. At fiscal year-end, receipt account balances are returned to Treasury or transferred to the Customer Protection Fund.

The CFTC does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the agency on demand. Spending authority from offsetting collections is recorded in the agency's expenditure account and is available for agency use subject to certain limitations.

F. Investments

The CFTC has the authority to invest amounts deposited in the Customer Protection Fund in short-term market-based Treasury securities. Market-based Treasury securities are debt securities that the U.S. Treasury issues to Federal entities without statutorily determined interest rates. Although the securities are not marketable, the terms (prices and interest rates) mirror the terms of marketable Treasury securities. Investments are carried at their historical cost basis which approximates fair value due to their short-term nature.

Interest earned on the investments is a component of the Fund and is available to be used for expenses of the Customer Protection Fund. Additional details regarding Customer Protection Fund investments are provided in Note 3.

G. Accounts Receivable, Net

Accounts receivable consists of amounts owed by other federal agencies and the public to the CFTC and is valued net of an allowance for uncollectible amounts. The allowance is based on past experience in the collection of receivables and analysis of the outstanding balances. Accounts receivable arise from reimbursable operations, earned refunds or the Civil Monetary Sanctions program.

H. General Property, Plant and Equipment, Net

Furniture, fixtures, equipment, information technology hardware and software, and leasehold improvements are capitalized and depreciated or amortized over their useful lives.

The CFTC capitalizes assets annually if they have useful lives of at least two years and an individual value of $25,000 or more. Bulk or aggregate purchases are capitalized when the individual useful lives are at least two years and the purchase is a value of $25,000 or more. Property, plant and equipment that do not meet the capitalization criteria are expensed when acquired. Depreciation for equipment and amortization for software is computed on a straight-line basis using a 5-year life. Leasehold improvements are amortized over the remaining life of the lease. The Commission's assets are valued net of accumulated depreciation or amortization.

I. Deferred Costs

The Commission has received lease incentives, Tenant Improvement Allowances (TIA), from the landlords on its operating leases. These allowances can be used for construction, asset purchases, or rent expense, and are classified as deferred costs on the balance sheets. These costs are reallocated either to leasehold improvements, equipment, or if used for rent, expensed. The TIA is also amortized with the deferred lease liability over the life of the lease.

J. Prepayments

Payments to federal and non-federal sources in advance of the receipt of goods and services are recorded as prepayments and recognized as expenses when the related goods and services are received. Intragovernmental prepayments reported on the Balance Sheet were made primarily to the Department of Transportation (DOT) for transit subsidy and accounting services. Prepayments to the public were primarily for software maintenance and subscription services.

K. Liabilities

The CFTC's liabilities consist of actual and estimated amounts that are likely to be paid as a result of transactions covered by budgetary resources for which Congress has appropriated funds or funding, or are otherwise available from reimbursable transactions to pay amounts due.

Liabilities include those covered by budgetary resources in existing legislation and those not yet covered by budgetary resources. The CFTC liabilities not covered by budgetary resources include:

- Intragovernmental Federal Employees' Compensation Act (FECA) liabilities,
- Annual leave benefits that will be funded by annual appropriations as leave is taken,
- Actuarial FECA liabilities,
- Custodial liabilities for custodial revenue deemed collectible but not yet collected at fiscal year-end,
- Contingent liabilities,
- Deposit funds,
- Deferred lease liabilities, and
- Advances received for reimbursable services yet to be provided.

L. Accounts Payable

Accounts payable consists primarily of contracts for goods or services, such as operating leases, leasehold improvements, software development, information technology, telecommunications, and consulting and support services.

M. Accrued Payroll and Benefits and Annual Leave Liability

The accrued payroll liability represents amounts for salaries and benefits owed for the time since the payroll was last paid through the end of the reporting period. The annual leave liability is the amount owed to employees for unused annual leave as of the end of the reporting period. At the end of each quarter, the balance in the accrued annual leave account is adjusted to reflect current balances and pay rates. Sick leave and other types of non-vested leave are expensed as taken.

The agency's employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS.

For employees under FERS, the CFTC contributes an amount equal to one percent of the employee's basic pay to the tax deferred Thrift Savings Plan and matches employee contributions up to an additional four percent of pay. FERS and CSRS employees can contribute a portion of their gross earnings to the plan up to Internal Revenue Service (IRS) limits; however, CSRS employees receive no matching agency contribution.

N. Leases

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

O. Deposit Funds

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

P. Net Position

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

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

Q. Revenues

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

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

R. Net Cost of Operations

Net cost of operations is the difference between the CFTC's expenses and its earned revenue. The presentation of program results by strategic goals is based on the CFTC's current Strategic Plan established pursuant to the Government Performance and Results Act of 1993. The Commission implemented a new strategic plan in FY 2015 with different goals; as a result, the FY 2015 and FY 2014 net costs by strategic goal are presented separately rather than comparatively.

The mission statement of the CFTC is to protect market users and the public from fraud, manipulation, and abusive practices related to the sale of commodity and financial futures and options, and to foster open, competitive, and financially sound futures and option markets. For FY 2015, the mission was accomplished through the following four strategic goals, each focusing on a vital area of regulatory responsibility:

- **Goal 1: Market Integrity and Transparency** – The focus of Market Integrity and Transparency is to recognize that derivatives markets provide a means for market users to offset price risks inherent in their businesses and to serve as a public price discovery mechanism.

- **Goal 2: Financial Integrity and Avoidance of Systemic Risk** – The focus of Financial Integrity and Avoidance of Systemic Risk is to strive to ensure that Commission-registered derivatives clearing organizations (DCOs), swap dealers (SDs), major swap participants (MSPs), and futures commission merchants (FCMs) have the financial resources, risk management systems and procedures, internal controls, customer protection systems, and other controls necessary to meet their obligations so as to minimize the risk that the financial difficulty of any of these registrants, or any of their customers has systemic implications.

- **Goal 3: Comprehensive Enforcement** – Through the goal of Comprehensive Enforcement, the CFTC enforces the CEA and Commission regulations, and works to promote awareness of and compliance with these laws.

- **Goal 4: Domestic and International Cooperation and Coordination** – Domestic and International Cooperation and Coordination focuses on how the Commission interacts with domestic and international regulatory authorities, market participants, and others affected by the Commission's regulatory policies and practices.

To advance its mission goals and objectives, the CFTC will achieve Commission-wide excellence by empowering strong, enterprise-focused leaders, maintaining a high-performing and engaged workforce, and ensuring effective stewardship of resources.

For FY 2014, the mission was accomplished through the following five strategic goals, similar to the above and each focusing on a vital area of regulatory responsibility:

- **Goal 1: Market Integrity** – Protect the public and market participants by ensuring market integrity; promoting transparency, competition, and fairness; and lowering risk in the system,

- **Goal 2: Clearing Integrity** – Protect the public and market participants by ensuring the financial integrity of derivatives transactions, mitigation of systemic risk, and the fitness and soundness of intermediaries and other registrants,

- **Goal 3: Robust Enforcement** – Protect the public and market participants through a robust enforcement program,

- **Goal 4: Cross-Border Cooperation** – Enhance integrity of US markets by engaging in cross-border cooperation, promoting strong international regulatory standards, and encouraging ongoing convergence of laws and regulation worldwide, and

- **Goal 5: Organizational and Management Excellence** – Promote Commission excellence through executive direction and leadership, organizational and individual performance management, and effective management of resources.

S. Custodial Activity

The CFTC collects penalties and fines levied against firms for violation of laws as described in the Commodity Exchange Act as codified at 7 U.S.C. § 1, *et seq*., and the Commodity Futures Modernization Act of 2000, Appendix E of P.L. 106-554, 114 Stat. 2763. Unpaid fines, penalties and accrued interest are reported as custodial receivables, with an associated custodial liability. The receivables and the liability are reduced by amounts determined to be uncollectible. Revenues earned and the losses from bad debts are reported to Treasury.

Collections made by the CFTC during the year are deposited and reported into designated Treasury miscellaneous receipt accounts for:

- Registration and filing fees,
- Fines, penalties and forfeitures, and
- General proprietary receipts.

At fiscal year-end, custodial collections made by the CFTC are either returned to Treasury or when determined eligible, transferred to the Customer Protection Fund. The CFTC does not retain any amount for custodial activities including reimbursement of the cost of collection.

T. Use of Management Estimates

The preparation of the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenues, expenses, and custodial activities. Actual results could differ from these estimates.

U. Reconciliation of Net Obligations and Net Cost of Operations

In accordance with OMB Circular A-136, the Commission reconciles its change in budgetary obligations with its net cost of operations.

V. Funds from Dedicated Collections

The Commission's Customer Protection Fund (CPF) was established to operate a whistleblower program and support customer education initiatives. See Note 1.A. for a description of the purpose of the CPF and its authority to use revenues and other financing sources. Deposits into the CPF are credited from monetary sanctions collected by the Commission in a covered judicial or administrative action where the full judgment is in excess of $1,000,000 and the collection is not otherwise distributed to victims of a violation of the Dodd-Frank Act or the underlying rules and regulations, unless the balance of the CPF at the time the monetary judgment is collected exceeds $100 million. No new legislation was enacted as of September 30, 2015 that significantly changed the purpose of the fund or redirected a material portion of the accumulated balance.

Note 2. Fund Balance with Treasury

A. Reconciliation to Treasury

There are no differences between the fund balances reflected in the CFTC Balance Sheets and the balances in the Treasury accounts.

B. Fund Balance with Treasury

Fund Balance with Treasury consists of entity assets such as appropriations, reimbursements for services rendered, and collections of fines and penalties. Obligation of these funds is controlled by quarterly apportionments made by OMB. Work performed under reimbursable agreements is initially financed by the annual appropriation and is subsequently reimbursed. Collections of fines and penalties are distributed to harmed investors, returned to Treasury, or when eligible, transferred to the Customer Protection Fund.

Fund Balance with Treasury at September 30, 2015 and 2014 consisted of the following:

	2015	2014
Appropriated Funds	$ 61,472,593	$ 42,487,412
Customer Protection Fund	5,593,661	4,448,248
Deposit Fund	179,806	134,683
TOTAL FUND BALANCE WITH TREASURY	**$ 67,246,060**	**$ 47,070,343**

C. Status of Fund Balance with Treasury

Status of Fund Balance with Treasury at September 30, 2015 and 2014 consisted of the following:

	2015	2014
Appropriated Funds		
Unobligated Fund Balance		
Available	$ 937,162	$ 1,000,971
Unavailable	4,535,734	4,592,572
Obligated Balance Not Yet Disbursed	55,999,697	36,893,869
Total Appropriated Funds	**61,472,593**	**42,487,412**
Customer Protection Fund		
Unobligated Fund Balance		
Available	$ 1,302,454	$ 777,356
Obligated Balance Not Yet Disbursed	4,291,207	3,670,892
Total Customer Protection Fund	**5,593,661**	**4,448,248**
Deposit Fund	**179,806**	**134,683**
TOTAL FUND BALANCE WITH TREASURY	**$ 67,246,060**	**$ 47,070,343**

Note 3. Investments

The CFTC invests amounts deposited in the Customer Protection Funds in overnight short-term Treasury securities. Treasury overnight certificates of indebtedness are issued with a stated rate of interest to be applied to their par amount, mature on the business day immediately following their issue date, are redeemed at their par amount at maturity, and have interest payable at maturity.

The overnight certificates are Treasury securities whose interest rates or prices are determined based on the interest rates or prices of Treasury-related financial instruments issued or trading in the market, rather than on the interest rates or prices of outstanding marketable Treasury securities. The Commission may invest in other short-term or long-term Treasury securities at management's discretion.

The Commission's investments as of September 30, 2015 and 2014 were $263 million and $270 million, respectively. Interest earned as of September 30, 2015 and 2014 was $58,152 and $35,630, respectively.

Intragovernmental Investments in Treasury Securities

The Federal Government does not set aside assets to pay future claims or other expenditures associated with funds from dedicated collections deposited into the Customer Protection Fund. The dedicated cash receipts collected by the Commission as a result of monetary sanctions are deposited in the U.S. Treasury, which uses the cash for general Government purposes. As discussed above and in Note 1F, the Commission invests the majority of these funds in Treasury securities. These Treasury securities are an asset of the Commission and a liability of the U.S. Treasury. Because the Commission and the U.S. Treasury are both components of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, the investments presented by the Commission do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the Commission with authority to draw upon the U.S. Treasury to pay future claims or other expenditures. When the Commission requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same manner in which the Government finances all expenditures.

Note 4. Accounts Receivable, Net

Accounts receivable consist of amounts owed the CFTC by other Federal agencies and the public. Accounts receivable are valued at their net collectible values. Non-custodial accounts receivable are primarily for overpayments of expenses to other agencies, or vendors, and repayment of employee benefits. Historical experience has indicated that most of the non-custodial receivables are collectible and that there are no material uncollectible amounts.

Custodial receivables (non-entity assets) are those for which fines and penalties have been assessed and levied against businesses or individuals for violations of the CEA or Commission regulations. Violators may be subject to a variety of sanctions including fines, injunctive orders, bars or suspensions, rescissions of illegal contracts, and disgorgements.

An allowance for uncollectible accounts has been established and included in accounts receivable on the balance sheets. The allowance is based on past experience in the collection of accounts receivable and analysis of outstanding balances. Historical experience has indicated that a high percentage of custodial receivables prove uncollectible. Accounts are re-estimated quarterly based on account reviews and the agency determination that changes to the net realizable value are needed.

continued on next page

Note 4 continued from previous page

Accounts receivable, net consisted of the following as of September 30, 2015 and 2014:

	2015	2014
Custodial Receivables, Net:		
Civil Monetary Penalty Interest	$ 1,037,104	$ 1,270,142
Civil Monetary Penalties, Fines, and Administrative Fees	1,452,575,210	1,620,550,206
Less: Allowance for Loss on Interest	(1,037,065)	(1,270,115)
Less: Allowance for Loss on Penalties, Fines, and Administrative Fees	(1,449,320,093)	(1,617,905,205)
Registration and Filing Fees	1,441,020	1,573,760
NET CUSTODIAL RECEIVABLES	**$ 4,696,176**	**$ 4,218,788**
OTHER ACCOUNTS RECEIVABLE	**18,614**	**11,112**
TOTAL ACCOUNTS RECEIVABLE, NET	**$ 4,714,790**	**$ 4,229,900**

Note 5. General Property, Plant and Equipment

Property, Plant and Equipment as of September 30, 2015 and 2014 consisted of the following:

2015 Major Class	Service Life and Method	Cost	Accumulated Amortization/ Depreciation	Net Book Value
Equipment	5 Years/Straight Line	$ 40,993,436	$ (28,242,099)	$ 12,751,337
IT Software	5 Years/Straight Line	29,074,565	(15,159,696)	13,914,869
Software in Development	Not Applicable	2,575,619	–	2,575,619
Leasehold Improvements	Remaining Life of Lease/Straight Line	30,627,318	(9,510,877)	21,116,441
		$103,270,938	**$ (52,912,672)**	**$ 50,358,266**

2014 Major Class	Service Life and Method	Cost	Accumulated Amortization/ Depreciation	Net Book Value
Equipment	5 Years/Straight Line	$ 38,559,381	$ (24,380,358)	$ 14,179,023
IT Software	5 Years/Straight Line	24,456,684	(10,979,125)	13,477,559
Software in Development	Not Applicable	3,836,219	–	3,836,219
Leasehold Improvements	Remaining Life of Lease/Straight Line	30,125,887	(7,154,139)	22,971,748
		$ 96,978,171	**$ (42,513,622)**	**$ 54,464,549**

Depreciation and amortization expense for the years ended September 30, 2015 and 2014 totaled $12,679,373 and $14,167,999, respectively.

Note 6. Deferred Costs

The Commission receives Tenant Improvement Allowances (TIA) from its landlords. These allowances are used to cover the costs of building renovations, asset purchases, or rent expenses. The TIA is initially recorded as deferred costs on the balance sheet and is amortized with the deferred lease liability over the life of the lease.

The Commission received approximately $16.2 million in TIA between FY 2010 and 2012, of which approximately $14.4 million has been used to fund leasehold improvements, and $1.8 million has been used to cover rental payments through September 30, 2015. The remaining, unused balance of $28 thousand is reflected as deferred costs on the balance sheet.

Deferred Costs (TIA)	2015	2014
Beginning Balance, October 1	$ 64,201	$ 220,953
TIA received	–	–
TIA used	(35,714)	(156,752)
BALANCE AS OF SEPTEMBER 30	**$ 28,487**	**$ 64,201**

Note 7. Liabilities Not Covered by Budgetary Resources

As of September 30, 2015 and 2014, the following liabilities were not covered by budgetary resources:

	2015	2014
Intragovernmental – FECA Liabilities	$ 82,531	$ 88,975
Intragovernmental – Custodial Liabilities	4,696,176	4,218,788
Annual Leave	9,788,839	9,590,172
Actuarial FECA Liabilities	415,570	460,759
Contingent Liabilities	300,000	85,000
Deposit Fund Liabilities	179,806	134,683
Deferred Lease Liabilities	25,673,457	25,961,973
Other	22,397	11,699
TOTAL LIABILITIES NOT COVERED BY BUDGETARY RESOURCES	**$ 41,158,776**	**$ 40,552,049**

Liabilities not covered by budgetary resources of $41.16 million and $40.55 million represented 74.9 and 82 percent of the Commission's total liabilities of $54.98 million and $49.45 million as of September 30, 2015 and 2014, respectively.

In connection with the preparation of the current year financial statements, the misclassification of custodial liabilities was identified as an immaterial error in the FY 2014 Balance Sheet. The FY 2014 custodial liabilities is correctly presented as an intragovernmental liability on the Balance Sheet presented herein.

Note 8. Retirement Plans and Other Employee Benefits

The CFTC imputes costs and the related financing sources for its share of retirement benefits accruing to its past and present employees that are in excess of the amount of contributions from the CFTC and its employees, which are mandated by law. The Office of Personnel Management (OPM), which administers federal civilian retirement programs, provides the cost information to the CFTC. The CFTC recognizes the full cost of providing future pension and Other Retirement Benefits (ORB) for current employees as required by Statement of Federal Financial Accounting Standards (SFFAS) 5, *Accounting for Liabilities of the Federal Government*.

continued on next page

Note 8 continued from previous page

Full costs include pension and ORB contributions paid out of the CFTC's appropriations and costs financed by OPM. The amount financed by OPM is recognized as an imputed financing source. This amount was $6,667,523 for the year ended September 30, 2015 and $6,773,161 for the year ended September 30, 2014. Reporting amounts such as plan assets, accumulated plan benefits, or unfunded liabilities, if any, is the responsibility of OPM.

Liabilities for future pension payments and other future payments for retired employees who participate in the Federal Employees Health Benefits Program and the Federal Employees Group Life Insurance Program are reported by OPM rather than CFTC.

Note 9. FECA Liabilities

FECA provides income and medical cost protections to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims against the CFTC and subsequently seeks reimbursement from the CFTC for these paid claims. Accrued FECA liabilities represent amounts due to DOL for claims paid on behalf of the agency. Accrued FECA liabilities at September 30, 2015 and 2014 were $82,531 and $88,975, respectively.

In addition, the Commission's actuarial FECA liability represents the liability for future workers compensation benefits, which includes the expected liability for death, disability, medical, and miscellaneous cost for approved cases. The Commission records an estimate for the FECA actuarial liability using the DOL's FECA model. The model considers the average amount of benefit payments incurred by the Commission for the past three fiscal years, multiplied by the medical and compensation liability to benefits paid ratio for the whole FECA program. Actuarial FECA liabilities at September 30, 2015 and 2014 were $415,570 and $460,759, respectively.

Note 10. Leases

The CFTC has operating leases in privately-owned buildings for its locations in Washington D.C., Chicago, New York, and Kansas City. The CFTC has no real property. Future estimated minimum lease payments are not accrued as liabilities and are expensed on a straight-line basis.

As of September 30, 2015, future estimated minimum lease payments continue through FY 2025 and are as follows:

Fiscal Year	Dollars
2016	$ 19,017,114
2017	19,411,711
2018	19,772,333
2019	20,133,393
2020	20,507,089
Thereafter	95,363,201
TOTAL FUTURE MINIMUM LEASE PAYMENTS	**$ 194,204,841**

CFTC recognizes leases expenses on a straight-line basis because the Commission's lease payment amounts vary at negotiated times and reflect increases in rental costs, and in some cases, allowances or credits from landlords. Consistent with the utility of its office space, the Commission records deferred lease liabilities representing expense amounts in excess of payments to date. The deferred lease liabilities at September 30, 2015 and September 30, 2014 were $25,673,457 and $25,961,973 respectively.

CFTC's historical practice has been to obligate only the annual portion of lease payments due each year. On August 6, 2015, the Government Accountability Office (GAO) requested information on the Commission's views regarding various legal issues involving the CFTC's leases, including the practice of recording obligations arising under the agency's current leases for office space in Washington, D.C., Chicago, New York, and Kansas City. As a result of the CFTC's review, the Commission concluded that its historical practice for recording lease obligations may be inconsistent with OMB Circular A-11, *Preparation, Submission and Execution of the Budget*; 31 U.S.C. § 1501(a)(1) (the recording statute); and previous GAO decisions. The GAO is currently reviewing the matter and the agency expects an opinion to be issued in FY 2016.

continued on next page

Note 10 continued from previous page

As a result of the potential findings of the anticipated GAO opinion, it is reasonably possible that an unfunded obligation totaling approximately $194 million and $212 million as of September 30, 2015 and 2014 respectively, covering all potential future payments agreed to under current leases, will need to be recognized.

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

Buildings	
LOCATION	**LEASE TERMS**
Washington, D.C.	Lease of office space from October 5, 1995, through September 30, 2025, subject to annual escalation amounts[14] and including allowances for leasehold improvements and rent offsets.
New York	Lease of office space from November 16, 2001, through April 30, 2022, with no escalation clauses or option to renew.
Kansas City	Lease of office space from April 1, 2011, through April 14, 2021, including allowances for leasehold improvements and rent offsets.
Chicago	Lease of office space from March 10, 2002, through June 30, 2022, including proportionate share of operation expenses and taxes for premises and allowances for leasehold improvements and rent offsets.
Furniture	
LOCATION	**LEASE TERMS**
Washington, D.C.	Six-month to one-year rentals of various office furniture, including desks, credenzas, chairs, bookcases, and lateral files, with lease terms ranging from August 10, 2014, through August 9, 2015, to July 30, 2015, through January 2, 2016.
New York	One-year rentals of various office furniture, including desks, credenzas, chairs, and lateral files, with lease terms ranging from October 23, 2014, through October 22, 2015, to August 21, 2015, through August 20, 2016.

Note 11. Contingent Liabilities

The CFTC records contingent liabilities for legal cases in which payment has been deemed probable and for which the amount of potential liability has been estimated, including judgments that have been issued against the agency and which have been appealed. In FY 2015, the Commission was involved in two cases where an unfavorable outcome is reasonably possible but the potential loss is not reasonably estimable.

In addition, on September 29, 2015, the Commission announced that it expects to make an award of approximately $300,000 to a whistleblower for providing valuable information about violations of the Commodity Exchange Act (CEA). While the order granting the award can be appealed until October 29, 2015, the Commission has recorded a liability because it has been deemed probable that the award will be paid.

Note 12. Undelivered Orders

The amount of budgetary resources obligated for undelivered orders as of September 30, 2015 and 2014 consisted of the following:

	2015	2014
Undelivered Orders	$ 48,941,200	$ 33,377,094

The amount of undelivered orders represents the value of unpaid and paid obligations recorded during the fiscal year, and upward and downward adjustments of obligations that were originally recorded in a prior fiscal year.

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

Note 13. Apportionment Categories of Obligations Incurred

Category A funds are those amounts that are subject to quarterly apportionment by OMB, meaning that a portion of the annual appropriation is not available to the agency until apportioned for a particular quarter. Category B funds represent budgetary resources distributed by a specified time period, activity, project, object, or a combination of these categories. The Commission's Category B funds represent amounts apportioned at the beginning of the fiscal year for the Commission's Customer Protection Fund. For the fiscal years ended September 30, 2015 and 2014, the Commission incurred obligations against Category A and Category B funds as follows:

	2015	2014
Direct Obligations		
Category A	$ 252,012,036	$ 216,293,906
Category B – Customer Protection Fund	6,622,259	5,042,582
Reimbursable Obligations (Category A)	67,708	13,787
TOTAL OBLIGATIONS INCURRED	**$ 258,702,003**	**$ 221,350,275**

Note 14. Unobligated Balances

In connection with the preparation of the current year financial statements, the Commission identified an immaterial error in the FY 2014 Statement of Budgetary Resources. The Unobligated Apportioned line item was overstated by $16.2 million and the Unobligated Unapportioned line item was understated by $16.2 million. This error has no net impact to the Total Unobligated Balance line item. The balances of Unobligated Apportioned and Unobligated Unapportioned have been corrected in the FY 2014 Statement of Budgetary Resources presented herein.

On the FY 2015 Statement of Budgetary Resources, the balance in Unapportioned is negative due to a deficiency in the 2013 annual salaries and expenses fund as the result of a transfer from its multi-year information technology fund that was subsequently reversed.

Note 15. Explanations of Differences between the Statement of Budgetary Resources and Budget of the United States Government

The CFTC had two offsetting material differences between the amounts reported in the Statement of Budgetary Resources and the actual amounts reported in the Budget of the U.S. Government for FY 2014 for the Customer Protection Fund due to a $176.1 million recovery from the U.S. Department of the Treasury. This amount was paid from FY 2012 collections but recognized as an offsetting collection in the Statement of Budgetary Resources in FY 2014 and will not be a difference in FY 2015 and going forward.

	Unobligated Balance Brought Forward FY 2014	Spending Authority from Offsetting Collections	Total
CPF Statement of Budgetary Resources	$ 98,986,699	$ 176,110,000	$ 275,096,699
FY 2014 Recovery from Treasury	176,110,000	(176,110,000)	–
BUDGET OF THE U.S. GOVERNMENT	**$ 275,096,699**	**$ –**	**$ 275,096,699**

The Budget of the U.S. Government with actual numbers for FY 2015 has not yet been published. The expected publish date is February 2016. A copy of the Budget can be obtained from OMB's website.

Note 16. Intra-governmental Cost and Exchange Revenue by Goal

As required by the Government Performance and Results Act of 1993, the agency's reporting has been aligned with the major goals presented in CFTC's Strategic Plan as reported in Note 1R. The Net Cost of Operations is derived from transactions between the Commission and public entities, as well as with other federal agencies. The details of the intragovernmental costs and revenues, as well as those with the public, are as follows:

	2015
GOAL 1: MARKET INTEGRITY AND TRANSPARENCY	
Intragovernmental Gross Costs	$ 10,446,726
Less: Earned Revenue	–
Intragovernmental Net Cost of Operations	**$ 10,446,726**
Gross Costs with the Public	$ 57,890,292
Less: Earned Revenue	(14,516)
Net Cost of Operations with the Public	**$ 57,875,776**
TOTAL NET COST OF OPERATIONS – GOAL ONE	**$ 68,322,502**
GOAL 2: FINANCIAL INTEGRITY AND AVOIDANCE OF SYSTEMIC RISK	
Intragovernmental Gross Costs	$ 11,302,327
Less: Earned Revenue	–
Intragovernmental Net Cost of Operations	**$ 11,302,327**
Gross Costs with the Public	$ 62,631,580
Less: Earned Revenue	(15,704)
Net Cost of Operations with the Public	**$ 62,615,876**
TOTAL NET COST OF OPERATIONS – GOAL TWO	**$ 73,918,203**
GOAL 3: COMPREHENSIVE ENFORCEMENT	
Intragovernmental Gross Costs	$ 14,602,499
Less: Earned Revenue	–
Intragovernmental Net Cost of Operations	**$ 14,602,499**
Gross Costs with the Public	$ 80,919,410
Less: Earned Revenue	(20,291)
Net Cost of Operations with the Public	**$ 80,899,119**
TOTAL NET COST OF OPERATIONS – GOAL THREE	**$ 95,501,618**
GOAL 4: DOMESTIC AND INTERNATIONAL COOPERATION AND COORDINATION	
Intragovernmental Gross Costs	$ 1,844,888
Less: Earned Revenue	–
Intragovernmental Net Cost of Operations	**$ 1,844,888**
Gross Costs with the Public	$ 10,223,404
Less: Earned Revenue	(2,563)
Net Cost of Operations with the Public	**$ 10,220,841**
TOTAL NET COST OF OPERATIONS – GOAL FOUR	**$ 12,065,729**
GRAND TOTAL	
Intragovernmental Gross Costs	$ 38,196,440
Less: Earned Revenue	–
Intragovernmental Net Cost of Operations	**$ 38,196,440**
Gross Costs with the Public	$ 211,664,686
Less: Earned Revenue	(53,074)
Net Cost of Operations with the Public	**$ 211,611,612**
TOTAL NET COST OF OPERATIONS	**$ 249,808,052**

	2014
GOAL 1: MARKET INTEGRITY	
Intragovernmental Gross Costs	$ 8,991,682
Less: Earned Revenue	–
Intragovernmental Net Cost of Operations	**$ 8,991,682**
Gross Costs with the Public	$ 47,762,770
Less: Earned Revenue	(8,189)
Net Cost of Operations with the Public	**$ 47,754,581**
TOTAL NET COST OF OPERATIONS – GOAL ONE	**$ 56,746,263**
GOAL 2: CLEARING INTEGRITY	
Intragovernmental Gross Costs	$ 8,233,762
Less: Earned Revenue	–
Intragovernmental Net Cost of Operations	**$ 8,233,762**
Gross Costs with the Public	$ 43,736,790
Less: Earned Revenue	(7,498)
Net Cost of Operations with the Public	**$ 43,729,292**
TOTAL NET COST OF OPERATIONS – GOAL TWO	**$ 51,963,054**
GOAL 3: ROBUST ENFORCEMENT	
Intragovernmental Gross Costs	$ 11,334,342
Less: Earned Revenue	–
Intragovernmental Net Cost of Operations	**$ 11,334,342**
Gross Costs with the Public	$ 60,206,711
Less: Earned Revenue	(10,323)
Net Cost of Operations with the Public	**$ 60,196,388**
TOTAL NET COST OF OPERATIONS – GOAL THREE	**$ 71,530,730**
GOAL 4: CROSS-BORDER COOPERATION	
Intragovernmental Gross Costs	$ 1,860,348
Less: Earned Revenue	–
Intragovernmental Net Cost of Operations	**$ 1,860,348**
Gross Costs with the Public	$ 9,881,952
Less: Earned Revenue	(1,694)
Net Cost of Operations with the Public	**$ 9,880,258**
TOTAL NET COST OF OPERATIONS – GOAL FOUR	**$ 11,740,606**
GOAL 5: ORGANIZATIONAL AND MANAGEMENT EXCELLENCE	
Intragovernmental Gross Costs	$ 4,030,754
Less: Earned Revenue	–
Intragovernmental Net Cost of Operations	**$ 4,030,754**
Gross Costs with the Public	$ 21,410,897
Less: Earned Revenue	(3,671)
Net Cost of Operations with the Public	**$ 21,407,226**
TOTAL NET COST OF OPERATIONS – GOAL FIVE	**$ 25,437,980**
GRAND TOTAL	
Intragovernmental Gross Costs	$ 34,450,888
Less: Earned Revenue	–
Intragovernmental Net Cost of Operations	**$ 34,450,888**
Gross Costs with the Public	$ 182,999,120
Less: Earned Revenue	(31,375)
Net Cost of Operations with the Public	**$ 182,967,745**
TOTAL NET COST OF OPERATIONS	**$ 217,418,633**

Note 17. Reconciliation of Net Obligations and Net Cost of Operations

The schedule presented in this footnote reconciles the net obligations with the Net Cost of Operations. Resources Used to Finance Activities reflects the budgetary resources obligated and other resources used to finance the activities of the agency. Resources Used to Finance Items Not Part of the Net Cost of Operations adjusts total resources used to finance the activities of the entity to account for items that were included in net obligations and other resources but were not part of the Net Cost of Operations. Components Requiring or Generating Resources in Future Periods identifies items that are recognized as a component of the net cost of operations for the period but the budgetary resources (and related obligation) will not be provided (or incurred) until a subsequent period. Components Not Requiring or Generating Resources includes items recognized as part of the net cost of operations for the period but will not generate or require the use of resources. The Net Cost of Operations in the schedule presented in this note agrees with the Net Cost of Operations as reported on the Statements of Net Cost.

	2015	2014
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated		
Obligations Incurred	$ 258,702,003	$ 221,350,275
Less: Spending Authority from Offsetting Collections and Recoveries	(4,296,665)	(178,365,365)
Obligations Net of Offsetting Collections and Recoveries	$ 254,405,338	$ 42,984,910
Less: Offsetting Receipts	(6,767)	(39,435)
Net Obligations After Offsetting Receipts	$ 254,398,571	$ 42,945,475
Other Resources		
Transfers In from from Disgorgements, Fines and Penalties	$ –	$ 176,110,604
Imputed Financing from Costs Absorbed by Others	6,667,523	6,773,161
Total Resources Used to Finance Activities	**$ 261,066,094**	**$ 225,829,240**
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided before Adjustments	$ (15,537,141)	$ (14,032,326)
Resources that Fund Expenses Recognized in Prior Periods	(51,633)	(46,620)
Offsetting Receipts	6,767	39,435
Nonexchange Interest Revenue	58,152	35,630
Resources that Fund the Acquisition of Fixed Assets	(9,489,542)	(10,569,054)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	**$ (25,013,397)**	**$ (24,572,935)**
COMPONENTS OF NET COST OF OPERATIONS THAT WILL REQUIRE OR GENERATE RESOURCES IN FUTURE PERIODS		
Increase in Unfunded Liabilities	$ 413,667	$ 1,647,757
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	**$ 413,667**	**$ 1,647,757**
COMPONENTS NOT REQUIRING OR GENERATING RESOURCES		
Depreciation and Amortization	$ 12,679,373	$ 14,167,999
(Gain)/Loss on Disposal	663,649	1,065,291
Other	(1,334)	(718,719)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	**$ 13,341,688**	**$ 14,514,571**
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Year	**$ 13,755,355**	**$ 16,162,328**
NET COST OF OPERATIONS	**$ 249,808,052**	**$ 217,418,633**

Note 18. Funds from Dedicated Collections

Funds from dedicated collections arise from disgorgement and penalty collections and are transferred to the Customer Protection Fund (CPF), established by the Dodd-Frank Act. The collections are transferred from the custodial receipt account if they are found to be eligible before the end of each fiscal year. In cases where the collection has been returned to the Treasury Department, the Commission can recover the funds directly from Treasury. The collections will fund the Commission's whistleblower awards program and customer education initiatives.

The Dodd-Frank Act provides that whistleblower awards shall be paid under regulations prescribed by the Commission. An important prerequisite to implementation of the whistleblower awards program is the issuance of rules and regulations describing its scope and procedures. The Commission issued final rules implementing the Act on August 25, 2011. These rules became effective on October 24, 2011. The Commission established the Whistleblower Office in FY 2012.

Eligible collections of $176.1 million were transferred into the Customer Protection Fund as of September 30, 2014. No eligible collections were transferred during FY 2015 because the fund reached its legislative maximum during FY 2014. The following chart presents the Fund's balance sheets, statements of net costs, and statements of changes in net position as of and for the years ended September 30, 2015 and 2014:

	2015	2014
BALANCE SHEETS		
Fund Balance with Treasury	$ 5,593,661	$ 4,448,248
Investments	263,000,000	270,000,000
General Property, Plant, and Equipment, Net	215,859	–
TOTAL ASSETS	**$ 268,809,520**	**$ 274,448,248**
Accounts Payable	835,464	109,470
Accrued Payroll	55,478	23,466
Contingent Liabilities	300,000	–
Other	6,168	–
TOTAL LIABILITIES	**$ 1,197,110**	**$ 132,936**
Cumulative Results of Operations – Funds from Dedicated Collections	267,612,410	274,315,312
TOTAL NET POSITION	**$ 267,612,410**	**$ 274,315,312**
TOTAL LIABILITIES AND NET POSITION	**$ 268,809,520**	**$ 274,448,248**
STATEMENTS OF NET COST		
Gross Costs	$ 6,761,054	$ 1,735,213
TOTAL NET COST OF OPERATIONS	**$ 6,761,054**	**$ 1,735,213**
STATEMENTS OF CHANGES IN NET POSITION		
Beginning Cumulative Results of Operations, October 1	$ 274,315,312	$ 99,904,291
Nonexchange Interest Revenue	58,152	35,630
Transfers-In Without Reimbursement	–	176,110,604
Net Cost of Operations	(6,761,054)	(1,735,213)
Net Change	(6,702,902)	174,411,021
TOTAL NET POSITION, SEPTEMBER 30	**$ 267,612,410**	**$ 274,315,312**

Required Supplementary Information (Unaudited)

Commodity Futures Trading Commission

Combining Statements of Budgetary Resources by Major Account

For the Years Ended September 30, 2015 and 2014

	2015			
	CUSTOMER PROTECTION FUND	SALARIES AND EXPENSES	INFORMATION TECHNOLOGY	COMBINED
BUDGETARY RESOURCES				
Unobligated Balance Brought Forward, October 1	$ 269,901,355	$ 265,726	$ 5,382,040	$ 275,549,121
Adjustment to Unobligated Balance Brought Forward, October 1	829,170	–	–	829,170
Unobligated Balance Brought Forward, October 1, as Adjusted	270,730,525	265,726	5,382,040	276,378,291
Recoveries of Prior Year Unpaid Obligations	89,205	3,128,287	844,183	4,061,675
Other Changes in Unobligated Balance	–	(2,167,775)	–	(2,167,775)
Unobligated Balance from Prior Year Budget Authority, Net	270,819,730	1,226,238	6,226,223	278,272,191
Appropriations	–	200,000,000	50,000,000	250,000,000
Spending Authority from Offsetting Collections	53,908	169,223	7,615	230,746
Total Budgetary Resources	**$ 270,873,638**	**$ 201,395,461**	**$ 56,233,838**	**$ 528,502,937**
STATUS OF BUDGETARY RESOURCES				
Obligations Incurred (Note 13)	$ 6,622,259	$ 201,458,614	$ 50,621,130	$ 258,702,003
Unobligated Balance, End of Period				
Apportioned	264,251,379	560,577	5,547,952	270,359,908
Unapportioned	–	(623,730)	64,756	(558,974)
Total Unobligated Balance, End of Period	264,251,379	(63,153)	5,612,708	269,800,934
Total Budgetary Resources	**$ 270,873,638**	**$ 201,395,461**	**$ 56,233,838**	**$ 528,502,937**
CHANGE IN OBLIGATED BALANCE				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$ 3,670,892	$ 25,243,753	$ 11,650,117	$ 40,564,762
Obligations Incurred	6,622,259	201,458,614	50,621,130	258,702,003
Outlays (Gross)	(5,912,739)	(188,808,978)	(40,192,470)	(234,914,187)
Recoveries of Prior-Year Unpaid Obligations	(89,205)	(3,128,287)	(844,183)	(4,061,675)
Unpaid Obligations, End of Period	4,291,207	34,765,102	21,234,594	60,290,903
Uncollected Payments:				
Uncollected Payments, Federal Sources, Brought Forward, October 1	–	(54,225)	–	(54,225)
Change in Uncollected Payments, Federal Sources	–	(22,435)	–	(22,435)
Uncollected Payments, Federal Sources, End of Period	–	(76,660)	–	(76,660)
Memorandum Entries:				
Obligated Balance, Start of Period	**$ 3,670,892**	**$ 25,189,528**	**$ 11,650,117**	**$ 40,510,537**
Obligated Balance, End of Period	**$ 4,291,207**	**$ 34,688,442**	**$ 21,234,594**	**$ 60,214,243**
BUDGET AUTHORITY AND OUTLAYS, NET				
Budget Authority, Gross	$ 53,908	$ 200,169,223	$ 50,007,615	$ 250,230,746
Actual Offsetting Collections	(58,152)	(146,787)	(7,615)	(212,554)
Change in Uncollected Customer Payments from Federal Sources	–	(22,435)	–	(22,435)
Budget Authority, Net	**$ (4,244)**	**$ 200,000,001**	**$ 50,000,000**	**$ 249,995,757**
Outlays, Gross	$ 5,912,739	$ 188,808,978	$ 40,192,470	$ 234,914,187
Actual Offsetting Collections	(58,152)	(146,787)	(7,615)	(212,554)
Outlays, Net	5,854,587	188,662,191	40,184,855	234,701,633
Distributed Offsetting Receipts	–	(6,767)	–	(6,767)
Agency Outlays, Net	**$ 5,854,587**	**$ 188,655,424**	**$ 40,184,855**	**$ 234,694,866**

	2014			
	CUSTOMER PROTECTION FUND	SALARIES AND EXPENSES	INFORMATION TECHNOLOGY	COMBINED
BUDGETARY RESOURCES				
Unobligated Balance Brought Forward, October 1	$ 98,986,699	$ 5,131,169	$ 850,618	$ 104,968,486
Recoveries of Prior Year Unpaid Obligations	24,004	318,696	1,547,706	1,890,406
Other Changes in Unobligated Balance	–	(6,344,455)	5,123,000	(1,221,455)
Unobligated Balance from Prior Year Budget Authority, Net	99,010,703	(894,590)	7,521,324	105,637,437
Appropriations	–	180,000,000	35,000,000	215,000,000
Spending Authority from Offsetting Collections	175,933,234	226,855	101,870	176,261,959
Total Budgetary Resources	**$ 274,943,937**	**$ 179,332,265**	**$ 42,623,194**	**$ 496,899,396**
STATUS OF BUDGETARY RESOURCES				
Obligations Incurred (Note 13)	$ 5,042,582	$ 179,066,539	$ 37,241,154	$ 221,350,275
Unobligated Balance, End of Period				
Apportioned	11,000,257	2,178,264	259,040	13,437,561
Unapportioned	258,901,098	(1,912,538)	5,123,000	262,111,560
Total Unobligated Balance, End of Period	269,901,355	265,726	5,382,040	275,549,121
Total Budgetary Resources	**$ 274,943,937**	**$ 179,332,265**	**$ 42,623,194**	**$ 496,899,396**
CHANGE IN OBLIGATED BALANCE				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$ 333,533	$ 8,153,060	$ 17,311,812	$ 25,798,405
Obligations Incurred	5,042,582	179,066,539	37,241,154	221,350,275
Outlays (Gross)	(1,681,219)	(161,657,150)	(41,355,143)	(204,693,512)
Recoveries of Prior-Year Unpaid Obligations	(24,004)	(318,696)	(1,547,706)	(1,890,406)
Unpaid Obligations, End of Period	3,670,892	25,243,753	11,650,117	40,564,762
Uncollected Payments:				
Uncollected Payments, Federal Sources, Brought Forward, October 1	–	(45,921)	–	(45,921)
Change in Uncollected Payments, Federal Sources	–	(8,304)	–	(8,304)
Uncollected Payments, Federal Sources, End of Period	–	(54,225)	–	(54,225)
Memorandum Entries:				
Obligated Balance, Start of Period	**$ 333,533**	**$ 8,107,139**	**$ 17,311,812**	**$ 25,752,484**
Obligated Balance, End of Period	**$ 3,670,892**	**$ 25,189,528**	**$ 11,650,117**	**$ 40,510,537**
BUDGET AUTHORITY AND OUTLAYS, NET				
Budget Authority, Gross	$ 175,933,234	$ 180,226,855	$ 35,101,870	$ 391,261,959
Actual Offsetting Collections	(176,146,234)	(218,551)	(101,870)	(176,466,655)
Change in Uncollected Customer Payments from Federal Sources	–	(8,304)	–	(8,304)
Budget Authority, Net	**$ (213,000)**	**$ 180,000,000**	**$ 35,000,000**	**$ 214,787,000**
Outlays, Gross	1,681,219	161,657,150	41,355,143	204,693,512
Actual Offsetting Collections	(176,146,234)	(218,551)	(101,870)	(176,466,655)
Outlays, Net	(174,465,015)	161,438,599	41,253,273	28,226,857
Distributed Offsetting Receipts	–	(39,435)	–	(39,435)
Agency Outlays, Net	**$ (174,465,015)**	**$ 161,399,164**	**$ 41,253,273**	**$ 28,187,422**

Report of the Independent Auditors

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Chairman and Inspector General of the
U.S. Commodity Futures Trading Commission:

Report on the Financial Statements

We have audited the accompanying financial statements of the U.S. Commodity Futures Trading Commission (CFTC), which comprise the balance sheets as of September 30, 2015 and 2014, and the related statements of net cost, changes in net position, custodial activity, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

Basis for Qualified Opinion

As disclosed in Note 10 to the financial statements, CFTC is a party to multi-year lease contracts for rental of real estate space. U.S. generally accepted accounting principles require a lease obligation to be recorded at the inception of the lease in the amount necessary to cover the legal and contractual obligations including the estimated total payments expected to arise under the full term of the contract. CFTC has recorded as obligations only the annual portion of the lease payments due each year in the accompanying combined statements of budgetary resources. Not recording the required obligations at the inception of the lease resulted in an understatement of obligations of approximately $194 million and $212 million, respectively, as of September 30, 2015 and 2014. Accordingly, a number of amounts are misstated on CFTC's combined statements of budgetary resources and in the related notes for the years ended September 30, 2015 and 2014 including financial statement captions such as Total Budgetary Resources, Obligations Incurred, Total Unobligated Balance, End of Year, and Obligated Balance, End of Year.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Commodity Futures Trading Commission as of September 30, 2015 and 2014, and its net costs, changes in net position, custodial activity, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

In our report dated November 14, 2014, we expressed an opinion that the 2014 financial statements fairly presented the financial position, net costs, changes in net position, custodial activity, and budgetary resources in accordance with U.S. generally accepted accounting principles. As described above, CFTC's budgetary accounting for recording of lease obligations in prior years and in the current year is not in accordance with U.S. generally accepted accounting principles. Accordingly, our present opinion on the 2014 financial statements, as presented herein, is different from that expressed in our previous report.

Management has elected to reference to information on websites or other forms of interactive data outside the Agency Financial Report to provide additional information for the users of its financial statements. Such information is not a required part of the basic financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements.

As described in the Basis for Qualified Opinion paragraph, CFTC did not record obligations for the estimated total payments expected to arise under the full term of its contracts for rental of real estate space in accordance with U.S. generally accepted accounting principles. Accordingly the affected balances from the combined statements of budgetary resources presented on a disaggregated basis in the Required Supplementary Information are a material departure from the prescribed guidelines for reporting budgetary resources. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information contained within the introductory sections (presented before the Management's Discussion and Analysis section), the Message from the Chief Financial Officer, Other Information, and the Appendix sections is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2015, we considered the CFTC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CFTC's internal control. Accordingly, we do not express an opinion on the effectiveness of the CFTC's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in Exhibit I, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Exhibit I to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CFTC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02, and which are described in Exhibit II.

CFTC's Responses to Findings

CFTC's responses to the findings identified in our audit are described in a separate letter immediately following this report. CFTC's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of CFTC's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

January 15, 2016

Exhibit I

U.S. Commodity Futures Trading Commission
Independent Auditors' Report
Material Weakness

CONDITIONS

During Fiscal Year (FY) 2015, CFTC became aware of the following errors impacting both the FY 2014 and FY 2015 financial statements:

1. CFTC's accounting policy to recognize lease obligations is not in accordance with U.S. generally accepted accounting principles and more specifically Office of Management and Budget (OMB) Circular No. A-11, *Preparation, Submission, and Execution of the Budget* (OMB A-11).
2. The FY 2014 balance sheet presented custodial liabilities of approximately $4.2 million below the "Total Intragovernmental" caption. Custodial liabilities represent payables for amounts due to the U.S. Department of the Treasury (Treasury) upon collection and are considered intragovernmental liabilities. This error was subsequently corrected.
3. CFTC incorrectly presented in the FY 2014 statement of budgetary resources $16.2 million of unobligated funds as "Apportioned" when this amount had not been made available through the apportionment process and should have been presented as "Unapportioned". This error was subsequently corrected.

CRITERIA

Statement of Federal Financial Accounting Standards 7 (SFFAS 7), *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, paragraph 78 requires "Recognition and measurement of budgetary resources should be based on budget concepts and definitions contained in OMB Circular A-11."

OMB A-11, Appendix B – *Budgetary Treatment of Lease-Purchases and Leases of Capital Assets* Paragraph 1(a) states: "For operating leases, budget authority is required to be obligated up front in the amount necessary to cover the Government's legal obligations, consistent with the requirements of the Antideficiency Act. This will include the estimated total payments expected to arise under the full term of the contract or, if the contract includes a cancellation clause, an amount sufficient to cover the lease payments for the first year plus an amount sufficient to cover the costs associated with cancellation of the contract."

OMB A-11, Appendix F – *Format of SF 123, SF 133, Schedule P and SBR, Section 4 Status of Budgetary Resources* states: "Apportioned – Include the balances of amounts apportioned under Category A, Category B, and Category AB, as well as amounts apportioned by letter from OMB or by OMB bulletin."

OMB Circular No. A-136, *Financial Reporting Requirements* (OMB A-136), Section II.4.3.4: "Intragovernmental Liabilities – These liabilities are claims against the entity by other Federal entities. Report intragovernmental liabilities separately from claims against the reporting entity by non-Federal entities."

The Government Accountability Office's *Standards for Internal Control in the Federal Government*, "Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes

Exhibit I

U.S. Commodity Futures Trading Commission
Independent Auditors' Report
Material Weakness

regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties."

The Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*, states, "Management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations."

CAUSE

CFTC's internal controls over financial reporting and compliance are not sufficiently designed to detect and correct material errors in its financial statements. Specifically:

- Condition 1 resulted from a lack of adequate control to ensure lease obligations are recorded in compliance with OMB A-11, Appendix B requirements.
- Conditions 2 and 3 resulted from a lack of sufficiently detailed review by management of the financial statements, or a review at a sufficient level of depth, to ensure that errors and omissions in the financial statements and relates notes as well as compliance with laws and regulations were detected and corrected in a timely manner.

EFFECT

- Condition 1 related to CFTC's accounting policy for recognizing lease obligation discussed above resulted in the following:
  - CFTC's FY 2015 and FY 2014 financial statements contained material misstatements, as described in the *Basis for Qualified Opinion* paragraph of the Independent Auditors' report.
  - CFTC's historical practice of entering into lease contracts and recording related obligations resulted in a potential violation of the Anti-Deficiency Act (ADA).
- For conditions 2 and 3, the FY 2014 financial statements were misstated by the amounts discussed above.

RECOMMENDATIONS

We recommend that management:

(a) Improve its internal controls over financial reporting and compliance. Specifically, we recommend that management perform a more detailed review of all information in the annual financial report including financial statements, notes, and supplementary information and prepare the GAO accounting and financial reporting checklist. The review performed should ensure all transactions and classes of transactions are recorded and reported in the financial statements in accordance with U.S. generally accepted accounting standards. Such review should be documented and maintained.

(b) Develop written accounting policies and procedures that document the basis for all accounting positions that are significant to the financial statements.

(c) Develop and implement adequate control to ensure lease obligations are recorded in compliance with OMB A-11, Appendix B requirements.

(d) Update its accounting policy on the accounting for the lease obligation to be consistent with the guidance in OMB A-11, Appendix B.

(e) Investigate the potential violation of ADA to make a final determination and report it, as applicable.

Exhibit I

U.S. Commodity Futures Trading Commission
Independent Auditors' Report
Material Weakness

MANAGEMENT'S RESPONSE

Management's response to the finding is presented in a separate letter immediately following this report.

AUDITORS' RESPONSE

Based on the Office of Management and Budget (OMB) Circular No. A-11, *Preparation, Submission, and Execution of the Budget* (OMB A-11), Appendix B, paragraph cited in the "CRITERIA" section above, we continue to believe that CFTC's accounting policy to recognize lease obligations is not in accordance with U.S. generally accepted accounting principles.

Exhibit II

U.S. Commodity Futures Trading Commission
Independent Auditors' Report
Compliance and Other Matters

CONDITIONS

Reported Anti-Deficiency Act Violations:

On July 20, 2015 CFTC reported the following violations of the Anti-deficiency Act (ADA) in accordance with Title 31 U.S. Code Section 1517:

- CFTC reported a violation in the amount of $3,564,752.63 related to the fiscal year 2013 transfer of funds from the Information Technology fund to the Salaries and Expense fund without having the authority under the fiscal year 2013 Appropriations Act. As disclosed in Note 14, this matter caused the Unapportioned balance presented in the FY 2015 Statement of Budgetary Resources to be negative.

- CFTC reported a violation pertaining to the acceptance of voluntary services from academic researchers from January 1, 2010 to February 7, 2013.

Potential Anti-Deficiency Act Violation:

CFTC is investigating a matter that may potentially represent a violation of the ADA related to the CFTC's historical policy of entering into lease contracts and recording related obligations. A final determination has not yet been made and therefore the outcome of this matter is not presently known.

CRITERIA

Title 31 U.S. Code (U.S.C.) Section 1517 *Prohibited Obligations and Expenditures* states:

(a) An officer or employee of the United States Government or of the District of Columbia government may not make or authorize an expenditure or obligation exceeding-

(1) An apportionment; or
(2) The amount permitted by regulations prescribed under section 1514(a) of this title.

(b) If an officer or employee of an executive agency or of the District of Columbia government violates subsection (a) of this section, the head of the executive agency or the Mayor of the District of Columbia, as the case may be, shall report immediately to the President and Congress all relevant facts and a statement of actions taken. A copy of each report shall also be transmitted to the Comptroller General on the same date the report is transmitted to the President and Congress.

CAUSE

The controls in place at CFTC to prevent ADA violations were not sufficiently designed to prevent ADA violations in the instances of noncompliance noted above.

EFFECT

CFTC was not in compliance with the ADA related to the reported instances noted. CFTC may not be in compliance with the ADA related to the potential instance noted.

Exhibit II

U.S. Commodity Futures Trading Commission
Independent Auditors' Report
Compliance and Other Matters

RECOMMENDATIONS

We recommend that management:

(a) Complete the investigation into the potential ADA violation noted.
(b) Develop and implement sufficient policies and procedures to prevent future ADA violations.

MANAGEMENT'S RESPONSE

Management's response to the finding is presented in a separate letter immediately following this report.

Management's Response to Independent Auditor's Report

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Chief Financial Officer

January 15, 2016

MANAGEMENT'S RESPONSE TO INDEPENDENT AUDITOR'S REPORT

Management's Response to the Material Weakness:

During Fiscal Year (FY) 2015, CFTC became aware of the following errors impacting both FY 2014 and FY 2015 financial statements:

1. CFTC's accounting policy to recognize lease obligation is not in accordance with U.S generally accepted accounting principles and more specifically Office of Management and Budget (OMB) Circular No. A-11, Preparation, Submission, and Execution of the Budget (OMB A-11).

   CFTC Response: **Management does not concur** with this finding for FY 2015 because there is not currently an official determination that the Commission has violated any regulations and, if so, to what extent. CFTC does not have a formal accounting policy specifically related to the recognition of lease obligations. CFTC's historical practice has been to obligate only the annual portion of lease payments due each year. On August 6, 2015, the Government Accountability Office (GAO) requested information on the Commission's views regarding various legal issues involving the CFTC's leases, including the practice of recording obligations arising under the agency's current leases for office space in Washington, D.C., Chicago, New York, and Kansas City. As a result of the CFTC's review, the Commission concluded that its historical practice for recording lease obligations may be inconsistent with OMB Circular A-11*, Preparation, Submission and Execution of the Budget*; 31 U.S.C. § 1501(a)(1) (the recording statute); and previous GAO decisions. The GAO is currently reviewing the matter and the agency expects an opinion to be issued in FY 2016. As a result of the potential findings of the anticipated GAO opinion, it is reasonably possible that an unfunded obligation totaling approximately $194 million and $212 million as of September 30, 2015 and 2014, respectively, covering all potential future payments agreed to under current leases, may need to be recognized on the face of the Statement of Budgetary Resources as opposed to the Notes to the Financial Statements as historically reported. However, the Commission has disclosed the best information it has available as of the reporting date.

   Management brought this to the attention of KPMG in early October 2015. The Commission then consulted with the Office of Management and Budget to determine the best accounting and reporting treatment for this issue in the FY 2015 financial statements. OMB provided a written response dated November 20, 2015. In its response, OMB determined that a note disclosure would be the best course of action at this time. They further noted that the note disclosure would be in the spirit of A-11 and OMB Circular No. A-136, *Financial Reporting Requirements*.

The guidance from OMB is provided below:

> *The CFTC's approach to disclosing an ongoing investigation into its leasing practices in the agency's 2015 financial statements is consistent with OMB Circulars A-11, Preparation, Submission, and Execution of the Budget, and A-136, Financial Reporting Requirements.*
>
> *It is OMB's understanding that the CFTC anticipates a formal GAO opinion in 2016 regarding its leasing practices. Concurrent with GAO's investigation, the CFTC is conducting its own investigation as to whether its leasing practices constitute a violation of the Antideficiency Act (ADA) (31 USC 1341(a)). Once the CFTC concludes its investigation, the CFTC will provide a report to OMB describing the results, consistent with A-11. Should the GAO determination and/or OMB's review of the CFTC report conclude that the agency made obligations exceeding its appropriation, the CFTC would report a violation of the ADA. Based on these contingencies, OMB concurs that a note disclosure in the CFTC's 2015 financial statements is appropriate.*

2. The FY 2014 balance sheet presented custodial liabilities of approximately $4.2 million below the "Total Intragovernmental" caption. Custodial liabilities represent payables for amounts due to the U.S. Department of the Treasury (Treasury) upon collection and are considered intragovernmental liabilities. This error was subsequently corrected.

   CFTC Response: **Management concurs** with this finding. As part of its regular financial statement review and refinement process, the Commission's accounting office identified the need to reclassify the custodial liabilities balance and subsequently made the correction.

3. CFTC incorrectly presented in the FY 2014 Statements of Budgetary Resources $16.2 million of unobligated funds as "Apportioned" when this amount had not been made available through the apportionment process and should have been presented as "Unapportioned.: This error was subsequently corrected.

   CFTC Response: **Management concurs** with this finding. As part of its regular financial statement review and refinement process, the Commission's accounting office identified the need to correct the unobligated balance and subsequently made the correction.

Management's Response to the Non-Compliance Matter:

On July 20, 2015 CFTC reported the following violations of the Anti-deficiency Act (ADA) in accordance with Title 31 U.S. Code Section 1517:

1. CFTC reported a violation in the amount of $3,564,752.63 related to the fiscal year 2013 transfer of funds from the Information Technology fund to the Salaries and Expense fund without having the authority under the fiscal year 2013 Appropriations Act. As disclosed in Note 14, this matter caused the Unapportioned balance presented in the FY 2015 Statement of Budgetary Resources to be negative.

   CFTC Response: **Management concurs** with this finding. As noted in the Commission's report to the President and Congress, the violation pertains to a transfer of funds between two separate budgetary accounts that was executed by the Commission in the spring of FY 2013. The transfer was subsequently reversed and the Commission did not exceed its overall budget authority. The violation resulted from CFTC's interpretation of appropriation language that was later deemed

incorrect by the Government Accountability Office (GAO). GAO's view is set forth in a formal decision, Decision B-325351 – Commodity Futures Trading Commission—Fiscal Year 2013 Transfer Authority, issued on April 25, 2014. The Commission has determined that the interpretation of the appropriations language contained no willful or knowing intent to violate the Antideficiency Act. Rather, this violation was the result of a considered interpretation of the appropriations language that was later deemed incorrect by GAO. The system of administrative controls in place at CFTC continues to operate effectively to ensure funds are expended as authorized and apportioned under normal circumstances.

2. CFTC reported a violation pertaining to the acceptance of voluntary services from academic researchers from January 1, 2010 to February 7, 2013.

   CFTC Response: **Management concurs** with this finding. As noted in the Commission's report to the President and Congress, the Commission has instituted new policies and procedures to prevent a reoccurrence of this type of violation.

3. CFTC is investigating a matter that may potentially represent a violation of the ADA related to the CFTC's historical policy of entering into lease contracts and recording related obligations. A final determination has not yet been made and therefore the outcome of this matter is not presently known.

   CFTC Response: **Management concurs** with this finding and is continuing to assess whether any potential ADA violations may have occurred as a result of the Commission's historical practices for obligating lease expenses. When the Commission entered into its four multiple-year leases, such as in 1994 for its Washington, D.C. lease office, it recorded only the annual lease payments each year, rather than the full multiple-year obligation in the year the lease was initiated. On August 6, 2015, the Government Accountability Office (GAO) requested information on the Commission's views regarding various legal issues involving the CFTC's leases, including the practice of recording obligations arising under the agency's current leases for office space in Washington, D.C., Chicago, New York, and Kansas City. As a result of the CFTC's review of the GAO questions, the Commission concluded that its historical practice for recording lease obligations may be inconsistent with OMB Circular A-11, *Preparation, Submission and Execution of the Budget*; 31 U.S.C. § 1501(a)(1) (the recording statute); and previous GAO decisions. There is not currently an official determination by either the agency or the GAO that the CFTC has violated the ADA. The CFTC plans to review GAO's decision prior to reaching a conclusion on whether a reportable violation of the ADA has occurred. If the CFTC determines that there is a violation of the ADA, the CFTC will report it as required by law.

Sincerely,

Mary Jean Buhler
Chief Financial Officer

cc: Roy Lavik

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Other Information

CFTC's Chicago Regional Office

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Inspector General's FY 2015 Assessment

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TO: Timothy G. Massad
Chairman

FROM: A. Roy Lavik
Inspector General

ARL/R

DATE: October 26, 2015

SUBJECT: Inspector General's Assessment of The Most Serious Management Challenges Facing the Commodity Futures Trading Commission (CFTC)

Summary

The Reports Consolidation Act of 2000 (RCA)[1] authorizes the CFTC to provide financial and performance information in a meaningful and useful format for Congress, the President, and the public. The RCA requires the Inspector General to summarize the "most serious" management and performance challenges facing the Agency and to assess the Agency's progress in addressing those challenges.[2] This memorandum fulfills our duties under the RCA.

In order to identify and describe the most serious management challenges, as well as the Agency's progress in addressing them, we relied on data contained in the CFTC financial statement audit and Annual Financial Report, representations by agency management, and our knowledge of industry trends and CFTC operations. Since Congress left the determination and threshold of what constitutes a most serious challenge to the discretion of the Inspector General, we applied the following definition in preparing this statement:

> *Serious management challenges are mission critical areas or programs that have the potential for a perennial weakness or vulnerability that, without substantial management attention, would seriously impact Agency operations or strategic goals.*

[1] Public Law 106-531, §3, 114 STAT. 2537 (Nov. 22, 2000), *codified at* 31 USC § 3516(a).
[2] *Id.*

For Fiscal Year (FY) 2016, the most serious management challenges are for CFTC to:

- Minimize information security vulnerabilities in its network. In light of the extent of information security vulnerabilities we identified this period, the Chief Information Security Officer is using his authority and resources to drive actions for effective vulnerability management.

- Stimulate registrants towards enhancing their cyber security controls over vital client information so as to reduce the impact of any future information technology breach.

- Effectively triage oversight tasks in order to execute its strategic plan with limited budgetary resources.

CFTC's Progress on Last Year's Challenges

For FY2015 the OIG identified management challenge was for the CFTC to:

- Deliver on Congressional expectations embedded in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), including expansion of the CFTC's regulatory footprint to the swaps markets, while adhering to government-wide budgetary constraints.

Last year's OIG identified management challenge is being addressed by the agency. We reviewed management's actions taken during FY2015 and note management's diligent effort to address our expressed concerns. On the fifth year anniversary of the passage of the Dodd-Frank Act[3], it is fitting that we continue to monitor CFTC's progress in implementing this legislation. Fundamentally, the Dodd-Frank Act sought to expand CFTC regulatory oversight to the swaps markets and empower market users with valuable information that could reduce or thwart incidence of fraud towards derivatives market participants. During FY2015, we observed the agency's progress on ensuring centralized clearing of standardized swaps, transparent trading of swaps on a swap execution facility, refining swap dealer registration, continued improvements in operationalizing swap data repositories, rollout of the SmartChek database for investors to verify registrants' background, successfully prosecuting violators of the Commodity Exchange Act, and performing other essential regulatory tasks. Consequently, we are encouraged that stakeholders, e.g. Congress, registrants, and derivatives market users can be assured that Dodd-Frank inspired policies are gaining traction in the industry.

[3] Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. Law 111-203, 124 Stat. 1376 (2010).

Fiscal Year 2016 Management Challenges

Our management follow-up of initial Federal Information Security Management Act (FISMA) audit findings highlighted the extent of vulnerabilities associated with the vast majority of servers and network users, including the Chairman and Commissioners, and that the leadership structure for the Chief Information Security Officer (CISO) could better align to meet FISMA requirements. We recommended the Chief Information Officer provide the CISO the authority and resources to drive actions that mitigate medium, high and critical, vulnerabilities identified and ensure the appropriate leadership structure is in place for effective vulnerability management. CFTC management concurred with both recommendations and is making progress to minimize vulnerabilities identified. My office will continue to assess vulnerabilities in CFTC's network as part of its annual audit program.

Looking forward, we also view cybersecurity issues as an ongoing operational threat to the derivatives industry and an immediate challenge to CFTC's oversight[4] should a disruptive technological event occur in the coming year. Currently, over ninety-five[5] percent of futures transactions across all products occur electronically. High frequency automated trades account for over sixty percent[6] of transactions in the more active futures markets. Due to the magnitude of electronic transactions the agency must rely on improved software, knowledgeable analysts, and, when necessary, inter-agency coordination to secure data. Earlier this year, the CFTC launched a roundtable discussion on Cybersecurity and System Safeguards Testing, thus elevating the significance of this operational risk discussion among registrants. My office recognized the significance of this cybersecurity challenge by launching an independent examination of CFTC's policies and procedures for reviewing registrants' cybersecurity policies. The objective of this audit is to identify the current state of cybersecurity readiness and identify opportunities for reducing this risk among CFTC registrants.

A third management challenge for the CFTC is to effectively triage operational tasks in order to deliver on its strategic mission with limited budgetary resources. Management must more efficiently manage its limited financial resources. During the past year, my staff continued to analyze underutilization of leased real estate[7]. Any realized savings

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[4] CFTC Strategic Goal #2 is Financial Integrity and Avoidance of Systemic Risk. http://www.cftc.gov/reports/strategicplan/2018/.

[5] See Automated Trading in Futures Markets Richard Haynes and John S. Roberts March 13, 2015 page 3 regarding futures trading on the Chicago Mercantile Exchange the largest US derivatives exchange http://www.cftc.gov/idc/groups/public/@economicanalysis/documents/file/oce_automatedtrading.pdf

[6] Calculated by OIG staff from Remarks of Chairman Timothy Massad before the Conference on the Evolving Structure of the U.S. Treasury Market Chairman Timothy Massad October paragraph 9 line 4

[7] CFTC-OIG review of NY Lease and Occupancy http://www.cftc.gov/idc/groups/public/@aboutcftc/documents/file/oig_rny061815.pdf

from renegotiating leases may at-the-margin assist the agency to further deliver expected regulatory oversight services to stakeholders.

Conclusion

The CFTC management challenges for FY2016 are cybersecurity and resource constraints. My office will continue to undertake audits, reviews, and investigations that address these challenges.

Management's Response to Inspector General's Assessment

In 2015, the CFTC Office of Inspector General (OIG) identified the most serious management challenges facing the Commodity Futures Trading Commission in the areas of information security vulnerabilities in its network, overseeing cyber-security controls of registrants, and limited budgetary constraints. The Commission promptly takes corrective action in response to the OIG's findings and recommendations. Highlights are summarized below.

Challenge Summary	**Minimize information security vulnerabilities in its network. In light of the extent of information security vulnerabilities we identified this period, the Chief Information Officer is using his authority and resources to drive actions for effective vulnerability management.**
Actions Taken in FY 2015	The Commission takes this global challenge very seriously and continues to dedicate the appropriate resources to ensure the CFTC infrastructure is sufficiently protected from exploits and attacks. The following actions have been taken to address this challenge: ■ Stood up a Vulnerability Management Program (VMP) and hired dedicated full time Federal employees in addition to contract support staff to execute the program. ■ Formalized a vulnerability management policy and developed procedures and started to address the issue aggressively. The Commission is making significant progress and will continue to execute the VMP and comply with our vulnerability management policy. ■ Perform regular scans to identify and address vulnerabilities including third party software patches on a regular basis and report progress to the senior management on a weekly basis. ■ Continue to enhance CFTC defense in depth layers and leverage additional security services to shore up our defenses. The Commission will continue to employ best practices and enhance its security posture and compliance with the FISMA and NIST guidelines.
Actions Remaining	The Commission participates in the Department of Homeland (DHS) Security-sponsored Continuous Diagnostics and Mitigation (CDM) program. Currently, the CFTC is part of Group F[15] based on DHS's schedule of implementation. The contract for Group F is anticipated to be awarded in FY 2016. The CDM program will provide integrated tools with managed services to help small agencies with the implementation and management of the program.

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[15] *DHS is rolling out/awarding task orders for the CDM program by group. Federal agencies are grouped into A, B, C, D, E & F, with the largest agencies in groups A-E. Group F is a collection of smaller agencies with less existing security infrastructure. CFTC is a part of Group F.*

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Challenge Summary	Stimulate registrants towards enhancing their cyber security controls over vital client information so as to reduce the impact of any future information technology breach.
Actions Taken in FY 2015	DCR has been issuing examination reports that aim to strengthen cyber resiliency at the DCOs, and has been doing so since 2012. The following actions have been taken to address this challenge: ■ Initiated or completed system safeguards examinations (SSEs) of compliance with the cybersecurity and system safeguards requirements of the Act and Commission regulations for four of the five significant DCMs and SDRs, including CME Group, ICE Futures U.S., CME SDR, and ICE SDR. ■ Conducted public Roundtable on the cybersecurity threat environment and the need for cybersecurity testing. ■ Completed drafting of a Notice of Proposed Rulemaking (NPRM) on cybersecurity and system safeguards testing for DCMs and SDRs. ■ Completed system safeguards portion of permanent registration reviews for 19 SEFs and will complete reviews for 3 additional SEFs in December 2015. ■ Reviewed all notices of cybersecurity incidents and targeted threats submitted by DCMs, SDRs, and SEFs in compliance with Commission system safeguards rules. Where appropriate, conducted follow-up and coordination with law enforcement/intelligence agencies and other financial regulators. The Commission coordinated with NFA to provide additional guidance, as a follow up to CFTC Staff Advisory No. 14-21, which provide recommended best practices for covered financial institutions to comply with Title V and Part 160 of the Commission's regulations concerning security safeguards. On October 23, 2015 the NFA issued the CFTC-approved Interpretive Guidance Notice to NFA Compliance Rules 2-9, 2-36 and 2-49 titled Information Systems Security Programs, which requires Member firms to adopt and enforce written policies and procedures to secure customer data and access to their electronic systems (Cybersecurity Interpretive Notice). The Cybersecurity Interpretive Notice will become effective on March 1, 2016, and applies to all membership categories--futures commission merchants, swap dealers, major swap participants, introducing brokers, forex dealer members, commodity pool operators and commodity trading advisors.
Actions Remaining	Moving forward, the Commission will continue to promote effective cybersecurity and will work actively with the DSROs, other regulators and the Industry as necessary to evaluate and strengthen policies, procedures and controls. The Commission also will continue issuing examination reports that aim to strengthen cyber resiliency at the DCOs. During FY 2016, the Commission will: ■ Initiate an SSE of the remaining significant registered entity, Bloomberg SDR, a large DCM, and a smaller DCM; ■ Issue the DCM and SDR cybersecurity and system safeguards testing NPRM, review comments submitted, and issue the final rule; ■ Continue the system safeguards portion of permanent registration reviews for SEFs; and ■ Continue to review all notices of cybersecurity incidents and targeted threats submitted by DCMs, SDRs, and SEFs in compliance with Commission system safeguards rules, and to conduct follow-up and coordination with other agencies as appropriate.

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Challenge Summary	Effectively triage oversight tasks in order to execute its strategic plan with limited budgetary resources.
Actions Taken in FY 2015	The CFTC is mindful of the budget constraints facing the Commission and works closely with the DSROs to best leverage and direct its collective oversight resources. The following actions have been taken to address this challenge: ■ Delegated duties previously performed by Commission examinations staff to DSRO counterparts. Examples of delegations include daily and monthly financial statement reviews, reviews of certain notices filed by firms and the acknowledgement letter review process; and ■ Performed systems exams jointly at CME. This allowed the Commission to efficiently use staff resources to complete its mission with respect to different registrants (DCOs and DCMs). Examinations of DCOs are risk-based and focus on those items that pose the greatest potential risk to the DCO.
Actions Remaining	In addition to working with policy makers to obtain the agency resources necessary to perform the CFTC's mission, the Commission's efforts to coordinate and better integrate the DSROs into the compliance regime will continue. The Commission will also maintain efforts to develop and refine its risk management and profiling activities to more efficiently and effectively perform its mission.

Summary of Audit and Management Assurances

Summary of FY 2015 Financial Statement Audit

Audit Opinion:	Qualified				
Restatement:	No				
MATERIAL WEAKNESS	**BEGINNING BALANCE**	**NEW**	**RESOLVED**	**CONSOLIDATED**	**ENDING BALANCE**
	0	1			1

Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance:	Qualified					
MATERIAL WEAKNESS	**BEGINNING BALANCE**	**NEW**	**RESOLVED**	**CONSOLIDATED**	**REASSESSED**	**ENDING BALANCE**
	0	1				1
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
Statement of Assurance:	Unqualified					
MATERIAL WEAKNESS	**BEGINNING BALANCE**	**NEW**	**RESOLVED**	**CONSOLIDATED**	**REASSESSED**	**ENDING BALANCE**
	0	0				0
CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)						
Statement of Assurance:	Systems conform to financial management system requirements					
NON-CONFORMANCE	**BEGINNING BALANCE**	**NEW**	**RESOLVED**	**CONSOLIDATED**	**REASSESSED**	**ENDING BALANCE**
	0	0				0

DEFINITION OF TERMS

Beginning Balance: The beginning balance will agree with the ending balance if material weaknesses from the prior year.

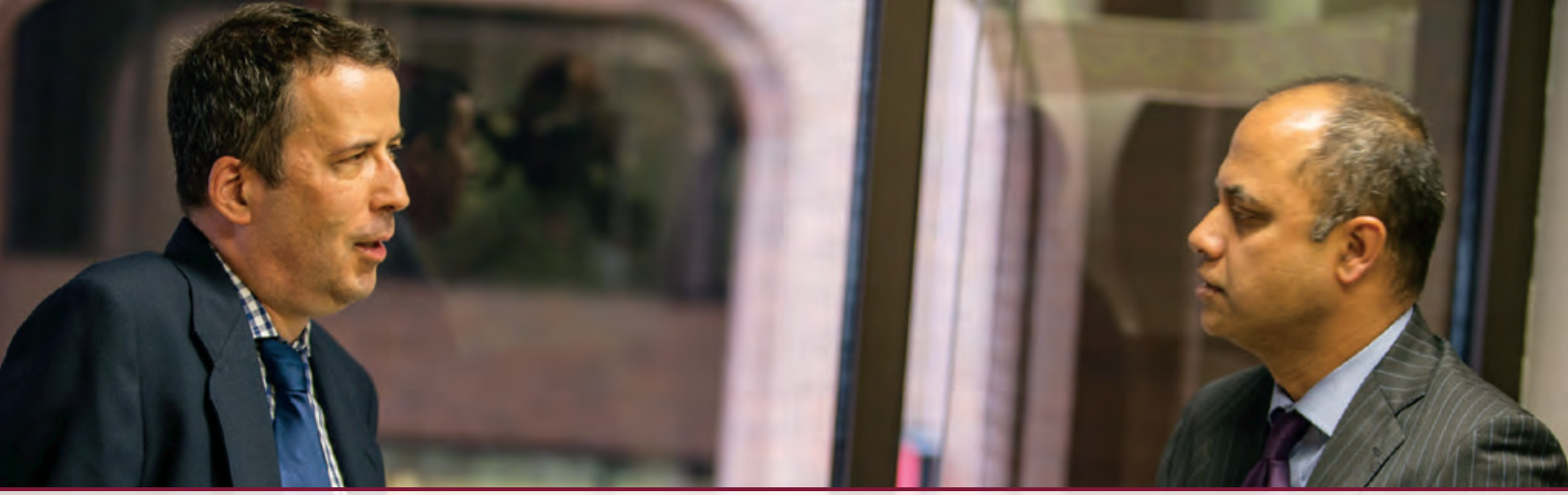
New: The total number of material weaknesses that have been identified during the current year

Resolved: The total number of material weaknesses that have dropped below the level of materiality in the current year.

Consolidation: The combining of two or more findings.

Reassessed: The removal of any finding not attributable to corrective action.

Ending Balance: The agency's year-end balance.



Improper Payments

The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), requires agencies review all programs and activities they administer and identify those which may be susceptible to significant improper payments. The Office of Management and Budget (OMB) guidance provided in Circular A-136, Financial Reporting Requirements, and Appendix C of Circular A-123, *Management's Responsibility for Internal Control*, require agencies to report detailed information related to the Commission's efforts to eliminate improper payments, which is outlined below.

Risk Assessment

The Commission does not administer grant, benefit or loan programs. CFTC's most significant expenses are payroll and benefits for its employees, which are administered by the U.S. Department of Agriculture's National Finance Center and the Office of Personnel Management. CFTC's most significant non-payroll expenses are its payments to vendors for goods and services used during the course of normal operations. Based on the results of transaction testing applied to a sample of FY 2015 vendor payments, consideration of risk factors, and reliance on the internal controls in place over the payment and disbursement processes, the Commission has determined that none of its programs and activities are susceptible to significant improper payments at or above the threshold levels set by OMB.

Significant erroneous payments are defined as annual erroneous payments in the program exceeding both $10 million and 1.5 percent, or $100 million of total annual program payments. In accordance with Appendix C of Circular A-123, the Commission is not required to determine a statistically valid estimate of erroneous payments or develop a corrective action plan if the program is not susceptible to significant improper payments.

Recapture of Improper Payments

As noted above, the Commission does not administer grant, benefit or loan programs. Implementation of recapture auditing, if determined to be cost-effective, would apply to the Commission's contract payments because its payments to vendors total more than $1 million annually.

The Commission determined that implementing a payment recapture audit program for contract payments is not cost-effective and notified OMB of this determination in September 2015. In making this determination, the Commission considered its low improper payment rate based on testing conducted over the past three years and determined that benefits or recaptured amounts associated with implementing and overseeing the program would not exceed the costs of a payment recapture audit program, including staff time and payments to contractors. In the last three years, the Commission has only identified one improper vendor payment in the amount of $38 that was paid and recaptured in FY 2014. The Commission utilizes cost-efficient matching techniques to review all vendor payments to identify significant overpayments at a low cost per overpayment.

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

Improper Payment Recaptures with and without Audit Programs				
OVERPAYMENTS RECAPTURED THROUGH PAYMENT RECAPTURE AUDITS			OVERPAYMENTS RECAPTURED OUTSIDE OF PAYMENT RECAPTURE AUDITS	
Contracts	Other	Total	Amount Identified ($ in millions)	Amount Recaptured ($ in millions)
N/A[16]	N/A	N/A	$ –	$ –

Do Not Pay

The Do Not Pay (DNP) solution is a government-wide initiative mandated by the IPERIA to screen payment recipients before a contract award or payment is made in order to eliminate payment errors before they occur. An important part of the Commission's efforts designed to prevent, identify, and reduce improper payments is integrating the Treasury Department's DNP Business Center into its existing processes. The Commission's shared services provider utilizes the DNP Business Center, on the Commission's behalf, to perform online searches and screen payments against the DNP databases to augment data analytics capabilities.

The Commission follows established pre-enrollment, pre-award, and pre-payment processes for all acquisition awards. Pre-enrollment procedures include cross-referencing applicants against General Services Administration's (GSA) System for Award Management (SAM) exclusion records. It also reviews federal and commercial databases to verify past performance, federal government debt, integrity, and business ethics. For pre-payment processes, the Commission verifies an entity against both SAM and the Internal Revenue Service's Taxpayer Identification Number (TIN) Match Program before establishing them as a vendor in the core financial accounting system.

In FY 2015, the Commission engaged the DNP Analytics Services to match its vendor records with the Death Master File (DMF). The review identified high-risk vendor records possibly associated with deceased individuals and enabled the Commission to classify the vendor records into risk-based categories for further evaluation. The Commission deactivated the highest risk vendor records, thereby decreasing the likelihood of improper payments to deceased individuals.

The Commission performs post-payment reviews to adjudicate conclusive matches identified by the DNP Business Center. The monthly adjudication process involves verifying payee information against internal sources, reviewing databases within the DNP Business Center, and confirming whether the Commission applied appropriate business rules when the payments was made.

In November 2014, the DNP Business Center upgraded its capabilities by automating the adjudication process through the DNP portal and providing better matching against SAM. While this upgrade significantly improved the process and immediately resulted in efficiencies, differences between CFTC and Treasury Department payment file formats prevented the DNP Business Center from matching CFTC payments made from November 2014 through July 2015. The file format differences were resolved and the automated adjudication process resumed in August 2015. The Commission, in coordination with its shared services provider, will complete the post-payment review of the unmatched backlog of payments made from November 2014 to July 2015 during FY 2016.

[16] *As noted, the Commission has determined that recapture audits would not be cost-effective for its programs at this time.*

Results of the Do Not Pay Initiative in Preventing Improper Payments[17]						
	PAYMENTS REVIEWED FOR POSSIBLE IMPROPER PAYMENTS		PAYMENTS STOPPED		POTENTIAL IMPROPER PAYMENTS REVIEWED AND DETERMINED ACCURATE	
	(Number)	($ in millions)	(Number)	($ in millions)	(Number)	($ in millions)
Reviews with the IPERIA specified databases[18]	998	$19.5	0	$ –	3	$.03
Reviews with databases not listed in IPERIA	N/A	N/A	N/A	N/A	N/A	N/A

[17] *This table includes payments screened from October 2014 to August 2015. Results of payments screened in September 2015 were not available for inclusion in the Agency Financial Report.*

[18] *In FY 2015, the Commission screened payments against the Social Security Administration's Death Master File and GSA's SAM databases.*

Freeze the Footprint

There are no plans for expansion or alterations to CFTC space in the near term, and current efforts are underway to explore increasing space utilization with an emphasis on disposing of excess space. In addition, the CFTC is reviewing and revising space-related policies and procedures to comply with Federal guidance on the efficient use of space and property.

Space Lease Cost (Including Pass-Through and Utilities Where Applicable)

$ in thousands

Facility	FY 2012 Actual	FY 2013[19] Actual	FY 2014[19] Actual	FY 2015[19] Actual
Washington, DC	$ 14,107	$ 14,588	$ 14,569	$ 15,319
Chicago	2,058	2,096	2,246	2,370
New York	197	1,892	2,258	2,300
Kansas City	718	451	443	578
COOP Site	84	89	93	93
TOTAL	**$ 17,164**	**$ 19,116**	**$ 19,609**	**$ 20,660**

Rentable Square Feet

in square feet

Facility	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual
Washington, DC	288,395	288,395	288,395
Chicago	60,412	60,412	60,412
New York	46,347	61,510	61,510
Kansas City	24,362	24,362	24,362
TOTAL	**419,516**	**434,679**	**434,679**

[19] *In addition to the base rent, the tenant also pays a proportionate share of building operating costs incurred by the landlord, which may not be billed for two years past the fiscal year reported.*

Civil Monetary Penalty Adjustment for Inflation

The Federal Civil Penalties Inflation Adjustment Act of 1990 (FCPIA) requires agencies to periodically adjust civil penalties for inflation if either the amount of the penalty or the maximum penalty is set by law. The Debt Collection Improvement Act of 1996 (DCIA) amended the FCPIA to require each federal agency to adopt regulations at least once every four years that adjust for inflation the maximum amount of the civil monetary penalties under the statutes administered by the agency.[20]

The Commission administers the following sections of the Commodity Exchange Act that provide for civil monetary penalties:

- 7 U.S.C. 9—*Prohibition regarding manipulation and false information*, particularly section 9a—*Assessment of money penalties*; and
- 7 U.S.C. 13—*Violations generally; punishment; costs of prosecution*, particularly sections 13a—*Non-enforcement of rules of government or other violations; cease and desist orders; fines and penalties; imprisonment; misdemeanor; separate offenses*; 13a-1— *Enjoining or restraining violations*, and 13b—*Manipulations or other violations; cease and desist orders against persons other than registered entities; punishment*.

[20] *In November 2015, the FCPIA was amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, to require a "catch-up" inflation adjustment to be applied no later than July 1, 2016, in addition to annual inflation adjustments by January 15 of each subsequent year. The Commission will implement this new legislation during FY 2016.*

Details about the current penalty level and the date of the most recent inflationary adjustment for each type of penalty administered by the Commission are reflected in the table below.

Penalty (Name of Penalty)	Authority (Statute)	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Level ($ Amount)
MANIPULATION OR ATTEMPTED MANIPULATION VIOLATIONS				
For a civil penalty against any person (other than a registered entity)	Section 6(c) of the Commodity Exchange Act (7 U.S.C. 9)	10/23/2008	10/25/2012	Committed on or after May 22, 2008, not more than the greater of $1,000,000 or triple the monetary gain to such person for each such violation.
For a civil monetary penalty against any registered entity or any director, officer, agent, or employee of any registered entity	Section 6b of the Commodity Exchange Act (7 U.S.C. 13a)	10/23/2008	10/25/2012	(A) Committed between May 22, 2008 and August 14, 2011, not more than the greater of $1,000,000 or triple the monetary gain to such person for each such violation; and (B) Committed on or after August 15, 2011, not more than the greater of $1,025,000 or triple the monetary gain to such person for each such violation.
For a civil monetary penalty assessed against any registered entity or other person	Section 6c of the Commodity Exchange Act (7 U.S.C. 13a-1)	10/23/2008	10/25/2012	(A) Committed between May 22, 2008 and August 14, 2011, not more than the greater of $1,000,000 or triple the monetary gain to such person for each such violation; and (B) Committed on or after August 15, 2011, not more than the greater of $1,025,000 or triple the monetary gain to such person for each such violation.
ALL OTHER VIOLATIONS				
For a civil penalty against any person (other than a registered entity)	Section 6(c) of the Commodity Exchange Act (7 U.S.C. 9)	10/23/2008	10/25/2012	(A) Committed between November 27, 1996 and October 22, 2000, not more than the greater of $110,000 or triple the monetary gain to such person for each such violation; (B) Committed between October 23, 2000 and October 22, 2004, not more than the greater of $120,000 or triple the monetary gain to such person for each such violation; (C) Committed between October 23, 2004 and October 22, 2008, not more than the greater of $130,000 or triple the monetary gain to such person for each such violation; and (D) Committed on or after October 23, 2008, not more than the greater of $140,000 or triple the monetary gain to such person for each such violation.

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Penalty (Name of Penalty)	Authority (Statute)	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Level ($ Amount)
		ALL OTHER VIOLATIONS *(continued)*		
For a civil monetary penalty against any registered entity or any director, officer, agent, or employee of any registered entity	Section 6b of the Commodity Exchange Act (7 U.S.C. 13a)	10/23/2008	10/25/2012	(A) Committed between November 27, 1996 and October 22, 2000, not more than $550,000 for each such violation; (B) Committed between October 23, 2000 and October 22, 2004, not more than $575,000 for each such violation; (C) Committed between October 23, 2004 and October 22, 2008, not more than $625,000 for each such violation; (D) Committed between October 23, 2008 and October 22, 2012, not more than the greater of $675,000 or triple the monetary gain to such person for each such violation; and (E) Committed on or after October 23, 2012, not more than the greater of $700,000 or triple the monetary gain to such person for each such violation.
For a civil monetary penalty assessed against any registered entity or other person	Section 6c of the Commodity Exchange Act (7 U.S.C. 13a-1)	10/23/2008	10/25/2012	(A) Committed between November 27, 1996 and October 22, 2000, not more than the greater of $110,000 or triple the monetary gain to such person for each such violation; (B) Committed between October 23, 2000 and October 22, 2004, not more than the greater of $120,000 or triple the monetary gain to such person for each such violation; (C) Committed between October 23, 2004 and October 22, 2008, not more than the greater of $130,000 or triple the monetary gain to such person for each such violation; and (D) Committed on or after October 23, 2008, not more than the greater of $140,000 or triple the monetary gain to such person for each such violation.
For a civil penalty against any person (other than a registered entity)	Section 6(d) of the Commodity Exchange Act (7 U.S.C. 13b)	10/23/2008	10/25/2012	For violations committed on or after August 15, 2011, not more than the greater of $140,000 or triple the monetary gain to such person for each such violation.

Appendix

CFTC's Kansas City Regional Office

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Glossary of Abbreviations and Acronyms

The CFTC Glossary

A Guide to the Language of the Futures Industry

http://www.cftc.gov/ConsumerProtection/EducationCenter/CFTCGlossary/index.htm

Because the acronyms of many words and phrases used throughout the futures industry are not readily available in standard references, the Commission's Office of Public Affairs compiled a glossary to assist members of the public.

This glossary is not all-inclusive, nor are general definitions intended to state or suggest the views of the Commission concerning the legal significance, or meaning of any word or term. Moreover, no definition is intended to state or suggest the Commission's views concerning any trading strategy or economic theory.

Glossary of Acronyms

U.S. Federal Law

CEA ..... **Commodity Exchange Act**

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

GPRMA..... **Government Performance and Results Modernization Act**

Farm Bill ..... **Food, Conservation, and Energy Act**

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

FISMA..... **Federal Information Security Management Act**

FMFIA ..... **Federal Managers' Financial Integrity 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

OCO ..... Office of Consumer 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 ..... Department of Homeland Security

DOJ ..... Department of Justice

FBI ..... Federal Bureau of Investigation

GAO ..... Government Accountability Office

OMB ..... Office of Management and Budget

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

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

Other Abbreviations

AFR ..... Agency Financial Report

ANZ ..... Australia and New Zealand Banking Group Ltd.

AP ..... Associated Persons

APR ..... Annual Performance Report

CCP ..... Central Counterparty

CBT ..... Chicago Board of Trade

CDS ..... Credit Default Swaps

Citibank ..... Citibank N.A.

CME ..... Chicago Mercantile Exchange

Coinflip ..... Coinflip, Inc. d/b/a Derivabit

COMEX ..... Commodity Exchange Division

CPF ..... CFTC Customer Protection Fund

CPMI ..... Committee on Payments and Market Infrastructure

CPSS ..... Committee on Payment and Settlement Systems

CPO ..... Commodity Pool Operator

CSRS ..... Civil Service Retirement System

CTA ..... Commodity Trading Advisor

DCM ..... Designated Contract Market

DCO ..... Derivatives Clearing Organization

Deutsche Bank .... Deutsche Bank AG

EU ..... European Union

Euribor ..... Euro Interbank Offered Rate

FSAP ..... Financial Sector Assessment Program

FCM ..... Futures Commission Merchants

FB ..... Floor Broker

FBOT ..... Foreign Board of Trade

FIXML ..... Financial Information Exchange Markup Language

FOREX ..... Foreign Exchange

FpML ..... Financial Products Markup Language

FSB ..... Financial Stability Board

FS-ISAC ..... Financial Services—Information Sharing and Analysis Center

FSOC ..... U.S. Financial Stability Oversight Council

FT ..... Floor Trader

FTE ..... Full-time Equivalent

FY ..... Fiscal Year

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

HSBC ..... HSBC Bank plc

IB ..... Introducing Broker

IMSG ..... Implementation Monitoring Standing Group

IOSCO ..... International Organization of Securities Commissions

ISDA ..... International Swaps and Derivatives Association

ISDAFIX ..... International Swaps and Derivatives Association Fix

IT..... Information Technology

JPMorgan ..... JPMorgan Chase Bank N.S.

LEI ..... Legal Entity Identifier

LIBOR..... London Interbank Offered Rate

LTR..... Large Trader Reports

LULAC..... League of United Latin American Citizens

MD&A..... Management's Discussion and Analysis

MSP..... Major Swap Participants

NAHFE..... National Association for Hispanic Federal Executives

NFA..... National Futures Association

NIST..... National Institute of Standards and Technology

NTEU ..... National Treasury Employees Union

NYMEX ..... New York Mercantile Exchange

OPERA..... Organizations, Products, Events, Rules and Actions Portal

OTC ..... Over-the-Counter

PSG ..... Policy Standing Group

RBS..... Royal Bank of Scotland plc

RER..... Rule Enforcement Review

ReSG ..... Resolution Steering Group

RFED ..... Retail Foreign Exchange Dealer

SD..... Swap Dealer

SDR ..... Swap Data Repository

SEF ..... Swap Execution Facility

SIDCO ..... Systemically Important DCO

SRO ..... Self-Regulatory Organization

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

Tera ..... TeraExchange LLC

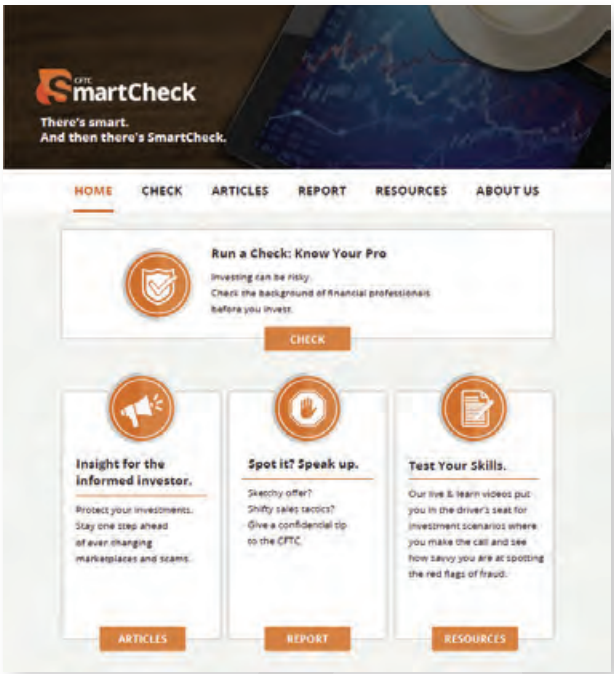
TIA ..... Tenant Improvement Allowance

UBS ..... UBS AG

US..... United States

CFTC Customer Protection Fund

Section 748 of the Dodd-Frank Act established the CFTC Customer Protection Fund (Fund), a revolving fund, for 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 Office of Consumer Outreach. In 2012, the Commission established the Whistleblower Office and the Office of Consumer Outreach to administer the whistleblower and customer education programs.



The Fund is financed by civil monetary penalties, disgorgements, and interest the Commission collects in covered administrative or judicial enforcement actions whenever the balance in the Fund at the time of the collection is less than or equal to $100 million.

The current balance in the Fund is $270.9 million in FY 2015. The Commission obligated $6.6 million in FY 2015. A detailed description of the Fund is presented in the Management's Discussion and Analysis, Financial Highlights, section of this report.

FY 2015 Highlights of Consumer Outreach and Whistleblower Programs

CFTC SmartCheck℠ Campaign

The Commission launched the CFTC SmartCheck campaign on November 19, 2014. The campaign is designed to help investors identify and protect themselves against financial fraud. Over the past several months, the campaign has raised awareness among investors about tools available to them to improve the safety of their investing decisions.

SmartCheck.gov Statistics

In one year, SmartCheck.gov had 301,745 sessions. As of November 19, 2015, nearly 55,000 background checks were performed on the website since the campaign's launch.

Online Advertising

The CFTC SmartCheck advertising campaign ran custom ads across several websites including *Time*, *Forbes*, *MSN Money*, *CNN*, and several others. Through November 19, 2015, the online campaign generated over 177 million impressions and nearly 225,000 clicks.

The online ads drive consumers to the Check page of SmartCheck.gov as well as the Resources page where interactive videos allow investors to experience an investment pitch and determine if they can spot fraud.

Money Magazine Advertising

A CFTC SmartCheck advertisement was featured in the Annual Outlook issue of Money Magazine in December 2014. The magazine reaches 6,825,000 adults. The May issue included a CFTC SmartCheck advertorial in a premium position on the inside of the back cover. An advertorial is an advertisement in the form of editorial content.

CNBC Television Advertising

In March and April 2015, SmartCheck online advertising was complemented with television advertising on *CNBC*. CFTC SmartCheck advertisements ran during popular shows such as *Shark Tank*, *Mad Money*, and *Squawk Box*.

Typically, consumers must be exposed to a message multiple times before they are moved to action. Over 16 million members of the television demographic closest to the campaign's target audience viewed the CFTC's television ad at least three times.

SmartCheck Week

The inaugural SmartCheck Week was an effort to encourage investors to check the credentials and backgrounds of the financial professionals and companies they are already using or considering using by visiting SmartCheck.gov. The Week occurred from April 6-12, 2015. To seed SmartCheck Week with the media, the CFTC issued a press release, pitched it to reporters, and used social media to amplify the message. Online advertising supported the campaign just prior to, during, and after the week.

During April, there were nearly 18,000 background checks performed on the website as compared to an average of about 3,300 for the other months of the campaign. The CFTC largely attributes this increase to the SmartCheck Week efforts. SmartCheck Week also launched a new outreach initiative called SmartCheck Days.

SmartCheck Days

SmartCheck Days are opportunities for the CFTC to collaborate with state securities commissions on events to garner media attention, attract public attendance, and educate those who work with investors about fraud prevention resources.

Hawaii—From April 26-May 1, the CFTC worked with the Hawaii Department of Commerce and Consumer Affairs' (DCCA) Office of the Securities Commissioner to execute seven briefings to educate professionals who interact with investors on fraud prevention. Both the CFTC and DCCA teamed up with AARP Hawaii to host five events aimed at informing workers and retirees about tactics to avoid financial fraud.

Texas—From June 2-5, the CFTC worked with the Texas State Securities Board (TSSB) to execute four events to educate workers and retirees on investment fraud prevention. SEC also participated in these events and a reporter with the *Dallas Morning News* covered them.

Colorado—On September 24, the CFTC held two joint events with the state of Colorado, AARP, and the SEC in the Denver area. The first event was a morning program for seniors about preventing investment fraud. The afternoon program was directed towards financial professionals to educate them on how to protect their clients against investment fraud. Both events were well received and the CFTC has already secured an invitation to return in 2016.

Utah—From October 5-16, the CFTC, in conjunction with the Utah Division of Securities (DOS), staffed an exhibition booth at the Huntsman World Senior Games in St. George, Utah. Utah DOS staffed the booth at the event, which is an athletic competition for adults over 50 that draws over 10,000 athletes and spectators each year. The CFTC provided staff support during the final days of the event; however, Utah distributed SmartCheck materials and referred booth visitors to SmartCheck.gov throughout the event. This event proved to be successful by bringing the CFTC's fraud prevention messages to the target audience where they were. The CFTC's presence was well received by the event attendees and the event organizers, garnering an invitation to return to the Games next year from both the state of Utah and the event organizers. On October 15, the CFTC along with the Utah DOS and AARP held a consumer outreach event for seniors in Salt Lake City, Utah, focusing on investment fraud prevention and also featuring speakers from the SEC and the Utah Division of Consumer Affairs.

New Jersey—On October 8, in conjunction with the New Jersey Bureau of Securities (BOS), the CFTC planned and attended an investment fraud prevention seminar for seniors in Garfield, New Jersey. This event featured speakers from the CFTC, SEC, FINRA, AARP, and BOS. Three television news stations covered the seminar and a reporter from *NorthJersey.com* also wrote an article about the event.

Whistleblower Award

On September 29, 2015, the CFTC issued an order granting an award of approximately $290,000 to a whistleblower for providing valuable information about violations of the CEA.

This is the second whistleblower award issued by the CFTC. The CFTC issued its first whistleblower award of approximately $240,000 on May 20, 2014. All whistleblower award payments are made out of the Fund established by Congress that is financed entirely through monetary sanctions paid to the CFTC by violators of the CEA. To learn more about the CFTC's Whistleblower Program and how to provide a tip, visit the Whistleblower Program webpage (*https://www.whistleblower.gov/*).

Consumer Advisory and Public Service Announcement

CFTC Consumer Protection: Fraud Awareness, Prevention and Reporting

Trading Futures and Options: Protection Against Fraud

The CFTC is the Federal agency that regulates the trading of futures, option and swaps contracts in the United States and takes action against firms or individuals suspected of illegally or fraudulently selling commodity futures, options, and swaps. The CFTC's fraud awareness, prevention and reporting initiatives involve: developing an outreach effort designed to help individual investors/traders identify and avoid fraud, or encourage them to report known or suspected instances of it.

About the Futures Markets

- Individual investors/traders or "retail customers" rarely ever trade commodity futures and options.
- Trading commodity futures and options is a volatile, complex, and risky venture.
- Many individual traders lose all of their initial payment, and they could owe more than the initial payment.
- Some individual investors/traders unknowingly fall for completely fraudulent schemes which cause tremendous financial loss and emotional hardships.

Before you trade

Know the basics in futures trading

- Consider your financial experience, goals and resources, and determine how much you can afford to lose above and beyond your initial payment.
- Understand commodity futures and options contracts and your obligations in entering into them.
- Understand your exposure to risk and other aspects of trading by thoroughly reviewing disclosure documents your broker is required to give you.
- Know that trading on margin can make you responsible for losses much HIGHER than the amount you initially invested.
- Immediately contact CFTC if you have a problem or question.

Watch out for these warning signs

- Get-rich-quick schemes that sound too good to be true. Once your money is gone, it may be impossible to get it back.
- Predictions or guarantees of large profits. Always get as much information as you can about a firm or individual's track record and verify that information.
- Firms or individual who say there is little risk. Written risk disclosure statements are important to read thoroughly and understand.
- Calls or emails from strangers about investment or trading opportunities.
- Requests for immediate cash or money transfers by overnight express, the Internet, mail, or any other method.

What should you do?

Visit the our website for more information:
www.cftc.gov/ConsumerProtection

Report possible violations of commodity futures trading laws:

Call the CFTC's Division of Enforcement at:
866-FON-CFTC (866.366.2382)

Submit our online form located at:
www.cftc.gov/ConsumerProtection/FileaTiporComplaint

Send us a letter addressed to:
Commodity Futures Trading Commission
Office of Cooperative Enforcement
1155 21st Street, NW, Washington, DC 20581

Consumer Advisory and Public Service Announcement

CFTC Whistleblower Program

The CFTC Whistleblower Program—created by the Dodd-Frank Act—allows for payment of monetary awards to eligible whistleblowers, and provides anti-retaliation protections for whistleblowers, who share information with or assist the CFTC.

How does the Whistleblower Program work?

- The CFTC will pay monetary awards to eligible whistleblowers who voluntarily provide the CFTC with original information about violations of the CEA that leads the CFTC to bring enforcement actions that result in more than $1 million in monetary sanctions.
- The CFTC can also pay whistleblower awards based on monetary sanctions collected by other authorities in actions that are related to a successful CFTC enforcement action, and are based on information provided by a CFTC whistleblower.
- The total amount of a whistleblower award will be between 10 and 30 percent of the monetary sanctions collected in either the CFTC action or the related action.

Who can be a whistleblower?

- A whistleblower can be any individual who voluntarily provides the CFTC original information, from a corporate officer or insider, to a trader or market observer, to an investor or fraud victim.

How can I become a whistleblower?

To become a whistleblower, you must complete and submit a Form TCR either electronically, by mail or by facsimile.

To submit a Form TCR electronically, visit *http://www.cftc.gov*, and click on the "File a Tip or Complaint" button on the right-hand side of the page. Use the first link under the description of the Whistleblower Program.

To submit a Form TCR by mail or facsimile, print a Form TCR from the "Whistleblower Program" webpage on *http://www.cftc.gov*, and use the following address or number:

Commodity Futures Trading Commission
Whistleblower Office
1155 21st Street, NW, Washington, DC 20581
Fax: 202.418.5975

Am I protected against retaliation?

The Dodd-Frank Act prohibits retaliation by employers against individuals who are whistleblowers who provide the CFTC with information about possible violations of the CEA, or who assist the CFTC in any investigation or proceeding based on such information.

Learn more about the anti-retaliation provisions by reading Appendix A to the Whistleblower Rules.

How can I learn more?

Visit the "Whistleblower Program" webpage at *https://www.whistleblower.gov,* which has copies of the Whistleblower rules, filing forms, notices, orders on award applications, and frequently asked questions.

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FY 2015 Agency Financial Report
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Commodity Futures Trading Commission
Financial Management Branch
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

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Web: *http://www.cftc.gov/About/CFTCReports/index.htm*

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COMMODITY FUTURES TRADING COMMISSION

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