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

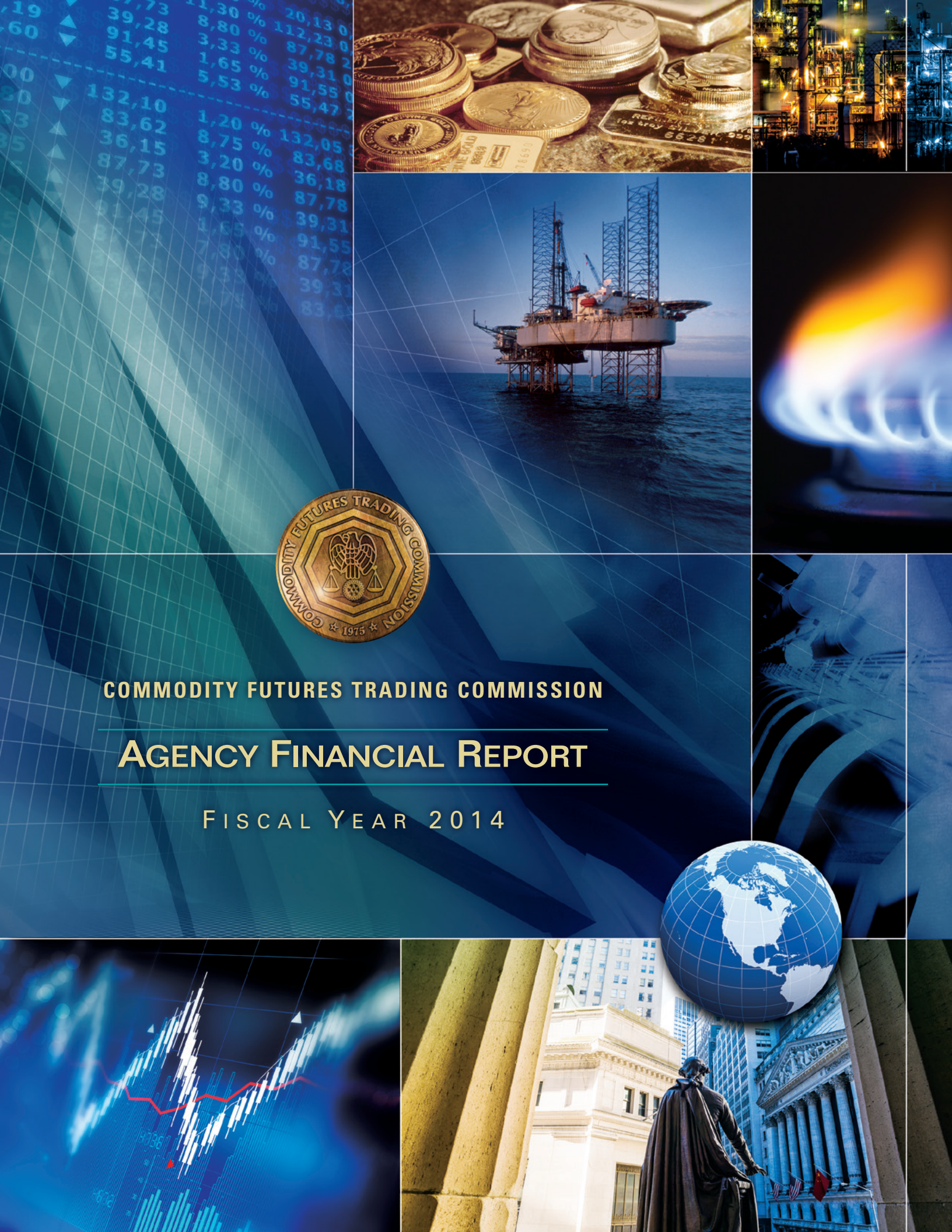
January 15, 2016

Management Notice Concerning Prior Period Financial Statements and Auditors' Reports

After being fully briefed about a Government Accountability Office (GAO) inquiry regarding office space leasing and the CFTC's conclusion that its historical practice for recording lease obligations on an annual basis may be inconsistent with OMB Circular A-11, *Preparation, Submission and Execution of the Budget* (OMB A-11), 31 U.S.C. § 1501(a)(1), and previous GAO decisions, KPMG LLP, the CFTC's independent auditor, has determined that the CFTC financial statements, for fiscal year 2015 as well as for fiscal years 2005-2008 and fiscal years 2010-2014, audited by KPMG LLP, are materially misstated because of CFTC's practice of not recording lease obligations in accordance with U.S. generally accepted accounting principles. As a result, these prior period financial statements and the auditors' reports should no longer be relied on. For more details on this matter, please refer to Note 10 to the CFTC's fiscal year 2015 financial statements and the "*Basis for Qualified Opinion"* and *"Qualified Opinion"* sections of the auditors' report on the fiscal year 2015 and 2014 CFTC's financial statements.

On August 6, 2015, the 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 four current multiple-year leases for office space in Washington, D.C., Chicago, New York, and Kansas City. When the Commission entered into its four multiple-year leases, such as in 1994 for its Washington, D.C. office, it recorded only the annual lease payments each year in its Statement of Budgetary Resources rather than the full multiple-year obligation in the year the lease was initiated. The CFTC did disclose the total future minimum lease payments in the notes to its financial statements. In the process of reviewing GAO's questions, the CFTC concluded that its historical practice for recording lease obligations on an annual basis may be inconsistent with OMB A-11, 31 U.S.C. § 1501(a)(1), and previous GAO decisions. 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 in the CFTC's financial statements.

The GAO is currently reviewing the Commission's leasing practices and upon receipt of GAO's opinion the CFTC will take appropriate actions and, if needed, update this notice.



COMMODITY FUTURES TRADING COMMISSION

AGENCY FINANCIAL REPORT

FISCAL YEAR 2014

COMMODITY FUTURES TRADING COMMISSION

Timothy Massad
Chairman

Tony Thompson
Executive Director

Mary Jean Buhler
Chief Financial Officer

November 2014

This report is in the public domain. Authorization to reproduce it in whole or in part is granted. While permission to reprint this publication is not necessary, the citation should be: Commodity Futures Trading Commission, FY 2014 Agency Financial Report, Washington, D.C., 20581.

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

COMMODITY FUTURES TRADING COMMISSION

AGENCY FINANCIAL REPORT

FISCAL YEAR 2014

In the Tradition of Quality Reporting,

the Commodity Futures Trading Commission

Proudly Presents the FY 2014 Agency Financial Report

This report is made by the U.S. Commodity Futures Trading Commission. Information in this Agency Financial Report is provided as of November 17, 2014 and covers the period October 1, 2013 to September 30, 2014, unless otherwise indicated.

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

COMMODITY FUTURES TRADING COMMISSION

Association of Government Accountants (AGA)
Awards the

Certificate of Excellence in Accountability Reporting

"In recognition of your outstanding efforts in preparing the Commodity Futures Trading Commission Agency Financial Report for the fiscal year ended September 30, 2013"

Fiscal Year 2014 Commissioners

Front row; **Timothy G. Massad**, *Chairman.* Back row from left; **Sharon Y. Bowen,** *Commissioner*; **Mark P. Wetjen**, *Commissioner*; **J. Christopher Giancarlo**, *Commissioner*

Table of Contents

CFTC Mission

To protect market users and the public from fraud, manipulation, abusive practices and systemic risk related to derivatives that are subject to the Commodity Exchange Act, and to foster open, competitive, and financially sound markets.

A Message from the Chairman

I am pleased to present the Agency Financial Report for Fiscal Year (FY) 2014. This has been a year of remarkable progress in bringing transparency, access and competition to the swaps market and continuing our efforts to insure that the futures and options markets operate with integrity. This report presents our performance accomplishments and audited financial statements for the just ended fiscal year.

The Commodity Futures Trading Commission (CFTC or Commission) oversees U.S. derivatives markets—commodity futures, options, and swaps. Although most Americans do not participate directly in the derivatives markets, they profoundly affect the prices we all pay for food, energy, and most other goods and services we buy each day. They are the key source of price discovery and are used by many businesses, farmers and ranchers to manage routine commercial risk. Their complexity has continued to evolve rapidly with new technologies, globalization, product innovation, and greater competition, which makes our work even more important.

These markets are vital to our economy, and the work of the CFTC is vital to making sure that these markets operate as they should. Our mission is to protect market participants from fraud, manipulation and abusive practices and to ensure the protection of customer funds. We aim to

foster transparent, open, competitive and financially sound markets. And we seek to protect the public from the possibility that these markets will create the types of excessive risks that contributed to making the 2008 financial crisis the worst since the Great Depression.

The financial crisis made clear the need for reform of the derivatives markets. During the last year, we have continued to make progress implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) and bringing the swaps market out of the shadows. For example, clearing is now required for most interest rate and credit default swaps. In terms of oversight and market development, we have more than 100 swap dealers (SDs) provisionally registered, and we require them to observe strong risk management practices and business conduct standards. There are more than 20 swap execution facilities (SEFs) temporarily registered. SEF trading has begun and is growing. We also have four swap data repositories (SDRs) provisionally registered, collecting and disseminating market data. We and the public have much more information regarding the swaps marketplace as a result.

In addition, we continue to oversee the futures and options markets. We are doing all we can to make sure these markets operate safely and with integrity.

Enforcement has been a key area as well. Robust enforcement is vital to maintaining the integrity of our markets, and will remain a priority going forward. The Commission filed 67 enforcement actions in FY 2014, initiated more than 240 new investigations, and obtained more than $3.27 billion in sanctions, including orders imposing more than $1.8 billion in civil monetary penalties and more than $1.4 billion in restitution and disgorgement, despite a three percent decrease in enforcement staff.

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

While we have made much progress, much work remains to be done.

Our accomplishments and aspirations have been constrained by a lack of sufficient financial resources. The Dodd-Frank

Act greatly expanded the CFTC's responsibilities. The size of the swaps market we are now tasked to oversee is vast and many times larger than the futures and options markets we also must supervise. Our budget has not kept pace and limits our ability to fulfill our responsibilities in a way that the public deserves.

We will continue to do all we can with the resources we have. But without additional resources, our markets cannot be as well supervised; participants cannot be as well protected; and market transparency and efficiency cannot be as fully achieved.

The CFTC places a strong emphasis on being an effective steward of its operating funds. I am pleased to report that for the tenth consecutive year, the Commission has received an unmodified opinion on its financial statements. For the eighth consecutive year, our auditor, the public accounting firm, KPMG LLP, on behalf of our Inspector General, was able to affirm that the financial statements, included in this report, were presented fairly, in all material respects, and in conformity with U.S. generally accepted accounting principles (GAAP).

I can also report that the CFTC had no material internal control weaknesses and that the financial and performance data in this report are reliable and complete under the Office of Management and Budget (OMB) guidance. You can read about the operation of our internal controls in the Financial Section of this report, which also highlights key management assurances.

The CFTC worked hard during FY 2014 on behalf of the American public. The markets we oversee are stronger, more transparent, and more competitive as a result.

Timothy G. Massad
Chairman
November 14, 2014

FY 2014 Commissioners

Timothy G. Massad, Chairman

Timothy Massad was sworn-in as Chairman of the Commodity Futures Trading Commission 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. 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 the Troubled Asset Relief Program, under the leadership of (now Sen.) 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. His practice was heavily international; he was co-manager of the firm's Hong Kong office for five years and also worked in London. 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.

Mark P. Wetjen, Commissioner

Mark P. Wetjen was nominated by President Barack Obama to serve a five-year term in March 2011 and was unanimously confirmed by the U.S. Senate in October 2011.

Subsequent to his confirmation as commissioner, Mr. Wetjen was unanimously elected to serve as the CFTC's acting chairman upon the departure of the previous chairman, Gary Gensler, in late 2013. Mr. Wetjen served in that role for approximately five months, managing daily operations and setting overall policy direction of the agency. During his chairmanship, Mr. Wetjen oversaw implementation of the first trading mandate for certain interest rate and credit default swaps and approved or directed the agency 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).

As acting chairman and sponsor of the CFTC's Global Markets Advisory Committee, Mr. Wetjen was known as a strong advocate for improving the market structure and efficiency of the global derivatives markets through the harmonization of derivatives regulations. To that end, Mr. Wetjen actively participated in international dialogues on derivatives regulation through forums such as the Financial Stability Board and the International Organization of Securities Commissions. Notably, under his leadership, the CFTC's staff adopted a novel regulatory approach to appropriately recognize certain derivatives-trading platforms located outside of the United States.

As acting chairman, Mr. Wetjen also served as a principal on the U.S. Financial Stability Oversight Council and established priorities for the agency's approximately $217 operating budget. With respect to the latter, Mr. Wetjen worked closely with the Administration and Congress to advocate for increased funding that would be commensurate with the increased responsibilities of the agency under the Dodd-Frank Act. Mr. Wetjen has testified several times before Congress on these and other matters.

As a commissioner, Mr. Wetjen has worked to implement the Dodd-Frank Act, one of the signature accomplishments of President Obama's first term, supporting and crafting over fifty proposed and final CFTC rules and orders to govern, and in many ways reshape, the swaps and futures markets. Mr. Wetjen earned a reputation during this rulemaking process as an independent pragmatist for thoughtfully considering, among other things, the practical compliance challenges often posed by the CFTC's rapid pace of rulemaking. In honoring his pledge to the U.S. Senate to bring an open mind and a balanced approach to the job of CFTC commissioner, Mr. Wetjen has held more than 300 external meetings to discuss pending CFTC rules and related actions with representatives of all interested parties, including financial and commercial end-users, public interest groups, exchanges, intermediaries, clearinghouses and both domestic and foreign regulators.

In addition, Mr. Wetjen has supported over 100 enforcement actions as a commissioner, including those relating to the London Interbank Offered Rate (LIBOR). The LIBOR cases alone have resulted in historic fines of more than $1.2 billion.

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. He lives with his wife and two sons on Capitol Hill.

Sharon Y. Bowen, Commissioner

Sharon Y. Bowen was sworn in as a Commissioner of the U.S. Commodity Futures Trading Commission on June 9, 2014 for a five year term. She serves as Sponsor of the Commission's Market Risk Advisory Committee.

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.

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.

Scott D. O'Malia also served as a Commissioner until August 8, 2014. His seat is presently vacant.

How This Report is Organized

The Reports Consolidation Act of 2000 authorizes Federal agencies, with 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 Commission. Information in this AFR is provided as of November 17, 2014, and covers the period October 1, 2013, to September 30, 2014, unless otherwise indicated.

In February 2015, the CFTC FY 2014 APR and FY 2014 Summary of Performance and Financial Information will be available on the Commission's website at *http://www.CFTC.gov/About/CFTCReports/Index.htm*. The CFTC Strategic Plan is also available at this web location.

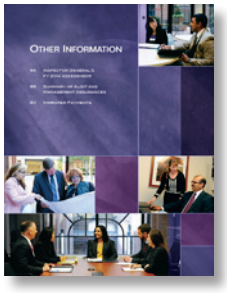
This document consists of three sections and an appendix as described to the right.

Management's Discussion and Analysis

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 2014 and discusses compliance with legal and regulatory requirements, and evolving business trend and events.

Financial Section

The Financial Section includes the Commission's financial statements and the Independent Auditors' report.



Other Information

Other Information contains the Inspector General's FY 2014 assessment of management challenges facing the Commission, the Commission's summary of audit and management assurances, and a discussion of improper payments.

Appendix

The Appendix contains the glossary of abbreviations and acronyms used throughout the report, a consumer protection advisory on fraud, and information about the CFTC Whistleblower Program.

Management's Discussion and Analysis

Commission at a Glance

Who We Are

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

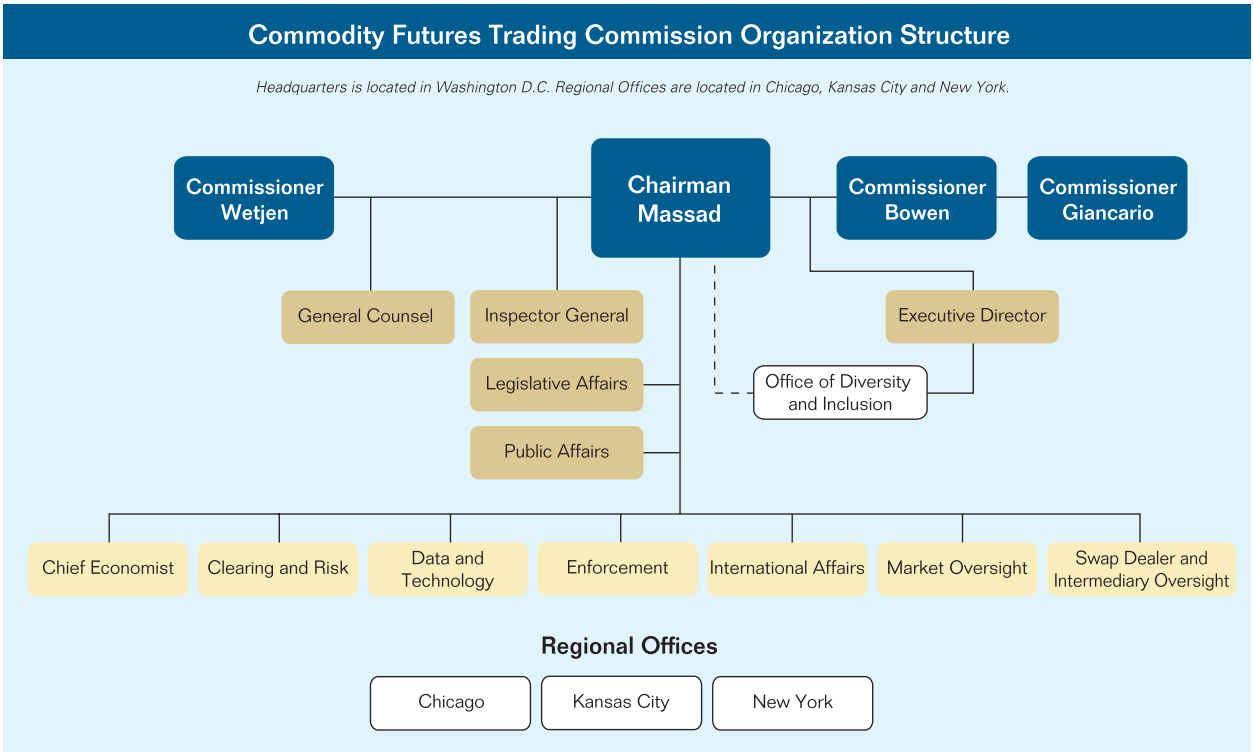
The Office of the Chairman oversees the Commission's principal divisions and offices that administer and enforce the CEA and the regulations, policies, and guidance thereunder.

The Commission is organized largely along functional lines. The four 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 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. In 2012, the Commission established the Whistleblower Office (WBO) and the Office of Consumer Outreach (OCO) to administer the whistleblower and customer education programs.

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*.



The CFTC Organizations

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. The Office of the Chairman includes Public Affairs and Legislative Affairs.

Office of the General Counsel

The OGC provides legal services and support to the Commission and all of its programs. These activities primarily include: 1) providing advice on complex questions of statutory and regulatory interpretation arising under the CEA; 2) representing the Commission in U.S. Courts of Appeals, *amicus curiae* litigation, industry bankruptcies, defense of rule challenges, and other litigation; 3) providing legal support and advice in connection with other relevant Federal statutes; 4) assisting the Commission in the performance of its adjudicatory functions; and 5) providing advice on legislative and other intergovernmental 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 Commission's ability to achieve its mission of protecting the public, derivative market participants, U.S. economy, and the U.S. position in global markets is driven by well-informed and reasoned executive direction; strong and focused management; and an efficiently-resourced, dedicated, and productive workforce. These attributes of an effective organization combine to lead and support the critical work of the Commission to provide sound regulatory oversight and enforcement programs for the U.S. public. The Executive Director ensures the Commission's continued success, continuity of operations, and adaptation to the ever-changing markets it is charged with regulating; directs the effective and efficient allocation of CFTC resources; develops and implements management and administrative policy; and ensures program performance is measured and tracked Commission-wide. The OED includes the following programs: Business Management and Planning, Library, Records and Privacy, Financial Management, Human Resources, Secretariat, Diversity and Inclusion, Consumer Outreach, and the Office of Proceedings. 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 OCO administers the Commission's consumer anti-fraud and other public education initiatives.

Office of the Chief Economist

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

Division of Clearing and Risk

The DCR supervises the derivatives clearing organizations (DCOs) that clear futures, options on futures, and swaps, which involves supervision of DCOs and surveillance of other market participants that may pose risk to the clearing process including futures commission merchants (FCMs), SDs, major swap participants (MSPs), and large traders. The DCR staff: 1) prepare proposed and final regulations, orders, guidelines, exemptions, interpretations, and other regulatory work products on issues pertaining to DCOs and, as relevant, other market participants; 2) review DCO applications and rule submissions and make recommendations to the Commission; 3) make determinations and recommendations to the Commission as to categories of swaps that should be subject to mandatory clearing determinations; 4) make determinations and recommendations to the Commission as to the initial eligibility or continuing qualification of a DCO to clear swaps; 5) assess compliance by DCOs with the CEA and Commission regulations, including examining systemically important DCOs at least once a year; 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, monitor the risks posed by DCOs, clearing members, and market participants and its financial impact, evaluate new DCO margin models and enhancements to existing margin models; 7) review DCO notifications regarding systems disruptions, material planned changes to mission-critical systems or programs of risk analysis and any other notifications that potentially impact the DCOs' ability to process, clear and risk manage its business activities; and 8) working with the OIA, participate in the work of international regulators in setting world-wide standards with respect to Central Counterparties (CCPs) and their members, and in evaluating the application of those standards.

Office of Data and Technology

The ODT is led by the Chief Information Officer and delivers services to CFTC through three components: 1) systems and services, 2) data management, and 3) infrastructure and operations. Systems and services focuses on several areas: market and financial oversight and surveillance; enforcement and legal support; document, records, and knowledge management; CFTC-wide enterprise services; and 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 widely 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, the Dodd-Frank Act, and Commission regulations. Possible violations involve improper conduct related to commodity derivatives trading on U.S. exchanges, or the improper marketing and sales of commodity derivatives products to the general public. The WBO, a component of the DOE, performs the ministerial functions and determination of preliminary award eligibility and guides the handling of whistleblower matters as needed during examination, investigation and litigation.

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 organizations, such as International Organization of Securities Commissions (IOSCO); coordinates Commission policy as it relates to policies and initiatives of major foreign jurisdictions, the G20, Financial Stability Board and the U.S. Department of the Treasury (Treasury); and provides technical assistance to foreign market authorities.

Division of Market Oversight

The DMO fosters markets that accurately reflect the forces of supply and demand for the underlying commodities and are free of disruptive activity. To achieve this goal, staff oversee trade execution facilities, perform market and trade practice surveillance, review new exchange applications and examine existing exchanges to ensure their compliance with the applicable core principles. Other important work includes evaluating new products to ensure they are not susceptible to manipulation, and reviewing exchange rules and actions 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 intermediaries and the futures industry self-regulatory organizations (SROs), which include the U.S. derivatives exchanges and the National Futures Association (NFA). Staff develop and implement regulations concerning registration, fitness, financial adequacy, sales practices, protection of customer funds, cross-border transactions, and anti-money laundering programs, as well as policies for coordination with foreign market authorities and emergency procedures to address market-related events that impact intermediaries. DSIO monitors the compliance activities of these registrants and provides oversight and guidance for complying with the system of registration and compliance established by the CEA and the Commission's regulations. Concurrently, DSIO evaluates the effectiveness of registrant governance and internal oversight through targeted reviews and examinations, oversight of examinations performed by SROs and a focus on the activities of the risk managers and chief compliance officers. DSIO also reviews whether registrants maintain sufficient financial resources, risk management procedures, internal controls and customer protection practices to enhance the financial stability of market participants and transparency in the markets.

Why We Exist

CFTC Mission

To protect market users and the public from fraud, manipulation, abusive practices and systemic risk related to derivatives that are subject to the Commodity Exchange Act, and to foster open, competitive, and financially sound markets.

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.

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.

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. 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. 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 their 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 farmer and 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. 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 trillions of dollars.

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, traded over-the-counter (also called bilaterally), which means that swaps were not traded on regulated derivatives exchanges or cleared through clearinghouses. 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, they created just the opposite. It was during the financial crisis that many Americans first heard the word derivatives. That was because over-the-counter swaps—a large, unregulated part of these otherwise strong markets—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 our largest banks and other institutions meant that trouble at one institution could cascade quickly through the financial system like a waterfall. And, the opaque nature of this market meant that regulators did not know what was going on or who was at risk.

Dodd-Frank Act: A New Regulatory Environment

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

The Dodd-Frank Act that was put in place agreed to do four basic things: 1) require regulatory oversight of the major market players; 2) require clearing of standardized transactions through regulated clearinghouses known as CCPs; 3) require more transparent trading of standardized transactions; and 4) require regular reporting so that market participants would have an accurate picture of what is going on in the market.

Oversight. 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 2014, there are 104 SDs and two MSPs provisionally registered with the CFTC.

The Commission has adopted rules requiring strong risk management. The Commission will also be making periodic examinations to assess risk and compliance. 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. They 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 the U.S. Securities and Exchange Commission (SEC), other U.S. regulators, and its international counterparts to establish this framework. The Commission will continue to work with them to achieve as much consistency as possible. The Commission will also look to make sure these rules work to achieve their objectives, and fine-tune them as needed where they do not.

Clearing. A second commitment of the Dodd-Frank Act was to require clearing of standardized transactions at CCPs. Clearinghouses reduce the risk that one entity's failure could adversely impact the public, by standing in between two parties to a transaction—as the buyer to every seller and the seller to every buyer—and maintaining financial resources to cover defaults. Clearinghouses value positions daily and require parties to post adequate margin on a regular basis. A "margin" is collateral that the holder of a financial instrument has to deposit to cover some or all of the credit risk of their counterparty (most often their broker or an exchange). The collateral can be in the form of cash or securities, and it is deposited in a margin account.

The use of CCPs in financial markets is commonplace and has been around for over one hundred years. The idea is simple: if many participants are trading 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 the CCP at the center interacting with other market participants. The CCP monitors the overall risk and positions of each participant.

The CFTC was the first of the G-20 nations' regulators to implement clearing mandates. The Commission has required clearing for interest rate swaps denominated in U.S. dollars, Euros, Pounds and Yen, as well as credit default swaps (CDS) on certain North American and European indices. Based on CFTC analysis of data reported to SDRs, as of August 2014, measured by notional value, 60 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 during the month of August.

The Commission's rules for clearing swaps were patterned after the successful regulatory framework the Commission has had in place for many years in the futures market. The Commission does not require that clearing take place in the United States, even if the swap is in U.S. dollars and between U.S. persons. But the Commission does require that clearing occurs through registered CCPs that meet certain standards—a comprehensive set of core principles that ensures each clearinghouse 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. CCPs do not eliminate the risks inherent in the swaps market. The Commission must therefore be vigilant. The Commission must do all it can to ensure that CCPs have financial resources, risk management systems, settlement procedures, and all the necessary standards and safeguards consistent with the core principles to operate in a fair, transparent and efficient manner. The Commission must also make sure that CCP contingency planning is sufficient.

Trading. The third area for reform under the Dodd-Frank Act was to require more transparent trading of standardized products. In the Dodd-Frank Act, Congress provided that certain swaps must be traded on a swap execution facility (SEF) or other regulated 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 commercial end-users seeking to lock in a price or hedge risk.

The CFTC finalized its rules for SEFs in June 2013. Twenty-two SEFs have temporarily registered with the CFTC, and two applications are 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. Beginning February 2014, specified interest rate swaps and credit default swaps must be traded on a SEF or other regulated exchange. Notional value executed on SEFs has generally been in excess of $1.5 trillion weekly. It is important to remember that trading of swaps on SEFs is still in its infancy. 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 Dodd-Frank Act reform commitment 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 swap data repositories (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 the Commission's 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 Commission's staff. Going forward, it must continue to be one of the Commission's chief priorities.

There are three general areas of activity. The Commission must have data reporting rules and standards that are specific and clear, and that are harmonized as much as possible across jurisdictions. The CFTC 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, they 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 Commission 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.

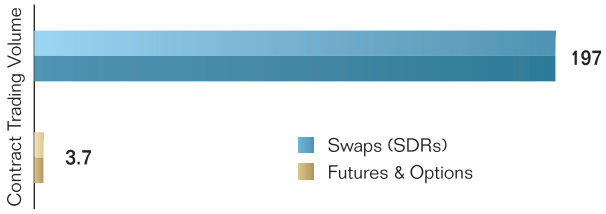
Marketplace Oversight

The purpose of the CEA is to serve the public interest through a system of effective regulation of trading facilities, clearing systems, market participants, and market professionals under the oversight of the Commission.

Industry Oversight—Marketplace

Growth in the futures and swaps marketplace carries an accompanying, potential increase of fraud for market users and the public. More entities, more markets and more products (including complex products) are subject to CFTC regulation than ever before. In response to the influx of new data from new and existing registrants, the Commission is building its own infrastructure and analytical capabilities to support its responsibilities as a first line regulator.

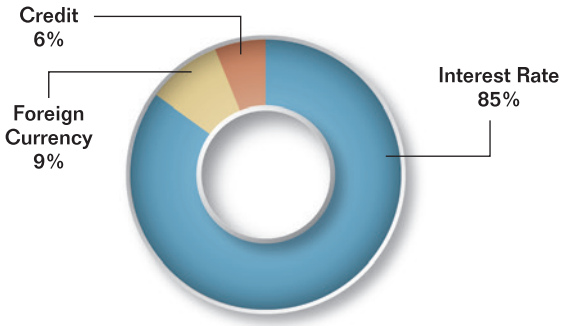
FY 2014 Trading Volume
Futures, Options, and Swaps[1]
(in trillions)



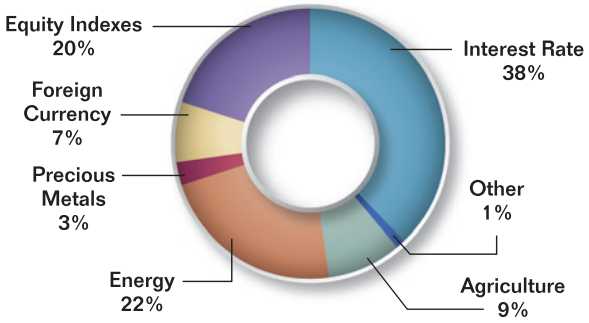
FY 2014 Notional Value
U.S. Swaps
$412 TRILLION

FY 2014 Notional Value
U.S. Futures and Options
$34 TRILLION

FY 2014 Trading Activity
Swaps



FY 2014 Trading Activity
Futures & Options



[1] *In 2013, the CFTC began publishing weekly and semi-annual swaps reports. The 2014 estimates are based on data from SDRs reported in the swaps reports. The CFTC Swaps Reports currently include only interest rates and credit, but the Commission expects to include additional asset classes in the near future. The CFTC Swaps Report currently incorporates data from four SDRs; however data from additional SDRs could be incorporated in the future.*

Industry Oversight—Clearing

Clearing has existed in the United States since the 1880s. Clearing through a CCP lowers risk to the market and promotes competition in and broadens access to the market by eliminating the need for market participants to individually determine counterparty credit risk, as now clearinghouses stand between buyers and sellers. The Commission oversees the clearing of futures, options, options on futures, and swaps by DCOs, and it oversees other market participants that may pose a risk to the clearing process including FCMs, SDs, MSPs, and large traders.

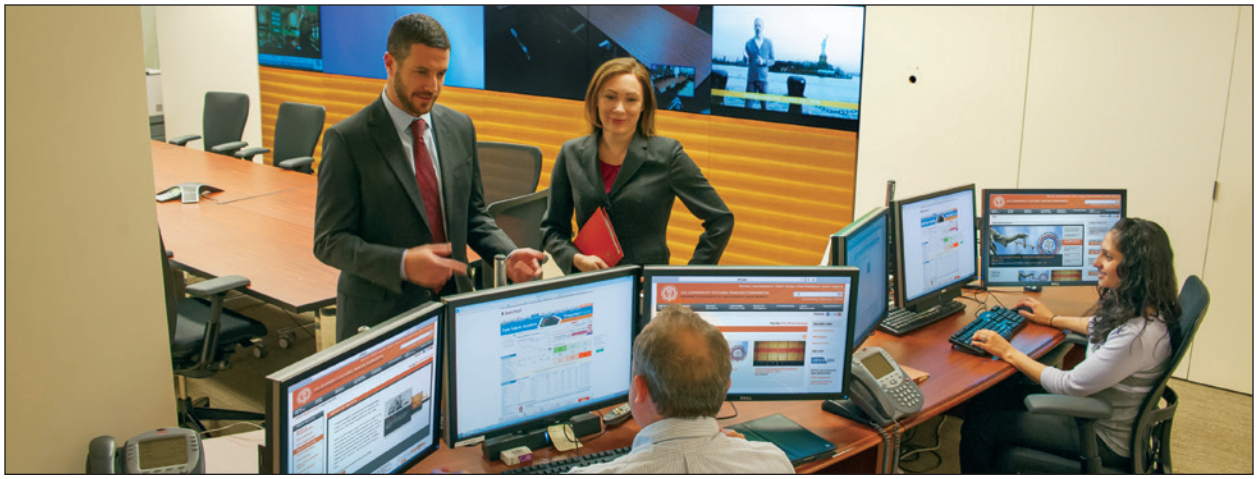
FY 2014 REGULATED ENTITIES	
Trading Entities	
Designated Contract Market (DCM)	15
Swap Execution Facility (SEF)	22
Clearing Entities	
Derivatives Clearing Organization (DCO)	15
Clearing Members	191
Systemically Important DCO (SIDCO)	2
Data Repositories	
Swap Data Repository (SDR)	4
Registrants	
Futures Commission Merchant (FCM)	78
Swap Dealer (SD)	104
Major Swap Participant (MSP)	2
Retail Foreign Exchange Dealer (RFED)	7
Commodity Trading Advisor (CTA)	2,525
Commodity Pool Operator (CPO)	1,774
Introducing Broker (IB)	1,359
Floor Broker (FB)	4,433
Floor Trader (FT)	813
Associated Person (AP)	57,578

Lowering Risk and Promoting Access

Clearinghouses reduce the risk that one entity's failure could adversely impact the public, by standing in between two parties to a transaction—as the buyer to every seller and the seller to every buyer—and maintaining financial resources to cover defaults. Clearinghouses value positions daily and require parties to post adequate margin on a regular basis. Clearing also fosters access for the broad market as it ensures that each individual participant does not have to be concerned about its counterparty's creditworthiness circumstances.

$78.2 Billion
AGGREGATE SUM OF ORIGINAL OR INITIAL MARGIN ON DEPOSIT BY CLEARING MEMBER FIRMS AS OF SEPTEMBER 2014

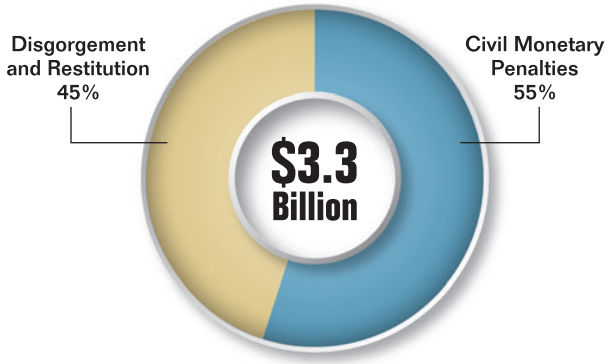
$223.1 Billion
CUSTOMER FUNDS HELD IN FCM ACCOUNTS AS OF SEPTEMBER 2014



Industry Oversight—Enforcement

The Commission protects market participants and other members of the public from fraud, manipulation and other abusive practices in the commodities, futures and swaps markets. Its cases range from quick strike actions against Ponzi enterprises that victimize investors across the country, to sophisticated manipulative and disruptive trading schemes in markets the Commission regulates including financial instruments, oil, gas, precious metals and agricultural goods.

FY 2014 Monetary Sanctions Assessed



Protecting Market Users and the Public

The Commission investigates and prosecutes alleged violations of the CEA and Commission regulations. The Commission takes enforcement actions against individuals and firms registered with the Commission, those who are engaged in commodity futures, option and swaps trading on designated domestic exchanges, and those who improperly market futures, option and swaps contracts.

240 NEW INVESTIGATIONS OPENED IN FY 2014

67 ENFORCEMENT ACTIONS FILED IN FY 2014

How We Operate

The CFTC organizations support the strategic plan goals through nine key mission areas identified by the Commission.

Registration

The Commission reviews the registration applications of all entities seeking to be registered as designated contract markets (DCMs), DCOs, SEFs and SDRs. Review teams comprised of attorneys, industry economists, trade practice analysts and risk analysts ensure that the Commission undertakes a thorough analysis of such applications to assess compliance with the applicable statutory core principles and Commission regulations. For SDs, MSPs, FCMs, and other intermediaries where registration responsibility has been delegated to the NFA, an SRO, the Commission provides registration regulatory guidance to the NFA and prospective registrants as well as oversight of the SRO's registration process including sampling testing of the application reviews and periodic targeted reviews of the SRO registration procedures generally. Site visits may be required to validate needed technical and self-regulatory capabilities and, upon completion of the entity's initial registration process, the CFTC continues to monitor registrant legal compliance and provide policy direction and legal interpretative guidance to SROs and registrants on an as needed basis.

Product Reviews

The Commission reviews new product filings as well as issues no-action letters related to product issues. The CFTC's traditional scope of work includes reviewing new futures and options contract filings, reviewing contract rule submissions, and developing new rules and policies to accommodate innovations in the industry, including the clearing of swaps. Currently, the Commission conducts due diligence reviews of new contract filings to ensure that the contracts are not readily susceptible to manipulation or price distortion, and that the contracts are subject to appropriate position limits or position accountability. The Commission also analyzes amendments to contract terms and conditions to ensure that the amendments do not render the amended contracts readily susceptible to manipulation and do not otherwise affect the value of existing positions. The Commission also evaluates swap products to determine whether the product is suitable for clearing by a DCO, and whether it should be mandated for clearing by market participants.

Surveillance

The Commission performs three broad types of surveillance: market and trade practice, financial and risk, and business analytics. The Commission monitors trading and positions of market participants on an on-going basis. Commission staff screen for potential market manipulations and disruptive trading practices, as well as trade practice violations. The Commission also monitors changing market conditions and developments, such as shifting patterns of commercial or speculative trading or the introduction of new trading activities, to assess possible market impacts on internal review techniques and/or evaluate the impact such changes may have on exchange trading rules and contracts. The Commission also conducts risk and financial surveillance across DCOs, clearing futures commission merchants, and other market participants such as SDs, MSPs, and large traders that may pose a risk to DCOs and to the clearing process. CFTC also maintains a business analytics platform for performing data analysis. The platform allows staff analyzing industry data to keep pace with the continuing growth in industry data volume and complexity. The Commission develops and implements technology based surveillance tools in support of existing and expanded responsibilities to ensure financially sound markets, mitigate systemic risk, and monitor intermediaries.

Examinations

Examinations are formal, structured assessments of regulated entities' operations, risk management or oversight programs to assess on-going compliance with statutory and regulatory mandates. Examinations are the most effective method of assessing entity compliance with the core principles established in the CEA, as amended, and this activity covers both the direct examinations performed by CFTC staff and the examination oversight responsibilities the Commission exercises over the SROs and designated SROs.

Enforcement

The Commission protects market participants and other members of the public from fraud, manipulation and other abusive practices in the commodities, futures and swaps markets. Its cases range from quick strike actions against Ponzi enterprises that victimize investors across the country, to sophisticated derivatives, segregation deficiencies, supervisory violations, manipulative and disruptive trading schemes in markets the Commission regulates including indexes, energy, interest rates, oil, gas, precious metals and agricultural goods.

International Policy

The global nature of the futures and swaps markets makes it imperative that the United States consult and coordinate with foreign authorities. The Commission is actively participating in international efforts to promote robust and consistent standards and avoid conflicting requirements, wherever possible. The Commission participates in numerous international working groups regarding swaps, including the IOSCO Task Force on over-the-counter derivatives, which the CFTC co-chairs, and the Committee on Payments and Market Infrastructures CPMI-IOSCO Steering Group on Standards for Financial Market Infrastructures. The CFTC, SEC, European Commission and European Securities Market Authority are intensifying discussions through a technical working group. The Commission also is consulting with many other jurisdictions such as Hong Kong, Singapore, Japan, and Canada.

Discussions have focused on the details of the Dodd-Frank Act rules, including mandatory clearing, trading, reporting and regulation of derivatives market intermediaries (as well as analogous requirements in other jurisdictions). The Commission's international outreach efforts directly support global consistency in the oversight of the swaps markets, and help support the competitiveness of U.S.-based portions of the industry.

Economic and Legal Analysis

The Commission supports an in-depth, analytical research program that focuses on innovations in trading technology, developments in trading instruments, and the role of market participants in the futures, options, and swap markets. A team of specialized economists supports the Commission's numerous divisions by analyzing these constantly evolving components of markets to help anticipate and mitigate significant regulatory, surveillance, clearing, and enforcement challenges. Economic expertise is especially important for the development and implementation of new financial regulations related to the Dodd-Frank Act and the oversight of a new swaps regime.

The legal activities of the OGC include: 1) providing advice on complex questions of statutory and regulatory interpretation arising under the CEA; 2) U.S. Courts of Appeals, *amicus curiae* litigation, industry bankruptcies, defense of rule challenges, and other litigation; 3) providing legal support and advice in connection with other relevant Federal statutes; 4) assisting the Commission in the performance of its adjudicatory functions; and 5) providing advice on legislative and other intergovernmental issues.

Data and Technology Support

The Commission provides a stable, scalable and secure information technology (IT) infrastructure. CFTC's IT infrastructure is the combination of hardware, software, network resources, facilities, and services that are common across the agency, forming the foundation of CFTC's IT environment. The CFTC increasingly relies on industry data to ensure that it can perform its regulatory and public policy functions effectively. The CFTC collects a large quantity of information from multiple industry sources across multiple markets. Increasing volume and complexity in these products and markets require the CFTC to regularly update technology to effectively analyze the reported data. Another priority is to meet business needs by empowering users with self-service technology platforms for data analysis and by implementing enterprise-focused automation solutions. Accordingly, the self-service technology platforms, including business

intelligence software and collaboration software, empower CFTC staff to quickly and iteratively develop analytical work products (*e.g.*, surveillance reports) and share information without a dependence on technologists to build solutions. If requirements are such that self-service is not practical, then CFTC will buy, configure, develop, and integrate the appropriate solutions to meet the business need.

Agency Direction and Management

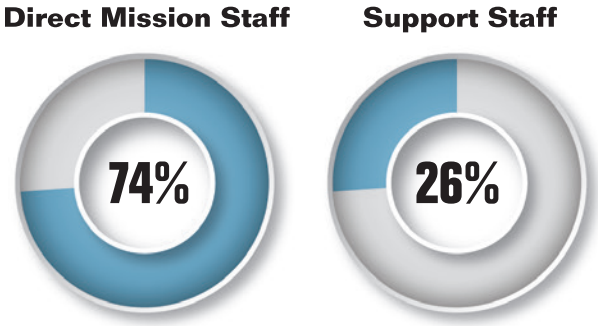
The CFTC's ability to achieve its mission of protecting the public, derivative market participants, the U.S. economy and the U.S. position in global markets is driven by well-informed and reasoned executive direction, strong and focused management, and an efficiently-resourced, dedicated, and productive workforce—this is a top-to-bottom requirement. These attributes of an effective organization combine to lead and support the critical work of the Commission to provide sound regulatory oversight and enforcement programs for the U.S. public. To ensure the Commission's continued success, continuity of operations, and adaptation to the ever-changing markets it is charged with regulating, the Commission must empower strong, enterprise-focused leaders, maintain a high-performing, diverse and engaged workforce, promote transparent and clear communication, and develop and equip leaders at all levels of the organization. The Commission must manage its resources effectively through effective internal controls, governance and planning processes and ensure its workforce has the leadership, knowledge, data and technology, and other tools to work effectively.

The CFTC is committed to operationalizing the Commission's expanded regulatory scope and to maintaining its strong presence in its traditional markets. This requires unambiguous and timely direction, and the right quantity and quality of staff, aligned in an optimal operating structure supported by the necessary training, development, tools, resources and working environment.

The Commission uses services provided by other agencies for its financial management and human resources systems, as well as services provided by commercial providers to many Federal agencies (*e.g.*, travel and hiring systems). The Commission must also maintain some administrative services that are unique to the Commission (*e.g.*, performance management, pay adjustment, and ethics compliance). To reduce data redundancy and rework, and support cost-effective automation, administrative data and systems must continue to be centralized, replacing point solutions and eliminating redundant data stores.

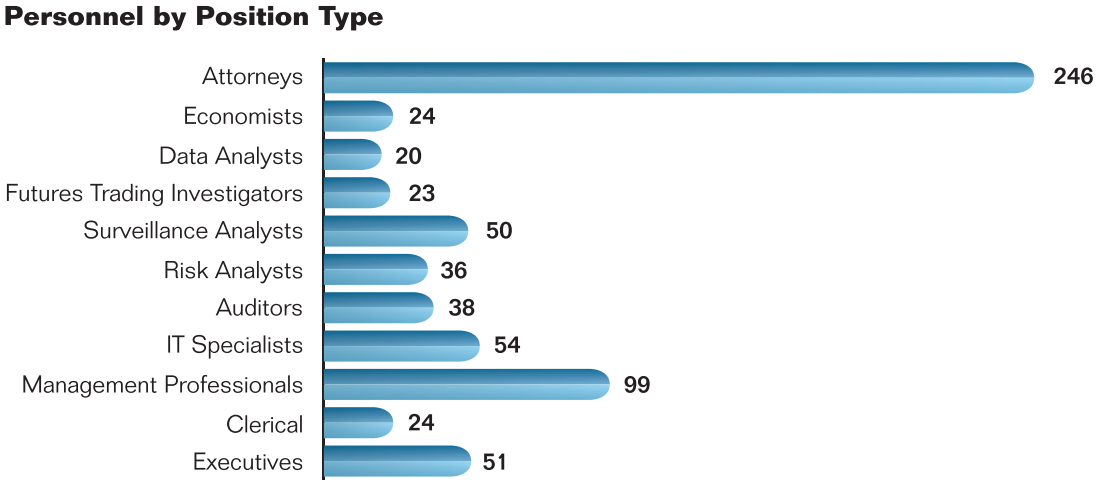
Our People

Collectively, the Commission employs 665 full-time permanent employees that comprise 491 direct mission staff (attorneys, economists, auditors, risk and trade analysts, and other financial specialists) and 174 management and support staff to accomplish five strategic goals and nine key mission activities in the regulation of commodity futures, options, and swaps.



Personnel by Position Type[2]

Among the full-time personnel, the majority of Commission staff is analytical professionals with strong academic records and specialized skills in the commodities industry.



[2] *Includes five full-time permanent employees in the Consumer Outreach and Whistleblower Offices. The Consumer Outreach and Whistleblower Offices are funded by the CFTC Customer Protection Fund, a revolving fund, established under Section 748 of the Dodd-Frank Act.*

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.

Our Space

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 by the end of the calendar year 2014 to comply with Federal guidance on the efficient use of space and property.

SPACE LEASE COST (INCLUDING PASS-THROUGH[3] AND UTILITIES WHERE APPLICABLE)			
Facility	**FY 2012 Actual ($000)**	**FY 2013 Actual ($000)**	**FY 2014 Actual ($000)**
Washington, DC	$14,654	$14,432	$14,210
Chicago	2,083	2,233	2,177
New York	197	1,807	2,195
Kansas City	717	617	409
COOP Site	84	89	93
TOTAL	**$17,735**	**$19,178**	**$19,084**

RENTABLE 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**

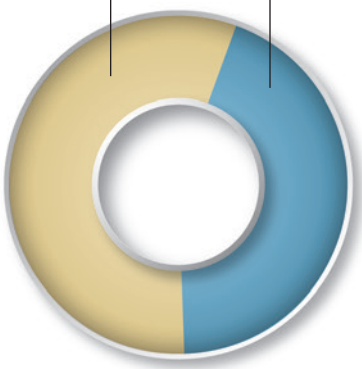
[3] *In addition to the base rent, the tenant also pays a proportionate share of building operating costs incurred by the landlord, which may not be billed for two years past the fiscal year reported.*

Our Resources

FY 2014 CFTC Budgetary Resources

FY 2014
CFTC Customer Protection Fund:
$274.9 Million

The CFTC CPF is a revolving fund established under Section 748 of the Dodd-Frank Act 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.



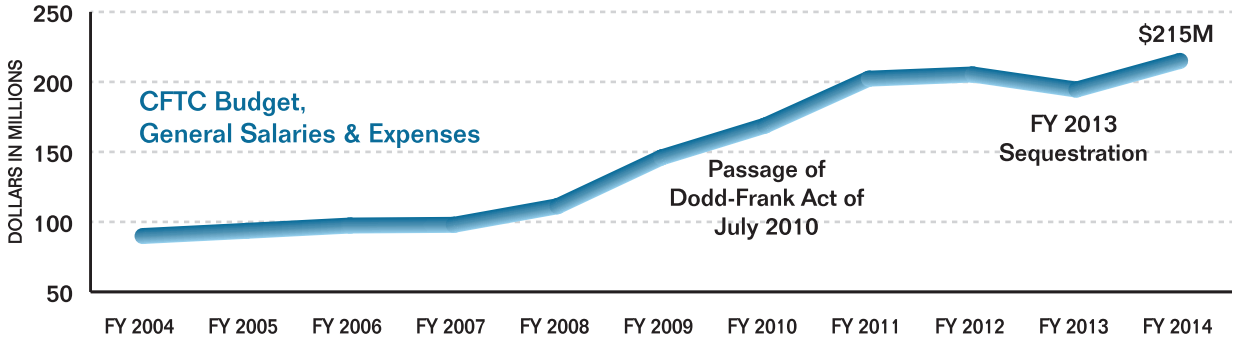
FY 2014
CFTC Appropriation:
$215.0 Million

Appropriations for the CFTC fund the annual salaries and expenses of the agency. A portion of the appropriation is earmarked by Congress for IT investments and for the Office of the Inspector General.

Summary of CFTC Appropriations

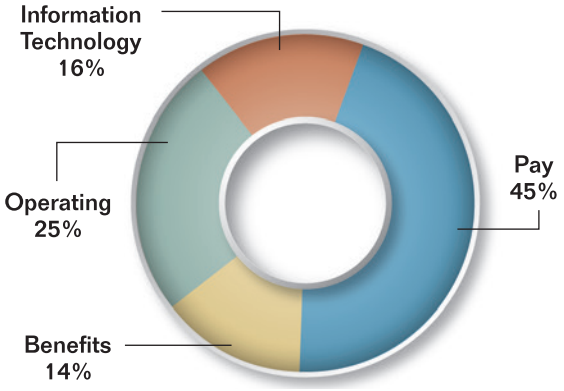
10-Year Appropriation Trends

The following graph shows trending data for appropriated funding from FY 2004 to FY 2014.



Breakout of FY 2014 Obligations by Fund Type

Personnel costs were 59 percent of the Commission's total obligations in FY 2014. The Commission obligated 16 percent for information technology investments.

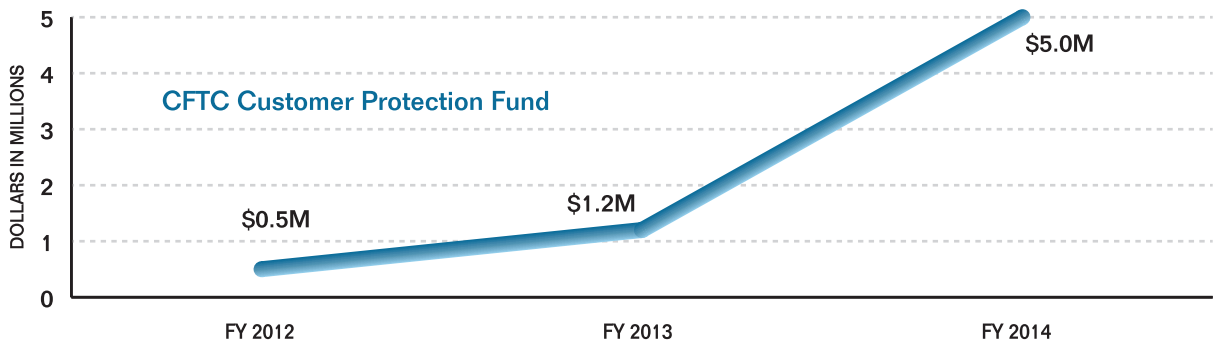


Summary of CFTC Customer Protection Fund Obligations

3-Year Obligation Trends (Revolving Fund)

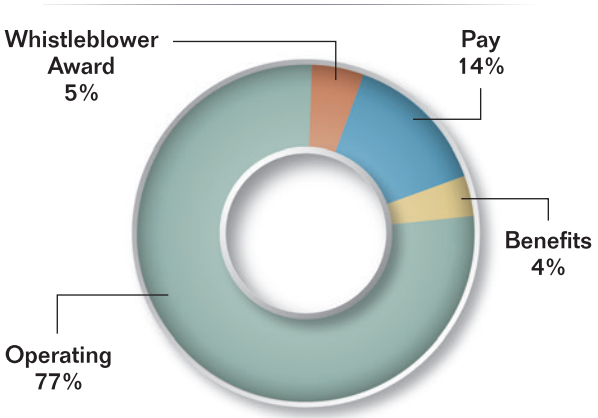
The CFTC CPF is a revolving fund established under Section 748 of the Dodd-Frank Act for the payment of awards to whistleblowers and the funding of customer education initiatives designed to help customers protect themselves against fraud or other violations of this Act, or the rules and regulations thereunder.

The following graph shows trending data for total obligations from FY 2012 to FY 2014. The Whistleblower and Customer Outreach Offices were established in FY 2011 and began operating in FY 2012. In FY 2014, the Commission made its first award to a whistleblower for providing valuable information about violations of the CEA.



Breakout of FY 2014 Obligations by Fund Type

The chart to the right shows the CFTC CPF total obligations for FY 2014.



Strategic Response

OBJECTIVE 5.1: An organizational structure that is aligned and streamlined to operate and carry out its mission efficiently and effectively.

OBJECTIVE 5.2: Effectively respond to the regulatory needs of a dynamic and complex derivatives market place and efficiently allocate limited resources to the highest priority activities.

OBJECTIVE 5.3: Attract, engage, develop and retain an exceptionally qualified, diverse, and productive workforce.

OBJECTIVE 5.4: Information Technology supports and enhances mission accomplishment through effective and efficient infrastructure, systems and services.

OBJECTIVE 5.5: Ensure effective stewardship and management of CFTC financial resources.

OBJECTIVE 1.1: Ensure that markets are structured to reflect the forces of supply and demand for the underlying commodity and are free from manipulation, disruptive activity and abusive trading practices.

OBJECTIVE 1.2: Ensure that U.S. DCMs and SEFs have the systems, procedures and resources necessary for effective self-regulation and ongoing compliance with Core Principles.

OBJECTIVE 1.3: Promote transparency by producing and publishing summary market statistics for the futures, options and swaps markets.

OBJECTIVE 2.1: Clearing organizations and firms participating in the derivatives industry are financially sound.

OBJECTIVE 2.2: Registered intermediaries meet standards for fitness and conduct.

OBJECTIVE 2.3: Ensure that self-regulatory organizations fulfill their financial surveillance responsibilities.

OBJECTIVE 2.4: Ensure that information technology systems support the Commission's existing and expanded responsibilities to ensure financially sound markets, mitigate systemic risk, and monitor intermediaries.

OBJECTIVE 4.1: Cooperate and coordinate with domestic and foreign regulatory authorities.

OBJECTIVE 4.2: Promote high levels of internationally accepted standards of best practice.

OBJECTIVE 4.3: Provide Global Technical Assistance.

OBJECTIVE 3.1: Identify and stop violations of the Commodity Exchange Act and Regulations; deter others from engaging in future misconduct.

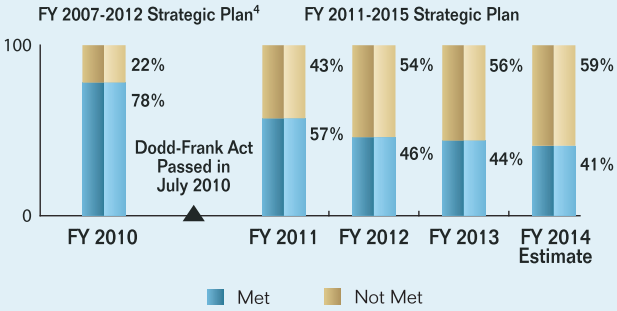
OBJECTIVE 3.2: Increase cooperative enforcement.

The Commission's updated Strategic Plan was published in February 2011 and is located at *http://www.cftc.gov/reports/strategicplan/2015/index.htm*. It integrated the expanded responsibilities under the Dodd-Frank Act. As a set of guiding principles for implementing new regulatory and mission activities, this plan provides direction during a time of uncertainty. These strategic goals were constructed in a focused way, lending credence to unifying goals found within the CEA and Dodd-Frank Act. A new Strategic Plan for FY 2014 - 2018 was published November 2014 and is located at *http://www.cftc.gov/About/CFTCReports/index.htm*.

Performance Highlights

Summary of Performance Results

The bar graph to the right presents the ratings distribution for performance results reported from FYs 2010 through 2014. Preliminary results for FY 2014 indicate that the Commission met 41 percent of its performance targets. This represents a three percent decrease over FY 2013. Performance targets were set in FY 2011 in light of the expanded responsibilities given to the Commission under the Dodd-Frank Act.



Strategic Plan Overview

The FY 2011 - 2015 Strategic Plan, released in February 2011, incorporated the Dodd-Frank Act, which gave CFTC unprecedented oversight responsibility of the swaps marketplace. This new responsibility expanded CFTC's mission of ensuring the fair, open, and efficient functioning of the futures market and represents approximately an eight times growth to the CFTC's regulatory portfolio. The FY 2011 - 2015 Strategic Plan addressed the regulation of swaps and the resource growth accompanied with this new mission.

FY 2011 – 2015 Strategic Goals	
Goal 1	Protect the public and market participants by ensuring market integrity, promoting transparency, competition and fairness and lowering risk in the system.
Goal 2	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	Protect the public and market participants through a robust enforcement program.
Goal 4	Enhance integrity of U.S. markets by engaging in cross-border cooperation, promoting strong international regulatory standards, and encouraging ongoing convergence of laws and regulation worldwide.
Goal 5	Promote Commission excellence through executive direction and leadership, organizational and individual performance management, and effective management of resources.

[4] *Expired performance measures were under the FY 2007-2012 Strategic Plan.*

Strategic Goals and Key Results

The following section includes a high-level discussion of each of the five strategic goals, as well as a tactical goal for Dodd-Frank Act rule making, and the related key results. The CFTC has largely moved beyond rule writing and initial compliance dates and is now focused on registering entities and ensuring they fully comply with relevant regulations.

The selected accomplishments described below demonstrate progress made in FY 2014 toward the achievement of the Commission's mission and strategic goals. Progress continues to be hampered due to limited resources being allocated across existing authorities and new Dodd-Frank Act authorities. A new Strategic Plan spanning FY 2014 to FY 2018 will be introduced starting in the FY 2015 performance cycle and will contain a new set of performance goals. In order to provide better and more frequent assessments to leadership, the CFTC plans to monitor and analyze the progress of these performance goals on a quarterly basis.

The Commission's FY 2014 APR, to be issued in February 2015 as part of its Congressional Budget Justification in conjunction with the President's Budget, will present more detailed analysis of the following performance results.

Objective 0.1 Financial Reform Legislation

The focused rule writing effort required by the Dodd-Frank Act is a tactical goal that has an Objective, Strategy and Performance Measure. Where proposed and interim final rules have been issued, the Commission continues to afford as much opportunity as practicable for public comment both through written submissions and through public meetings. The Commission fully considers the comments and continues to offer this opportunity as additional proposed rules are developed. The CFTC has and will continue to work with the SEC and other regulators to maximize consistency, minimize overlap or duplication, and develop the best possible final rules.

Objective 0.1 Key Results

The Dodd-Frank Act set a timeframe of 360 days (or less in a few instances) for completion of the rules. The Dodd-Frank Act was signed by the President on July 21, 2010, making July 16, 2011, the target date for completion of all the rules. While the Commission has completed the majority of rules required under the Dodd-Frank Act, a few remain to be finalized. The Commission actively seeks and takes into full consideration public comments regarding the costs, benefits, and economic effects of proposed rules. Given the significance of the rules and heightened public interest and participation in the rulemaking, it takes substantial time and resources to get to final Commission action on a rule. Several other variables often contribute to a longer process.

- To ensure development and implementation of rules that are well balanced between risk mitigation and cost to the industry and public, additional meetings and opportunities for public input with Congress, industry, and the public are often necessary and appropriate; and
- While some rules are fairly straight forward, many are intricate and raise interrelated and complex issues. Staff members require the appropriate time to analyze, summarize, and consider the additional public input that has been sought, and develop draft final rules for deliberation by the Commission.

Despite the above challenges, the Commission has achieved the following record of Dodd-Frank Act related rulemaking through September 30, 2014:

- Issued 74 proposed rules and issued 64 final rules;
- Received, reviewed, and analyzed approximately 36,000 comments; and
- Held 16 technical conferences/roundtables.

Strategic Goal One

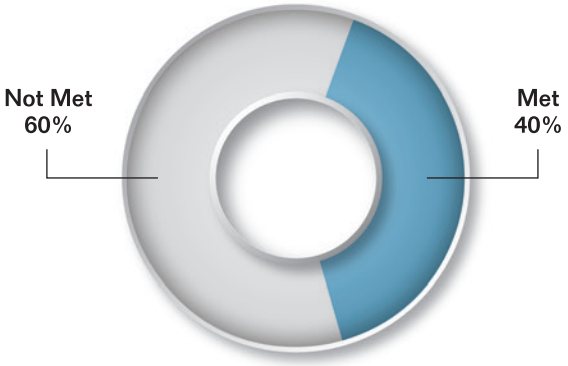
Strategic Goal One

Protect the public and market participants by ensuring market integrity, promoting transparency, competition and fairness and lowering risk in the system.

FY 2014 INVESTMENT		
	FY 2014 Actual	**Change (+/-) from FY 2013**
Net Cost:	$56.8 Million	-$5.4 Million
Staffing:	205 FTE	-7 FTE

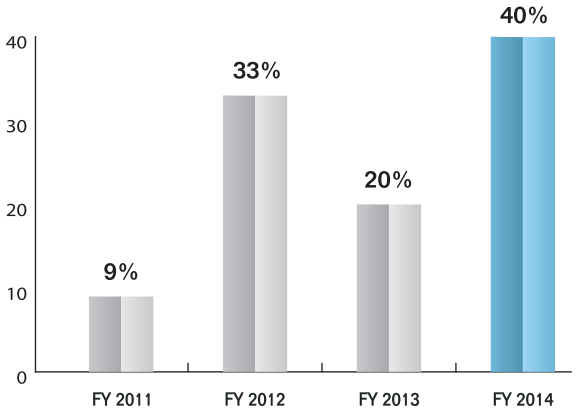
Goal One Performance Results[5]

FY 2014 Performance Summary



Total Number of Results: 10

FY 2014 Performance Trend



Goal One Market Integrity

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.

[5] *FY 2014 Estimates Based on Mid-Year Update.*

The Commission strives to assure that Goal One is effectively met through the combined use of five oversight strategies: 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 their self-regulatory obligations; 4) the review of registered swap data repositories 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 Key Results

- Completed and began implementing the rules providing registration and operation requirements for SEFs that became effective on May 16, 2013, and provisionally registered 22 SEFs by May 9, 2014.
- Completed three rule enforcement reviews (RERs) of designated contract markets. These include RERs of the North American Derivatives Exchange in November 2013; OneChicago in April 2014; and ICE Futures U.S. in July 2014.
- Completed reviews of 80 new product certifications, nine exempt market filings, 932 rule filings, 24 foreign security index certifications, and one Foreign Board of Trade (FBOT) no-action request.
- Completed reviews of all SDR applications for provisional registration.
- Issued an amendment to 17 CFR §49.17(f)(2) adopting an interim final rule to clarify the scope of permissible access by market participants to swap data and information maintained by a registered SDR. This rule provides an exception for data and information related to a particular swap that is maintained by the registered SDR to be accessible by either counterparty to that particular swap.
- 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.
- Finalized the Volcker Rule with the Federal Reserve Board, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporations, and SEC, and coordinated with those agencies in responding to numerous frequently asked questions and interpretive inquiries. The CFTC also developed the data base systems and worked with the other agencies and banking entities to prepare for and begin receiving the required Volcker reporting metrics data in a standardized format.
- Continued the use of Special Call Authorities, which require entities to provide data and market behavior explanations not normally available to 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 Division of Enforcement.
- Completed the "Made Available to Trade" rulemaking, effective on May 16, 2013, that allows a DCM or SEF to subject a swap that it determines is "available to trade" to the trade execution requirement.
- Drafted two significant IOSCO reports: the Report on Over-the-Counter Derivatives Data Reporting and Aggregation Requirements and the Report on Trading of Over-the-Counter Derivatives.
- Created three new automated alerts and three new reports and enhanced four trade practice alerts, providing for a more efficient and effective market and trade surveillance program.

Strategic Goal Two

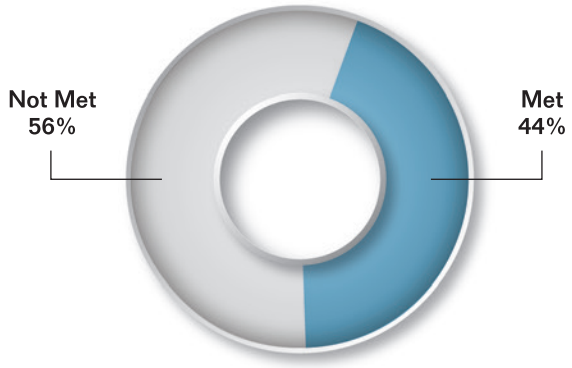
Strategic Goal Two

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.

FY 2014 INVESTMENT		
	FY 2014 Actual	**Change (+/-) from FY 2013**
Net Cost:	$52.0 Million	-$5.5 Million
Staffing:	161 FTE	-48 FTE

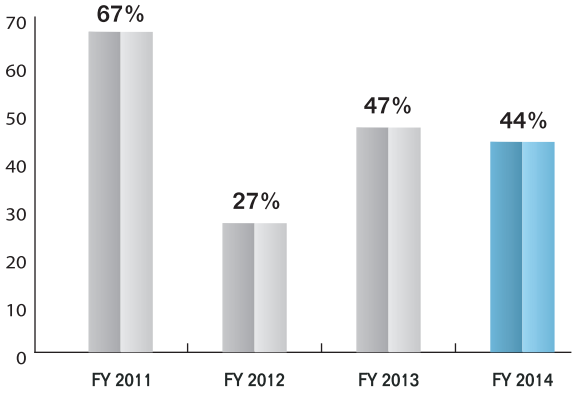
Goal Two Performance Results[6]

FY 2014 Performance Summary



Total Number of Results: 17

FY 2014 Performance Trend



Goal Two Clearing Integrity

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, commodity pool operators (CPOs), commodity trading advisors (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

[6] *FY 2014 Estimates Based on Mid-Year Update.*

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 Key Results

- Completed annual examinations of systemically important DCOs (SIDCOs) where the Commission has been named the Supervisory Agency. The Commission selected the system safeguards core principle, with an emphasis on information security, for one SIDCO examination and selected seven core principles for the second examination.

- Evaluated additional swap products to determine the eligibility of DCOs to offer such products for clearing and is conducting on-going analysis to determine whether these swaps should be subject to a future clearing requirements.

- Granted DCO registrations to two clearing organizations, LCH.Clearnet SA and Singapore Exchange Derivatives Clearing Ltd. The Commission also vacated the DCO registration of New York Portfolio Clearing and amended a 4d order in order to facilitate the transfer of clearing services from New York Portfolio Clearing to ICE Clear Europe. Commission staff 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, 201 DCO rules were filed as self-certifications under Regulation 40.6 and seven 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.

- Completed the "Derivatives Clearing Organizations and International Standards" rulemaking, effective on December 31, 2013, that established additional standards, which are consistent with the Principles for Financial Market Infrastructures published by the Committee on Payment and Settlement Systems CPSS–IOSCO, for compliance with the DCO core principles set forth in the CEA for SIDCOs and DCOs that elect to opt-in to the SIDCO regulatory requirements.

- Completed the "Protection of Collateral of Counterparties to Uncleared Swaps" rulemaking, effective on January 6, 2014, that imposed requirements on SDs and MSPs with respect to the treatment of collateral posted by their counterparties to margin, guarantee, or secure uncleared swaps.

- Issued proposed rules that would set margin requirements for uncleared swaps, on September 17, 2014. The rules are very similar to international standards that were issued in September 2013 and to rules that were recently proposed by the U.S. prudential regulators.

- Adopted new regulations and amended existing regulations to require enhanced customer protections, risk management programs, internal monitoring and controls, capital and liquidity standards, customer disclosures, and auditing and examination programs for futures commission merchants.

Strategic Goal Three

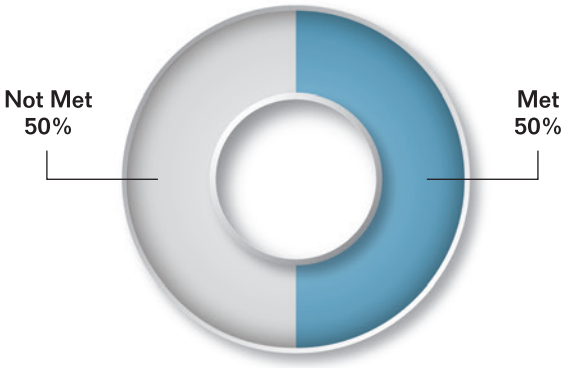
Strategic Goal Three

Protect the public and market participants through a robust enforcement program.

FY 2014 INVESTMENT		
	FY 2014 Actual	**Change (+/-) from FY 2013**
Net Cost:	$71.5 Million	+$7.4 Million
Staffing:	202 FTE	+32 FTE

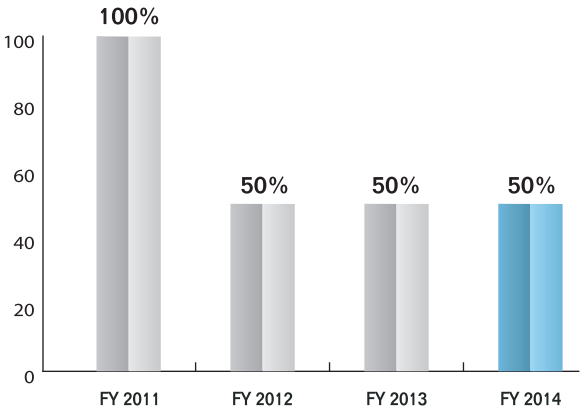
Goal Three Performance Results[7]

FY 2014 Performance Summary



Total Number of Results: 2

FY 2014 Performance Trend



Goal Three Robust 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 67 new enforcement actions and opened more than 240 new investigations in FY 2014. In addition, the Commission obtained more than $3.27 billion in sanctions,

[7] *FY 2014 Estimates Based on Mid-Year Update.*

including orders imposing more than $1.8 billion in civil monetary penalties and more than $1.4 billion in restitution and disgorgement.

Goal Three Key Results

- Continued to investigate whether certain banks and inter-dealer brokers have manipulated or attempted to manipulate or made false reports concerning global benchmark interest rates, including LIBOR. To date, the Commission has filed and settled five actions, against Barclays, UBS, RBS, Rabobank and ICAP imposing penalties of nearly $1.8 billion. This matter is being investigated in coordination with several other domestic and foreign regulators and agencies.

- Continued to investigate whether certain financial institutions, approximately 14 entities in total, manipulated or attempted to manipulate a benchmark for interest rate swaps, the ICAP ISDAFIX. ISDAFIX is the leading benchmark for annual swap rates for swap transactions worldwide, is used as a reference rate in connection with early termination of swap transactions and by both the Chicago Mercantile Exchange and the Chicago Board of Trade as the settlement price in their swap futures contracts. The Commission is also conducting a parallel investigation with Federal Energy Regulatory Commission (FERC) to determine whether a firm engaged in a manipulation scheme in the natural gas markets. Specifically, the Commission is investigating whether monthly index prices were manipulated in order to generate profits on concurrently held financial positions in natural gas basis swaps.

- Resolved litigation against Eric Moncada and proprietary trading firms BES Capital LLC (BES) and Serdika LLC (Serdika), on charges of attempted manipulation through "spoofing" orders, fictitious and non-competitive transactions in the wheat futures market. The court granted a summary judgment on the charges of fictitious sales and non-competitive transactions, in addition to permanent trading and registration ban. 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.

- Filed and settled charges that Sean R Stropp made false and misleading statements of material fact and omitted material facts to the Commission during an investigation. Specifically, Stropp provided the Commission a signed and notarized financial disclosure statement that omitted material facts, including both under his control of, and his spouse's ownership interest in, another entity selling leveraged metals contracts.

- Won on a liability verdict after trial against a major off-exchange metals company on fraud charges in connection with financed transactions in precious metals that resulted in millions of dollars in customer losses. The court found that over 90 percent of Hunter Wise's retail customers lost money, and Hunter Wise Commodities, LLC and its two principal owners had knowingly defrauded more than 3,200 retail customers. Earlier in the fiscal year, CFTC won a summary judgment on charges that the defendants' transactions violated the Dodd-Frank Act's new provisions requiring this type of transaction to be executed on exchange. Along with the other precious metals cases, this action was a prime example of how the Commission is using its new authority under the Dodd-Frank Act to pursue wrong-doers who prey on investors looking to make investments in commodities like gold and silver.

Strategic Goal Four

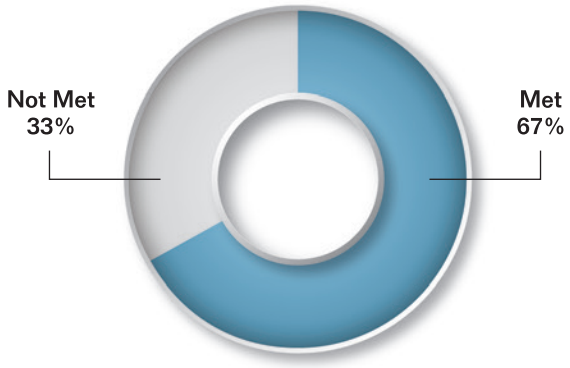
Strategic Goal Four

Enhance integrity of U.S. markets by engaging in cross-border cooperation, promoting strong international regulatory standards, and encouraging ongoing convergence of laws and regulation worldwide.

FY 2014 INVESTMENT		
	FY 2014 Actual	**Change (+/-) from FY 2013**
Net Cost:	$11.7 Million	+$4.4 Million
Staffing:	38 FTE	+18 FTE

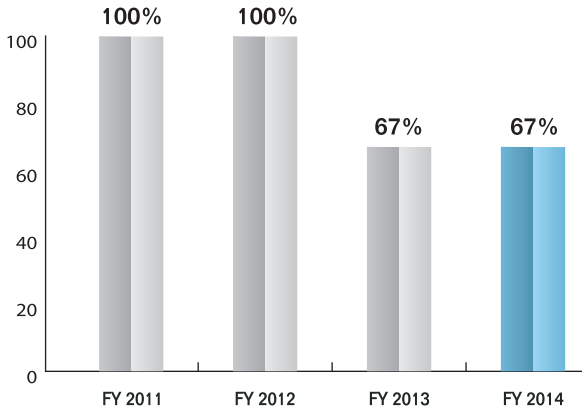
Goal Four Performance Results[8]

FY 2014 Performance Summary



Total Number of Results: 3

FY 2014 Performance Trend



Goal Four Cross-Border Cooperation

The implementation of comprehensive regulations under the Dodd-Frank Act legislation marks a new era in the swaps marketplace by mandating, among other things, the regulation of SDs, clearing of swaps, trade execution and transparency with respect to those transactions. However, because the swaps market is conducted on a global basis, it is possible for U.S. financial institutions executing swaps offshore to transmit the risk of those transactions back to the United States. This already has transpired with the offshore affiliates of AIG, Lehman Brothers, Citigroup, Bear Stearns, and Long Term Capital

[8] *FY 2014 Estimates Based on Mid-Year Update.*

Management, and more recently in 2012 when JPMorgan Chase incurred trading losses related to swaps booked through its London branch.

Recognizing this risk, the United States joined with other G-20 leaders in 2009 to require 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 robust swaps regulation. The Commission remains committed to taking a strong role in international standard-setting organizations such as IOSCO, which recently recognized the Commission's long history of contributions by voting to make the Commission a full member and by making the Commission co-chair of IOSCO Committee 7, Committee on Commodities Derivatives.

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 Memorandum of Understanding, which enables the Commission to obtain cooperation from approximately 100 foreign regulators in enforcement matters. The Commission's recent 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 2014 with regulators in Australia, Canada, Japan, and Singapore.

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. The Commission's international training symposium has consistently attracted wide attendance by foreign regulators who look to the Commission as a global standard setter in derivatives regulation.

Goal Four Key Results

- Continued its important work on substituted compliance, completing eight internal assessments and recommendations for Commission leadership regarding whether the laws and regulations of certain foreign jurisdictions were comparable to and as comprehensive as those administered by the Commission with respect to the oversight of foreign SDs and foreign MSPs. In December 2013, the CFTC issued substituted compliance determinations for SDs and MSPs in Australia, Canada, the European Union (EU), Hong Kong, Japan, and Switzerland with respect to certain entity level requirements. At the same time, the CFTC issued substituted compliance determinations for the EU and Japan with respect to certain transaction-level requirements. The Commission was approached by a number of additional foreign jurisdictions seeking comparability determinations and it is considering those applications.

- Set forth an alternative to SEF registration for EU-regulated multilateral trading facilities (MTFs) that are subject to regulation that is comparable to CFTC requirements. Persons executing swaps on such qualifying MTFs would satisfy the CFTC's trade execution mandate. In May 2014, CFTC extended a previous grant of relief to an Australian trading venue.

- Worked with the Aggregation Feasibility Study Group (AFSG) formed by CPMI/IOSCO to analyze options for aggregating trade repository data such that regulators and authorities could fulfill their respective mandates while supporting the financial stability of the markets. The CFTC responded to this call by accepting IOSCO's request to co-chair the AFSG, along with the European Central Bank as the co-chair representing the CPMI. On September 19, 2014, the Financial Stability Board published the final report of the AFSG and approved the undertaking of the recommended key steps described in the final report. The CFTC is taking a leadership role in the organization and forthcoming execution of the following recommended key steps:

  - The development and implementation of a uniform global unique transaction identifier (UTI) and unique product identifier (UPI);

- The development of global guidance on the harmonization of data elements reported to trade repositories that are important for authorities to aggregate in order to fulfill their respective mandates and support the financial stability of the markets; and
- The study of the legal and regulatory changes that would be needed to implement a global aggregation mechanism, and an appropriate related governance structure.

- Worked with international authorities with responsibility for the regulation of the over-the-counter derivatives markets in major market jurisdictions to support the adoption and enforcement of rigorous and consistent standards, develop concrete and practical solutions to conflicting application of rules, and identify inconsistent or duplicative requirements.
- Worked throughout the year with foreign authorities, including the European Commission, European Securities Market Authority, and other foreign regulators to coordinate policies that will be needed to implement final Commission Dodd-Frank Act rules for market infrastructure and participants (*e.g.*, with regard to SDRs, SDs, DCOs, and SEFs).
- Continued to enhance its cooperation with foreign regulators in the supervision of regulated entities by signing several supervisory cooperative arrangements and continuing negotiations with respect to pending arrangements. The Commission also continued its long-standing practice of cooperating with foreign regulators in an enforcement context.
- Trained over 50 foreign regulators at its international training symposium to assist in establishing and implementing laws and regulations that minimize the likelihood of regulatory arbitrage and promote cross-border enforcement and supervisory assistance.

Strategic Goal Five

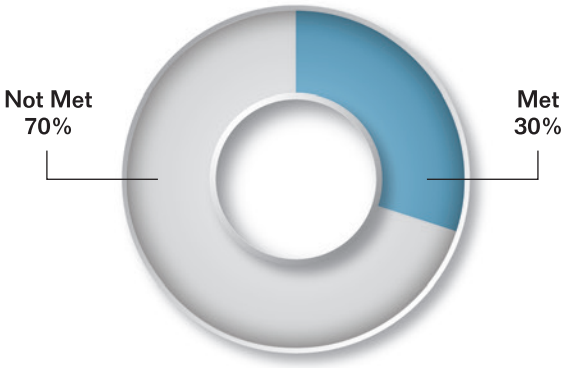
Strategic Goal Five

Promote Commission excellence through executive direction and leadership, organizational and individual performance management, and effective management of resources.

FY 2014 INVESTMENT		
	FY 2014 Actual	**Change (+/-) from FY 2013**
Net Cost:	$25.4 Million	-$1.6 Million
Staffing:	41 FTE	-30 FTE

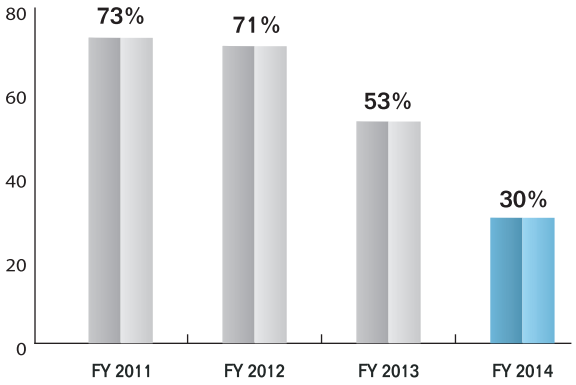
Goal Five Performance Results[9]

FY 2014 Performance Summary



Total Number of Results: 15

FY 2014 Performance Trend



Goal Five Organizational and Management Excellence

Over the past four years the Commission has developed and implemented a host of rules, many of which addressed Dodd-Frank Act requirements and altered and expanded the Commission's mission and operation. 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.

[9] *FY 2014 Estimates Based on Mid-Year Update.*

Goal Five Key Results

- Continued to promote diversity and inclusion throughout CFTC; three charters with internal affinity organizations (Association of Asian Americans and Pacific Islanders, Hispanic-Latino Employee Association, and Association of African Americans) were established in FY 2014. These affinity groups sponsored five brown bag lunches to promote professional development and four outreach activities to promote CFTC careers among target populations.

- Held 52 internal training opportunities across a wide range of technical and leadership topics. In addition, the Commission enhanced or established a number of desktop learning tools that can be accessed by employees at any location at their convenience. For example, in February 2014, CFTC secured a contract with the Practicing Law Institute (PLI) that allows all CFTC staff to have access to PLI's in-person conference and online learning library.

- Broadened the privacy threshold analysis process to alert the Program Leaders about anticipated data collections, new technologies, or changes to technology that may raise information governance risks, *e.g.*, privacy, records, e-discovery, Freedom of Information Act (FOIA), legal or human resources risks. This new "InfoGov Questionnaire" process is working well, and the Information Governance Program Leaders have provided feedback on over a dozen projects to minimize the risk to the CFTC.

- Upgraded its core financial system in FY 2014. The upgrade provides for stronger validation rules, improved functionality, and improved system integration. The result is better oversight and safeguard of taxpayer resources and improved accountability.

- Implemented position limit monitoring tools, which monitor positions held by trader groups across commodity groups and help in identifying groups who may be in violation of Federal exchange position limits.

- Expanded CFTC Portal capabilities to allow product and rule submissions as well as other information required by newly-implemented rules to be received electronically and automatically update Commission systems. Electronic reporting of structured data from industry required by Dodd-Frank Act rules, including Volcker rule data, legal entity identifier (LEI) data, interim SDR data, and clearing data was implemented. The Commission began sharing data related to energy derivative trading with the FERC, allowing the FERC to enhance its monitoring of energy markets.

- Improved mobile computing and mobile communications for staff by completing a mobile technology refresh.

- Piloted and implemented a high-performance computing platform. This platform will give staff the ability to perform analysis of high frequency trading and other data-intensive market activities.

- Successfully completed all planned FY 2014 business continuity test activities. Audio analytics enhancements provide enforcement staff with expanded metadata searching capabilities, expanded file tagging capabilities, and more efficient file handling.

- Completed the integration of Swaps (Part 20) data with futures integrated surveillance system (ISS) data, which provides CFTC staff with the ability to review combined positions and more accurately analyze aggregate risk.

- Improved the quality and consistency of data housed in the Swaps and Derivatives Database, which significantly increased its utility in market surveillance activities. In addition, the phased harmonization of data across multiple SDRs is being executed by the CFTC, industry participants, and other regulators. The Swaps and Derivatives Database collects and maintains data and assists CFTC staff as they monitor derivatives markets. The Swaps and Derivatives Database houses daily swaps position data that is analyzed by staff in concert with large trader position data and trade surveillance data.

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 2010 through FY 2014. The table is immediately followed by a discussion and analysis of the Commission's major financial highlights for FY 2014.

5-Year Financial Summary

Highlights	2014	2013	2012	2011	2010
Condensed Balance Sheet Data					
Fund Balance with Treasury	$ 47,070,343	$ 36,467,970	$ 82,557,690	$ 81,785,717	$ 44,321,898
Investments	270,000,000	95,000,000	77,135,901	–	–
Accounts Receivable	11,112	13,252	20,976	59,226	4,836
Prepayments	1,712,871	1,541,681	1,803,497	1,109,626	641,957
Custodial Receivables, Net	4,218,788	69,744,626	4,140,347	2,574,173	2,319,934
General Property, Plant, and Equipment, Net	54,464,549	58,251,172	53,410,435	42,346,895	25,203,787
Deferred Costs	64,201	220,953	1,234,223	6,254,873	6,303,367
TOTAL ASSETS	**$ 377,541,864**	**$ 261,239,654**	**$ 220,303,069**	**$ 134,130,510**	**$ 78,795,779**
Accounts Payable	$ 5,483,221	$ 5,092,410	$ 7,217,772	$ 7,092,349	$ 7,650,033
FECA Liabilities	549,734	596,353	764,243	528,512	256,801
Accrued Payroll and Annual Leave	13,007,491	11,651,586	16,477,676	15,464,338	14,460,136
Custodial Liabilities	4,218,788	69,744,626	4,140,347	2,574,173	2,319,934
Deposit Fund Liabilities	134,683	83,997	77,098	57,127	22,226
Deferred Lease Liabilities	25,961,973	25,241,114	24,808,042	21,974,782	12,174,352
Contingent Liabilities	85,000	–	–	–	–
Other	11,699	19,600	19,050	19,649	7,226
TOTAL LIABILITIES	**$ 49,452,589**	**$ 112,429,686**	**$ 53,504,228**	**$ 47,710,930**	**$ 36,890,708**
Unexpended Appropriations – All Other Funds	35,420,980	25,006,039	46,349,473	44,666,156	30,449,492
Cumulative Results of Operations – Funds from Dedicated Collections	274,315,312	99,904,291	99,996,749	23,755,000	–
Cumulative Results of Operations – All Other Funds	18,352,983	23,899,638	20,452,619	17,998,424	11,455,579
Total Net Position	**328,089,275**	**148,809,968**	**166,798,841**	**86,419,580**	**41,905,071**
TOTAL LIABILITIES AND NET POSITION	**$ 377,541,864**	**$ 261,239,654**	**$ 220,303,069**	**$ 134,130,510**	**$ 78,795,779**
Condensed Statements of Net Cost					
Gross Costs	$ 217,450,008	$ 218,155,538	$ 207,618,265	$ 187,648,360	$ 169,540,777
Earned Revenue	(31,375)	(49,483)	(227,504)	(88,720)	(71,840)
TOTAL NET COST OF OPERATIONS	**$ 217,418,633**	**$ 218,106,055**	**$ 207,390,761**	**$ 187,559,640**	**$ 169,468,937**
Net Cost of Operations by Strategic Goal					
Goal One – Market Integrity	$ 56,746,263	$ 62,225,658	$ 59,168,584	$ 48,390,387	$ 43,172,212
Goal Two – Clearing Integrity	51,963,054	57,470,946	54,647,465	43,701,396	39,081,231
Goal Three – Robust Enforcement	71,530,730	64,123,179	60,972,883	61,144,442	54,902,851
Goal Four – Cross-Border Cooperation	11,740,606	7,306,553	6,947,591	8,440,184	7,488,832
Goal Five – Organizational and Management Excellence	25,437,980	26,979,719	25,654,238	25,883,231	24,823,811
	$ 217,418,633	**$218,106,055**	**$207,390,761**	**$187,559,640**	**$169,468,937**

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 to ensure their integrity and reliability in assessing performance.

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, 2014, and September 30, 2013. 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 the format required for the current year by 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.

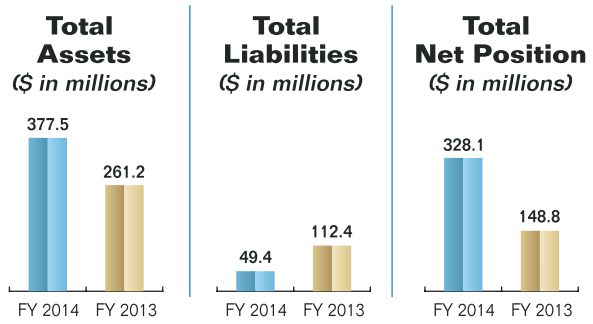
The chart below presents changes in key financial statement line items, as of and for, the fiscal year ended September 30, 2014, compared to September 30, 2013.

Key Financial Statement Line Items	2014	2013	$ Change	% Change
Total Assets	$ 377,541,864	$ 261,239,654	$ 116,302,210	44.52%
Total Liabilities	$ 49,452,589	$ 112,429,686	$ (62,977,097)	(56.01)%
Total Net Position	$ 328,089,275	$ 148,809,968	$ 179,279,307	120.48%
Transfers-In/Out Without Reimbursement	$ 176,110,604	$ 817,435	$ 175,293,169	21,444.29%
Spending Authority from Offsetting Collections	$ 176,261,959	$ 440,453	$ 175,821,506	39,918.34%
Total Budgetary Resources	$ 496,899,396	$ 308,237,483	$ 188,661,913	61.21%
Apportioned	$ 29,637,561	$ 13,847,564	$ 15,789,997	114.03%
Unapportioned	$ 245,911,560	$ 91,120,922	$ 154,790,638	169.87%
Gross Outlays	$ (204,693,512)	$ (223,042,111)	$ 18,348,599	(8.23)%
Actual offsetting collections	$ (176,466,655)	$ (1,066,145)	$ (175,400,510)	16,451.84%
Custodial Receivables/Liabilities	$ 4,218,788	$ 69,677,626	$ (65,525,838)	(93.95)%

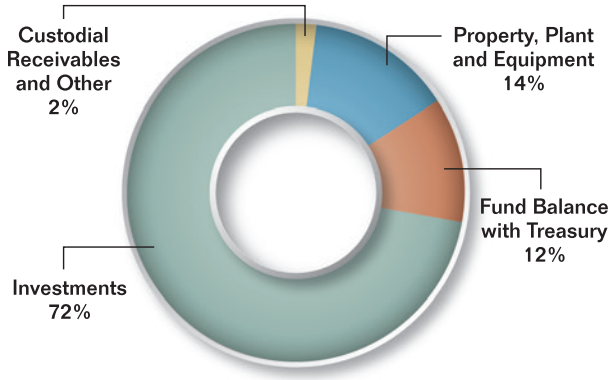
Balance Sheet

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

Total Assets. For the year ended September 30, 2014, the Balance Sheet reflects total assets of $377.5 million. This is an increase of $116.3 million, or 44.5 percent, over FY 2013. The increase is primarily due to a $175.0 million increase in Investments and a $10.6 million increase in Fund Balance With Treasury, offset by a $65.5 million decrease in Custodial Receivables and a $3.8 million decrease in Property, Plant, and Equipment.



FY 2014 Total Assets (Composition)



CFTC began investing funds in the CFTC Customer Protection Fund (CPF) in overnight short-term Treasury securities in FY 2012. The $175.0 million, or 184.2 percent, increase in Investments occurred when an additional $175.0 million was invested in the fourth quarter of FY 2014 as the result of a $176.1 million recovery from the Treasury at the end of the third quarter of FY 2014. This money was recovered after the Government Accountability Office (GAO) issued a formal decision in FY 2014 (B-324469) that collections of civil monetary sanctions should be kept intact and deposited in full into the CPF as long as the CPF fund balance is below $100 million at the time of collection. This FY 2014 recovery was transferred to the CPF, and $175.0 million was subsequently invested. The balance of the CPF as of September 30, 2014, now reflects the balance as if the full $200 million civil monetary sanctions collection received from Barclays in FY 2012 had been transferred into the CPF at that time.

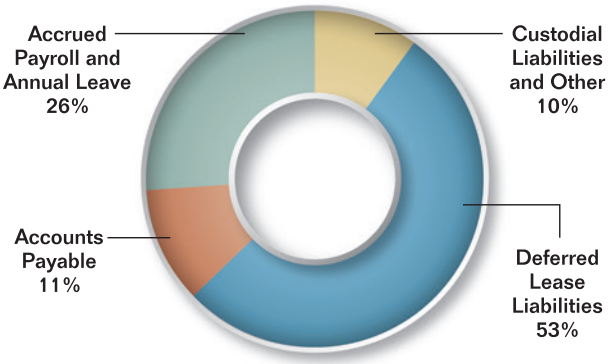
The $10.6 million, or 29.1 percent, increase in Fund Balance With Treasury was primarily due to the excess of appropriations of $215 million over gross outlays of $204.7 million.

The $65.5 million, or 94.0 percent, decrease in Custodial Receivables was the direct result of a $65 million custodial receivable that was established in September 2013 for a LIBOR-related enforcement action against ICAP Europe Limited and subsequently collected in October 2013.

The $3.8 million, or 6.5 percent, decrease in Property, Plant, and Equipment is due to a loss on the disposal of fixed assets of $1.1 million and accumulated depreciation and amortization of fixed assets of $14.2 million in excess of fixed asset purchases of $10.5 million.

Total Liabilities: For the year ended September 30, 2014, the Balance Sheet reflects total liabilities of $49.4 million. This is a decrease of $63.0 million, or 56.0 percent, over FY 2013. The decrease is primarily due to a $65.5 million decrease in Custodial Liabilities offset by a $1.3 million increase in Accrued Payroll and Annual Leave, a $721 thousand increase in Deferred Lease Liabilities, and a $472 thousand increase in remaining liabilities.

FY 2014 Total Liabilities (Composition)



The $4.2 million in Custodial Liabilities as of September 30, 2014, represents a $65.5 million, or 94.0 percent, decrease over FY 2013 primarily due to the collection of the related receivable for ICAP Europe Limited discussed above.

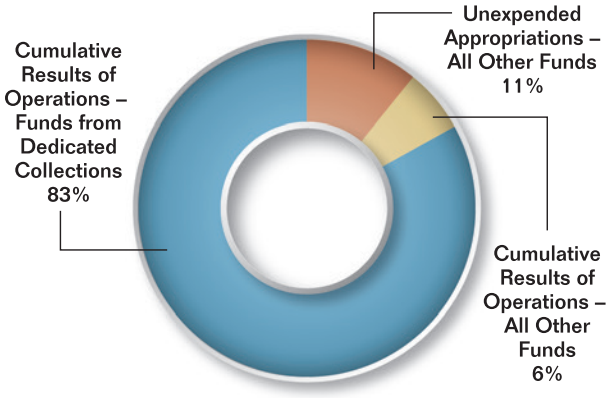
The $1.3 million, or 11.6 percent, increase in Accrued Payroll and Annual Leave is due to one additional workday accrued in the year-end payroll accrual coupled with increased annual leave balances, on average of 12 hours, per employee. This increase was expected, as the Commission provided leave awards in lieu of salary increases in FY 2013; as a result, employees used the awarded leave instead of using accrued leave.

The Commission enters into long-term commercial leases for its headquarters and regional offices. These leasing arrangements allow for the deferral of monthly rent payments to future periods as well as provide for landlord contributions to space renovations and other rent abatements. In order to recognize rent expense in line with the utility of its office space, the Commission records the amount of expense in excess of actual payments to date as Deferred Lease Liabilities on the Balance Sheet. The $721 thousand, or 2.9 percent, increase in Deferred Lease Liabilities is primarily due to two additional rent abatements received by the Commission in FY 2014.

Additionally, a $391 thousand, or 7.7 percent, increase in amounts accrued for Accounts Payable at year-end, and an $85 thousand contingent liability, make up the majority of the remaining change in CFTC liabilities.

Total Net Position: For the year ended September 30, 2014, the Balance Sheet reflects a total net position of $328.1 million. This is an increase of $179.3 million, or 120.5 percent, over FY 2013. The increase is primarily due to a $174.4 million increase in Cumulative Results of Operations—Funds from Dedicated Collections and a $10.4 million increase in Unexpended Appropriations—All Other Funds, offset by a $5.5 million decrease in Cumulative Results of Operations—All Other Funds.

FY 2014 Total Net Position (Composition)



The $174.4 million, or 174.6 percent, increase in Cumulative Results of Operations—Funds from Dedicated Collections is primarily due to the $176.1 million civil monetary sanctions collection recovered from Treasury in the third quarter of FY 2014 and transferred into the CPF, offset by FY 2014 CPF expenses of $1.7 million.

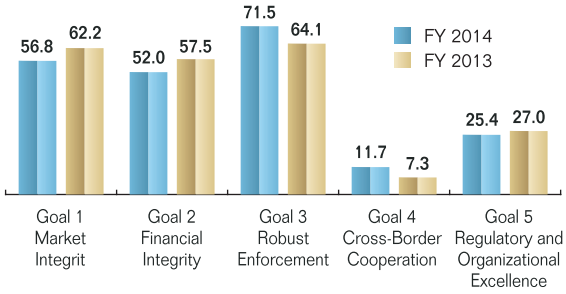
The $10.4 million, or 41.7 percent, increase in Unexpended Appropriations—All Other Funds is primarily due to FY 2014 appropriations in excess of net outlays (*i.e.*, more cash coming in than going out due to the timing of actual payments).

The $5.5 million, or 23.2 percent, decrease in Cumulative Results of Operations – All Other Funds is primarily due to an increase in unfunded liabilities of $882 thousand (*e.g.*, accruals for annual leave and Federal Employees' Compensation Act expenses and contingent liabilities), net disposal of fixed assets of $1.1 million, and accumulated depreciation and amortization of fixed assets of $14.2 million in excess of fixed asset purchases of $10.5 million.

Statement of Net Cost

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 0.3 percent decrease in the total net cost of operations during FY 2014.

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



The Statement of Net Cost is categorized by the Commission's five strategic goals:

- Strategic Goal One, which tracks activities related to ensuring market integrity; promoting transparency, competition and fairness; and lowering risk, continues to require a significant share of Commission resources at 26.1 percent of total net cost of operations in FY 2014. The $56.8 million net cost of operations reflects a continuation of management's effort to address market volatility.

- Strategic Goal Two is representative of efforts to protect market participants and the public by ensuring the financial integrity of derivatives transactions, mitigation of systemic risk, and the fitness and soundness of intermediaries and other registrants. In FY 2014, the net cost of operations for this goal was $52.0 million or 23.9 percent of total net cost of operations. The funding for this goal is primarily to support new and ongoing investigations in response to market activity. Investigations into crude oil and related derivative contracts, and suspected Ponzi schemes have been extremely resource intensive.

- Strategic Goal Three is representative of efforts to protect the public and market participants through a robust enforcement program. In FY 2014, the net cost of operations for this goal was $71.5 million, or 32.9 percent of total net cost of operations, reflecting the Commission's continued efforts to develop concrete measures that will

bring transparency, openness and competition to the swaps markets while lowering the risk they pose to the American public.

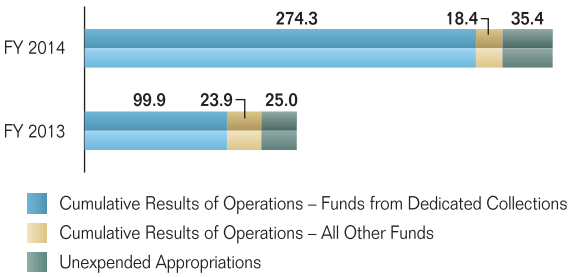
- Strategic Goal Four is representative of efforts to increase cross-border cooperation, promote strong international regulatory standards, and encourage ongoing convergence of laws and regulations worldwide. In FY 2014, the net cost of operations for this goal was $11.7 million, or 5.4 percent of total net cost of operations. The CFTC is continuing to expand its cross-border presence through cooperative agreements and active participation on international standards-setting organization committees.

- Strategic Goal Five is representative of efforts to achieve organizational excellence and accountability. Included in this goal are the efforts of the Chairman, Commissioners, and related staff to ensure more transparency in the commodity markets, and lay the groundwork for the future. Additionally, these costs are reflective of the planning and execution of human capital, financial management, and technology initiatives. In FY 2014, the net cost of operations for this goal was $25.4 million, or 11.7 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 operation and unexpended appropriations for the fiscal year. The CFTC's Net Position increased by $179.3 million, or 120.5 percent in FY 2014. The increase is attributed to an increase in Cumulative Results of Operations—Funds from Dedicated Collections of $174.4 million, or 174.6 percent, and an increase in Total Unexpended Appropriations—All Other Funds of $10.4 million, or 41.7 percent, partially offset by an increase in Total Cumulative Results of Operations—All Other Funds of $5.5 million, or 23.2 percent.

Changes in Net Position
($ in millions)



As explained in the Total Net Position discussion in the Balance Sheet section above, the $174.4 million, or 174.6 percent, increase in Cumulative Results of Operations—Funds from Dedicated Collections is primarily due to the $176.1 million civil monetary sanctions collection recovered from Treasury in the third quarter of FY 2014 and transferred into the CPF (Transfers-In/Out Without Reimbursement), offset by FY 2014 CPF expenses of $1.7 million.

The $10.4 million, or 41.7 percent, increase in Unexpended Appropriations—All Other Funds is primarily due to FY 2014 appropriations in excess of net outlays due to the timing of actual cash payments.

The $5.5 million, or 23.2 percent, decrease in Cumulative Results of Operations—All Other Funds is primarily due to unfunded expenses of $882 thousand (*e.g.*, accruals for annual leave and Federal Employees' Compensation Act expenses and contingent liabilities), a loss on the disposal of fixed assets of $1.1 million, and accumulated depreciation and amortization of fixed assets of $14.2 million in excess of fixed asset purchases of $10.5 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 2014*.

$215.0 MILLION
FY 2014 Appropriation

$204.7 MILLION
FY 2014 Gross Outlays

The Commission's Total Budgetary Resources increased by $188.7 million, or 61.2 percent, primarily due to an increase in Spending Authority from Offsetting Collections of $175.8 million and an increase in Appropriations of $20.4 million, offset by a decrease in Unobligated Balance Brought Forward, October 1 of $5.2 million.

The $175.8 million, or 39,918.3 percent, increase in Spending Authority from Offsetting Collections was primarily due to the $176.1 million recovery from the Treasury at the end of the third quarter of FY 2014. This money was recovered after

the GAO issued a formal decision in FY 2014 (B-324469) that collections of civil monetary sanctions should be kept intact and deposited in full into the CPF as long as the CPF fund balance is below $100 million at the time of the collection.

FY 2014 Appropriations increased by $20.4 million, or 10.5 percent, because the FY 2014 amount appropriated by Congress was $9.7 million higher than the FY 2013 appropriated amount, and the final FY 2013 appropriation amount of $205.3 million was reduced to $194.6 million after rescission and sequestration of $10.7 million.

The $5.2 million, or 4.7 percent, reduction in the Unobligated Balance Brought Forward, October 1, was the result of reduced carryover funds in FY 2014.

Apportioned amounts increased by $15.8 million, or 114.0 percent, primarily due to amounts apportioned for CPF in excess of obligations. In addition to estimated operating expenses, the apportioned amount for CPF includes an allowance for the payment of whistleblower awards; one award was paid in FY 2014.

The Unapportioned amounts increased by $154.8 million or 169.9 percent, primarily due to the $176.1 civil monetary sanctions collection recovered from Treasury in excess of the amount apportioned for CPF.

Gross Outlays decreased by $18.3 million, or 8.2 percent, due to less funds spent in FY 2014 then in FY 2013, primarily due to $5.9 million in carryover funds from the FY 2012/2013 appropriation that were subsequently spent in FY 2013, reduced contract costs in FY 2014 due to the government shutdown, and $7.9 million reduction in payroll payments due to approximately 30 fewer employees in FY 2014 and one additional pay period in FY 2013.

Actual Offsetting Collections increased by $175.4 million, or 16,451.8 percent, primarily due to the $176.1 million civil monetary sanctions collection recovered from the Treasury discussed above.

Statement of Custodial Activity

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

Total Cash Collections
($ in millions)

Registration and Filing Fees	$	2.1
Fines, Penalties, and Forfeitures	$	943.1
General Proprietary Receipts	$	–*
	$	945.2

* *Total cash collections include $39 thousand, or <$1, in general proprietary receipts.*

Total Disbursements of Collections
($ in millions)

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 2014 in the amount of $945.2 million, a decrease of $98.7 million, or 9.5 percent, over FY 2013. This decrease in collections was expected due to two unusually large collections totaling over $1.0 billion in FY 2013 that resulted from the Commission's enforcement cases related to unlawful manipulative conduct and false reporting of LIBOR and other benchmark interest rates. Of the $945.2 million in FY 2014 cash collections, $769.1 million was transferred to the Treasury and $176.1 million was transferred into the CPF.

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.

As explained in the Total Assets and the Total Liabilities discussions of the Balance Sheet section above, the significant swing in the Change in Custodial Receivables/Liabilities of approximately $65.6 million, or 93.95 percent, was primarily the result of a $65 million custodial receivable that was established in September 2013 for a LIBOR-related

enforcement action against ICAP Europe Limited and subsequently collected in October 2013.

Limitations of Financial Statements

Management has prepared the accompanying financial statements to report the financial position and operational results of the CFTC for FY 2014 and FY 2013 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.

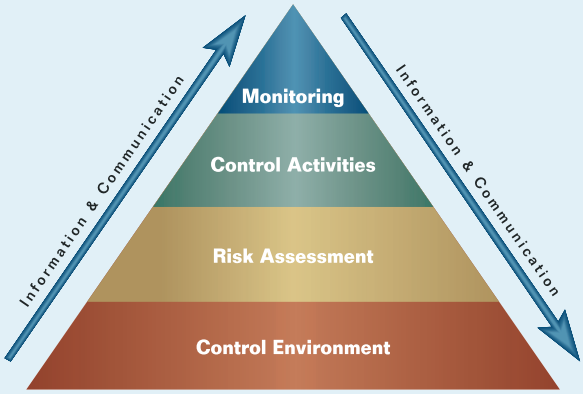
Management Assurances

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 Assurances

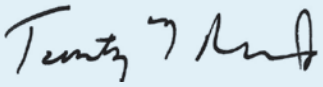
The Statement of Assurance is required by the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and OMB Circular A-123, *Management's Responsibility for Internal Control.* The assurance is for internal controls over operational effectiveness (we do the right things to accomplish our mission) 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 conducted an assessment of its internal controls for effectiveness and efficiency of operations and compliance with applicable laws & regulations, in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, the CFTC can provide reasonable assurance that its internal controls as of September 30, 2014 were operating effectively and no material weaknesses were found. Although CFTC is reporting an Anti-Deficiency Act violation related to the FY 2013 transfer of funds this violation did not impact the internal controls posture and CFTC still establishes reasonable assurances that our controls meet the spirit and objectives of FMFIA.

In addition, the CFTC conducts management 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. Based on the results of this evaluation, the CFTC can provide reasonable assurance that its internal controls over financial reporting as of June 30, 2014 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

The CFTC also reviews the U.S. 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 report addresses requirements outlined in Appendix D of OMB Circular A-123, Compliance with the Federal Financial Management Improvement Act of 1996. Based on the results of these reviews, the CFTC can provide reasonable assurance that its financial management systems are in compliance with applicable provisions of the Federal Financial Management Improvement Act of 1996 as of September 30, 2014."



Timothy G. Massad
Chairman
November 14, 2014

During FY 2014, 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; and

- All programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

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.

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.

As discussed in the CFO's message, CFTC is currently in the process of reporting an Anti-deficiency Act (ADA) violation in response to a FY 2014 GAO decision report. The ADA violation is related to the FY 2013 transfer of funds from the Information Technology fund to the Salaries and Expense fund without having the authority under the FY 2013 Appropriations Act. This violation did not impact the internal controls posture and CFTC still establishes reasonable assurances that our controls meet the spirit and objectives of FMFIA. 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 2014 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;
- Remediation of management letter matters identified in the FY 2013 audit of the agency's financial statements and related internal controls;
- Management 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 14-02, *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 no declared material weakness under FMFIA for FY 2014 and FY 2013 in the area of financial reporting that hinders preparation of timely and accurate financial statements.

FMFIA Section 4, Financial Management Systems

The Commission declared no nonconformance within our financial systems under FMFIA during FY 2014 and FY 2013. The independent auditors' reports for FY 2014 and FY 2013 disclosed no instances of noncompliance or other matters within our financial systems that were required to be reported under Generally Accepted Government Auditing Standards and OMB Bulletin 14-02, *Audit Requirements for Federal Financial Statements*.

Forward Looking – Future Business Trends and Events

Evolving Industry Trends and Their Implications for CFTC

The market participants (the industry) under CFTC jurisdiction are changing how they conduct business in order to comply with new regulatory responsibilities and to maximize opportunities created by the new regulatory environment. Industry is also shifting its operating model due to other environmental influences, such as global prudential and other regulatory framework, macro-economic, and technology trends. As industry continues to evolve, the CFTC must have the ability to make accompanying changes across all components of its operations.

The Dodd-Frank Act contains many important provisions, but includes two overarching goals of reform: bringing transparency to the swaps market and lowering the risks of this market to the overall economy. Both of these reforms will better protect taxpayers from again bearing the brunt of a financial crisis and will cut costs for businesses and their customers.

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

To begin building the bridge between industry trends and the CFTC's resource requirements, the Commission has identified six post-Dodd-Frank Act trends for discussion:

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

By the end of FY 2015, participants in the swaps market under CFTC jurisdiction will be fully 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. Much of the regulatory uncertainty for these market participants will have been lifted, and while phasing and fine-tuning will be ongoing, the marketplace will be increasingly trading, settling, and reporting swaps out of the shadows, and reaping the benefits of risk-mitigated hedging strategies. CFTC resources will have shifted largely from a rulewriting focus, through a period of intense interpretative guidance development, which is likely to continue, and moving towards an operational stance that will emphasize compliance, risk management, monitoring and further refinement and improvement to the Commission's regulatory framework.

New Regulatory Environment Driving Innovations in Derivatives Markets

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. Over the next year, the Commission expects trading in swaps on SEFs and DCMs to increase. At the same time, the Commission expects the number of market participants who are subject to Commission jurisdiction to increase as they become a member of, or trade products on, a registered DCM or SEF for the first time. The Commission also expects SEFs that are currently temporarily registered to be fully registered. At that point, the Commission will have brought 22 SEFs into compliance with Commission regulations and the CEA. In addition, the Commission expects to receive two or three new applications for SEF registration and DCM designation. Innovation in the industry, which is likely to increase in pace with the addition of new entrants (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.

New Regulations on Intermediaries and Growth in the Number of Regulated Intermediaries

The application of CEA core principles related to business conduct standards, reporting, and recordkeeping standards and requirements to SDs, MSPs, and end-users requires varying degrees of business process and technological changes. Large financial institutions have a high level of sophistication under prudential regulation, but may have a high-level of fragmentation in internal order, trade, and settlement information systems. Smaller entities, including some end-users, might have little to no experience under regulation (outside of accounting and auditing standards) but have such a low transaction volume that only a single information management system is in place. The Dodd-Frank business conduct standards attempt to move all the players to best practices of customer interaction, corporate governance, and recordkeeping. Likewise, Dodd-Frank reporting requirements will lead to changes to operations, infrastructure, business conduct, and internal processes in order to move end-of-day transaction entry, confirmation, and reporting systems to an efficient real-time activity and further strengthen risk management capabilities.

Examinations are performed by experienced examiners knowledgeable of the industry. The Commission's examinations expertise will need to be expanded to examine the electronic systems accessibility of SDRs by reporting counterparties, including SDs, MSPs, and other market participants. In addition, CFTC examinations will address SDR compliance with their responsibilities to notify the Commission in instances of untimely reporting of swap transaction data, including off-facility transactions, from reporting counterparties.

The CFTC will have to coordinate and collaborate with foreign regulators on their rules pertaining to SD and MSPs. It will have to design and implement rules, systems, and processes for acquiring data from foreign SDRs and sharing U.S. data with foreign regulators.

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 swap counterparties. Market participants (mainly dealers) began moving to central clearing of standardized swaps prior to CFTC mandatory clearing determinations (a number of which are in effect for market participants), reducing transaction risk to counterparties. Under the Dodd-Frank Act, cleared swaps customers are required to post initial and variation margin (collateral) through their FCMs to avoid the accumulation of large gain and/or loss obligations. Complementary margin requirements have been proposed for uncleared swaps. In addition to posting collateral, 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. There are likely to be additional products offered for clearing, which the CFTC will need to evaluate to ensure the eligibility of these products for clearing and existence of adequate risk management at the DCOs.

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 12 times that of futures and options. This fact alone demonstrates the need to apply significant resources to financial and risk surveillance 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.

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

The Commission is also seeking 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, and other regulatory changes. The technology (data and processes) required for surveillance of swaps markets differ from those required for futures and options markets, and differ 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 regulators (as appropriate) to harmonize how this data is recorded, organized, and stored.

The CFTC is required to perform a comprehensive function that cannot be done by any 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 expand 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:

- 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;
- 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 must also adapt its data architecture and data management practices to manage the exponential growth in the size and complexity of mission data.

There is a heightened attention, both domestically and internationally, to cyber-security and the risk of cyber-attacks against DCOs. The CFTC will utilize and collaborate with Financial Services-Information Sharing and Analysis Center (FS-ISAC), ChicagoFIRST, FBI Flash Alerts (CYWATCH), and the National Institute of Standards and Technology and other regulatory bodies to ensure that current information and trends can be used when monitoring compliance with Core Principle I, System Safeguards.

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 clearing organizations. As more swap activity migrates to clearing, the DCOs are holding substantial amounts of collateral that have been deposited by clearing members and the customers of those clearing members. This makes it all the more important for the Commission to review how DCOs are complying with customer protection regulations and to rigorously supervise DCOs.

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

Firms and customers clear the same asset class 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 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.

Financial Section

A Message from the Chief Financial Officer

I am honored to join Chairman Massad in presenting the FY 2014 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 2014.

I am pleased to report that our independent auditor, KPMG LLP, on behalf of the Commission's Office of the Inspector General, has issued an unmodified or "clean" opinion on our financial statements for FY 2014. This means that the Commission's financial statements are presented fairly, in all material respects, and are in conformity with generally accepted accounting principles (GAAP). This year, the Commission received no audit findings, and for the eighth consecutive year had no material weaknesses in internal controls; this means that neither the Commission nor its auditors have identified 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.

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. In FY 2014, ESC upgraded the financial management system (DELPHI), resulting in improved functionality and controls. The Commission's financial management systems strategy for FY 2015 includes continued monitoring and oversight of the financial management system operated by its shared service provider; no major upgrades are planned for the near future. DELPHI is in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996 (although CFTC is not required to comply with FFMIA, it has so elected).

The Commission requested a Government Accountability Office (GAO) opinion regarding the availability of certain collections to the CFTC Customer Protection Fund (CPF). In response, GAO issued a decision (*Decision B-324469 – U.S. Commodity Futures Trading Commission—Customer Protection Fund*) indicating that collections that are eligible to be deposited in the CPF should be kept intact and deposited in full into the fund as long as the fund balance is below $100 million at the time of collection. As a result, as reported in Note 1V to the financial statements, the Commission recovered $176.1 million from the U.S. Department of the

Treasury (Treasury) in the third quarter of FY 2014 and transferred the full amount into the CPF. The balance in the CPF as of September 30, 2014, now reflects the balance of the Fund as if the full $200 million collection received in FY 2012 had been transferred into the Fund at that time. This collection significantly increased the Commission's net position for FY 2014. These funds have been invested and are reserved for expenses of the Commission's Whistleblower and Consumer Outreach offices, including payments to eligible whistleblowers.

In response to another FY 2014 GAO decision related to CFTC's ability to transfer funds from the Information Technology fund to the Salaries and Expense fund in FY 2013 (*Decision B-325351 – Commodity Futures Trading Commission—Fiscal Year 2013 Transfer Authority*), the CFTC will be submitting a report to the President and the Congress on an Anti-deficiency Act (ADA) violation. In its decision, GAO concluded that the *Consolidated and Further Continuing Appropriations Act, 2013* (P.L. 113-6) did not carry forward certain transfer authority provisions that had been available to the CFTC during the first Continuing Resolution, *Continuing Appropriations of 2013*, (P.L. 112-175). The CFTC had effected a transfer in FY 2013 after the passage of P.L. 113-6 and the reversal of this transaction resulted in the ADA violation. This violation was not a result of internal controls deficiencies, and the system of administrative controls in place at the CFTC is operating effectively to ensure that funds are expended as authorized and apportioned under normal circumstances.

We are pleased with our FY 2014 results and 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
November 14, 2014

Principal Financial Statements

Commodity Futures Trading Commission

Balance Sheets

As of September 30, 2014 and 2013

	2014	2013
ASSETS		
Intragovernmental		
Fund Balance with Treasury (Note 2)	$ 47,070,343	$ 36,467,970
Investments (Note 3)	270,000,000	95,000,000
Prepayments (Note 1J)	58,984	252,341
Total Intragovernmental	**317,129,327**	**131,720,311**
Custodial Receivables, Net (Note 4)	4,218,788	69,744,626
Accounts Receivable, Net (Note 4)	11,112	13,252
General Property, Plant and Equipment, Net (Note 5)	54,464,549	58,251,172
Deferred Costs (Note 6)	64,201	220,953
Prepayments (Note 1J)	1,653,887	1,289,340
TOTAL ASSETS	**$ 377,541,864**	**$ 261,239,654**
LIABILITIES		
Intragovernmental		
Accounts Payable	$ 609,101	$ 269,639
FECA Liabilities (Note 9)	88,975	94,605
Total Intragovernmental	**698,076**	**364,244**
Accounts Payable	4,874,120	4,822,771
Actuarial FECA Liabilities (Note 9)	460,759	501,748
Accrued Payroll	3,417,319	2,903,312
Annual Leave	9,590,172	8,748,274
Custodial Liabilities	4,218,788	69,744,626
Deposit Fund Liabilities	134,683	83,997
Deferred Lease Liabilities (Note 10)	25,961,973	25,241,114
Contingent Liabilities (Note 11)	85,000	–
Other	11,699	19,600
Total Liabilities	**$ 49,452,589**	**$ 112,429,686**
NET POSITION		
Unexpended Appropriations – All Other Funds	$ 35,420,980	$ 25,006,039
Cumulative Results of Operations – Funds from Dedicated Collections	274,315,312	99,904,291
Cumulative Results of Operations – All Other Funds	18,352,983	23,899,638
Total Net Position	**328,089,275**	**148,809,968**
TOTAL LIABILITIES AND NET POSITION	**$ 377,541,864**	**$ 261,239,654**

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, 2014 and 2013

	2014	2013
NET COST BY GOAL (NOTE 14)		
GOAL 1: PROTECT THE PUBLIC AND MARKET PARTICIPANTS BY ENSURING MARKET INTEGRITY; PROMOTING TRANSPARENCY, COMPETITION, AND FAIRNESS; AND LOWERING RISK IN THE SYSTEM.		
Gross Costs	$ 56,754,452	$ 62,239,775
Less: Earned Revenue	(8,189)	(14,117)
NET COST OF OPERATIONS – GOAL ONE	**$ 56,746,263**	**$ 62,225,658**
GOAL 2: 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.		
Gross Costs	$ 51,970,552	$ 57,483,984
Less: Earned Revenue	(7,498)	(13,038)
NET COST OF OPERATIONS – GOAL TWO	**$ 51,963,054**	**$ 57,470,946**
GOAL 3: PROTECT THE PUBLIC AND MARKET PARTICIPANTS THROUGH A ROBUST ENFORCEMENT PROGRAM.		
Gross Costs	$ 71,541,053	$ 64,137,728
Less: Earned Revenue	(10,323)	(14,549)
NET COST OF OPERATIONS – GOAL THREE	**$ 71,530,730**	**$ 64,123,179**
GOAL 4: ENHANCE INTEGRITY OF U.S. MARKETS BY ENGAGING IN CROSS-BORDER COOPERATION, PROMOTING STRONG INTERNATIONAL REGULATORY STANDARDS, AND ENCOURAGING ONGOING CONVERGENCE OF LAWS AND REGULATION WORLDWIDE.		
Gross Costs	$ 11,742,300	$ 7,308,211
Less: Earned Revenue	(1,694)	(1,658)
NET COST OF OPERATIONS – GOAL FOUR	**$ 11,740,606**	**$ 7,306,553**
GOAL 5: PROMOTE COMMISSION EXCELLENCE THROUGH EXECUTIVE DIRECTION AND LEADERSHIP, ORGANIZATIONAL AND INDIVIDUAL PERFORMANCE MANAGEMENT, AND EFFECTIVE MANAGEMENT OF RESOURCES.		
Gross Costs	$ 25,441,651	$ 26,985,840
Less: Earned Revenue	(3,671)	(6,121)
NET COST OF OPERATIONS – GOAL FIVE	**$ 25,437,980**	**$ 26,979,719**
GRAND TOTAL		
Gross Costs	$ 217,450,008	$ 218,155,538
Less: Earned Revenue	(31,375)	(49,483)
TOTAL NET COST OF OPERATIONS	**$ 217,418,633**	**$ 218,106,055**

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

Statements of Changes in Net Position

For the Years Ended September 30, 2014 and 2013

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	35,630	–	35,630
Transfers - In Without Reimbursement (Note 17)	176,110,604	–	176,110,604
Other Financing Sources			
Imputed Financing Sources	–	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**

2013			
CUMULATIVE RESULTS OF OPERATIONS	DEDICATED COLLECTIONS	ALL OTHER FUNDS	CONSOLIDATED TOTAL
Beginning Balances, October 1	**$ 99,996,749**	**$ 20,453,508**	**$ 120,450,257**
Budgetary Financing Sources			
Appropriations Used	–	215,085,989	215,085,989
Nonexchange Interest Revenue	50,504	–	50,504
Transfers - In Without Reimbursement (Note 17)	817,435	–	817,435
Other Financing Sources			
Imputed Financing Sources	–	5,505,799	5,505,799
Total Financing Sources	867,939	220,591,788	221,459,727
Net Cost of Operations	**(960,397)**	**(217,145,658)**	**(218,106,055)**
Net Change	**(92,458)**	**3,446,130**	**3,353,672**
TOTAL CUMULATIVE RESULTS OF OPERATIONS, SEPTEMBER 30	**$ 99,904,291**	**$ 23,899,638**	**$ 123,803,929**
UNEXPENDED APPROPRIATIONS			
Beginning Balances, October 1	**$ –**	**$ 46,348,584**	**$ 46,348,584**
Budgetary Financing Sources			
Appropriations Received	–	205,294,000	205,294,000
Less: Other Adjustments (Rescissions, etc.)	–	(11,550,556)	(11,550,556)
Appropriations Used	–	(215,085,989)	(215,085,989)
Total Budgetary Financing Sources	–	(21,342,545)	(21,342,545)
Total Unexpended Appropriations, September 30	**$ –**	**$ 25,006,039**	**$ 25,006,039**
NET POSITION	**$ 99,904,291**	**$ 48,905,677**	**$ 148,809,968**

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

Commodity Futures Trading Commission

Statements of Budgetary Resources

For the Years Ended September 30, 2014 and 2013

	2014	2013
BUDGETARY RESOURCES		
Unobligated Balance Brought Forward, October 1	$ 104,968,486	$ 110,168,414
Recoveries of Prior Year Unpaid Obligations	1,890,406	3,885,172
Other Changes in Unobligated Balance	(1,221,455)	(812,448)
Unobligated Balance from Prior Year Budget Authority, Net	105,637,437	113,241,138
Appropriations	215,000,000	194,555,892
Spending Authority from Offsetting Collections	176,261,959	440,453
TOTAL BUDGETARY RESOURCES	**$ 496,899,396**	**$ 308,237,483**
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred (Note 13)	$ 221,350,275	$ 203,268,997
Unobligated Balance, End of Year		
Apportioned	29,637,561	13,847,564
Unapportioned	245,911,560	91,120,922
Total Unobligated Balance, End of Year	275,549,121	104,968,486
TOTAL BUDGETARY RESOURCES	**$ 496,899,396**	**$ 308,237,483**
CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	$ 25,798,405	$ 49,456,691
Obligations Incurred	221,350,275	203,268,997
Outlays (Gross)	(204,693,512)	(223,042,111)
Recoveries of Prior Year Unpaid Obligations	(1,890,406)	(3,885,172)
Unpaid Obligations, End of Year	40,564,762	25,798,405
Uncollected Payments:		
Uncollected Payments, Federal Sources, Brought Forward, October 1	(45,921)	(8,613)
Change in Uncollected Payments, Federal Sources	(8,304)	(37,308)
Uncollected Payments, Federal Sources, End of Year	(54,225)	(45,921)
Memorandum Entries:		
Obligated Balance, Start of Year	**$ 25,752,484**	**$ 49,448,078**
Obligated Balance, End of Year	**$ 40,510,537**	**$ 25,752,484**
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget Authority, Gross	$ 391,261,959	$ 194,996,345
Actual Offsetting Collections	(176,466,655)	(1,066,145)
Change in Uncollected Customer Payments from Federal Sources	(8,304)	(37,308)
BUDGET AUTHORITY, NET	**$ 214,787,000**	**$ 193,892,892**
Outlays (Gross)	$ 204,693,512	$ 223,042,111
Actual Offsetting Collections	(176,466,655)	(1,066,145)
Outlays, Net	28,226,857	221,975,966
Distributed Offsetting Receipts	(39,435)	(63,000)
AGENCY OUTLAYS, NET	**$ 28,187,422**	**$ 221,912,966**

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

Statements of Custodial Activity

For the Years Ended September 30, 2014 and 2013

	2014	2013
REVENUE ACTIVITY		
Sources of Cash Collections:		
Registration and Filing Fees	$ 2,082,325	$ 1,647,387
Fines, Penalties, and Forfeitures	943,104,536	1,042,182,362
General Proprietary Receipts	39,484	62,952
Total Cash Collections	**945,226,345**	**1,043,892,701**
Change in Custodial Receivables	**(65,525,838)**	**65,604,279**
TOTAL CUSTODIAL REVENUE	**$ 879,700,507**	**$ 1,109,496,980**
DISPOSITION OF COLLECTIONS		
Amounts Transferred to:		
Department of the Treasury	(769,115,741)	(1,043,075,266)
CFTC Customer Protection Fund	(176,110,604)	(817,435)
Total Disposition of Collections	**(945,226,345)**	**(1,043,892,701)**
Change in Custodial Liabilities	65,525,838	(65,604,279)
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, 2014 and 2013

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. The CFTC continues to operate through authorized appropriations.

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

On July 21, 2010, the "Dodd-Frank 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 Chief Financial Officers' Act of 1990 along with the Accountability of Tax Dollars Act of 2002, and the Government Management Reform Act of 1994. 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, net cost of operations, changes in net position, budgetary resources, and custodial activities.

The financial statements report on the CFTC's 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 2014 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 expenditure, receipt, revolving, and deposit fund accounts. Appropriated funds recorded in 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.

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

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 transferred to Treasury at fiscal yearend,
- 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 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. (Note 15)

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. The mission is accomplished through five strategic goals, each focusing on a vital area of regulatory responsibility:

- Protect the public and market participants by ensuring market integrity; promoting transparency, competition, and fairness; and lowering risk in the system,
- 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,
- Protect the public and market participants through a robust enforcement program,

- Enhance integrity of U.S. markets by engaging in cross-border cooperation, promoting strong international regulatory standards, and encouraging ongoing convergence of laws and regulation worldwide, and
- 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 Commodities 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, and expenses. 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, 2014 that significantly changed the purpose of the fund or redirected a material portion of the accumulated balance. However, an independent assessment by the Government Accountability Office issued in November 2013 interpreted that collections should be kept intact and deposited in full into the fund as long as the fund balance is below $100 million at the time of collection. As a result, the Commission recovered $176.1 million from the U.S. Department of the Treasury in the third quarter of fiscal year 2014 and transferred the full amount into the Fund. The balance in the Fund as of September 30, 2014, now reflects the balance of the Fund if the full $200 million collection received from Barclays in fiscal year 2012 had been transferred into the Fund at that time.

W. Reclassifications

To conform to OMB Circular A-136, activity and balances reported on the FY 2013 Statement of Budgetary Resources, Statement of Net Cost, and Statement of Changes in Net Position have been reclassified to conform to the presentation in the current year. Certain other prior year amounts have also been reclassified to conform to the current year presentation.

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, 2014 and 2013 consisted of the following:

	2014	2013
Appropriated Funds	$ 42,487,412	$ 31,400,740
Customer Protection Fund	4,448,248	4,983,233
Deposit Fund	134,683	83,997
TOTAL FUND BALANCE WITH TREASURY	**$ 47,070,343**	**$ 36,467,970**

C. Status of Fund Balance with Treasury

Status of Fund Balance with Treasury at September 30, 2014 and 2013 consisted of the following:

	2014	2013
APPROPRIATED FUNDS		
Unobligated Fund Balance		
Available	$ 1,000,971	$ 1,750,729
Unavailable	4,592,572	4,185,137
Obligated Balance Not Yet Disbursed	36,893,869	25,464,874
Total Appropriated Funds	**42,487,412**	**31,400,740**
CUSTOMER PROTECTION FUND		
Unobligated Fund Balance		
Available	$ 777,356	$ 4,649,700
Obligated Balance Not Yet Disbursed	3,670,892	333,533
Total Customer Protection Fund	**4,448,248**	**4,983,233**
Deposit Fund	**134,683**	**83,997**
TOTAL FUND BALANCE WITH TREASURY	**$ 47,070,343**	**$ 36,467,970**

Note 3. Investments

In fiscal year 2012, the CFTC began investing 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 Commission may invest in other short-term or long-term Treasury securities at management's discretion.

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's investments as of September 30, 2014 and 2013 were $270 million and $95 million, respectively. Interest earned as of September 30, 2014 and 2013 was $35,630 and $50,504, 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, disgorgements, and restitutions to customers.

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.

Accounts receivable, net consisted of the following as of September 30, 2014 and 2013:

	2014	2013
Custodial Receivables, Net:		
Civil Monetary Penalty Interest	$ 1,270,142	$ 734,779
Civil Monetary Penalties, Fines, and Administrative Fees	1,620,550,206	775,174,072
Less: Allowance for Loss on Interest	(1,270,115)	(733,498)
Less: Allowance for Loss on Penalties, Fines, and Administrative Fees	(1,617,905,205)	(707,511,077)
Registration and Filing Fees	1,573,760	2,080,350
NET CUSTODIAL RECEIVABLES	**$ 4,218,788**	**$ 69,744,626**
OTHER ACCOUNTS RECEIVABLE	**11,112**	**13,252**
TOTAL ACCOUNTS RECEIVABLE, NET	**$ 4,229,900**	**$ 69,757,878**

Note 5. General Property, Plant and Equipment

Equipment and information technology (IT) assets are capitalized 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. Depreciation for equipment and software is computed on a straight-line basis using a 5-year life. Leasehold improvements are amortized over the remaining life of the lease. Property, Plant and Equipment as of September 30, 2014 and 2013 consisted of the following:

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**

2013 Major Class	Service Life and Method	Cost	Accumulated Amortization/ Depreciation	Net Book Value
Equipment	5 Years/Straight Line	$ 34,567,373	$ (18,977,527)	$ 15,589,846
IT Software	5 Years/Straight Line	21,022,534	(10,162,678)	10,859,856
Software in Development	Not Applicable	7,071,522	–	7,071,522
Leasehold Improvements	Remaining Life of Lease/Straight Line	29,327,377	(4,597,429)	24,729,948
		$ 91,988,806	**$ (33,737,634)**	**$ 58,251,172**

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, 2014. The remaining, unused balance of $64 thousand is reflected as deferred costs on the balance sheet.

Deferred Costs (TIA)	2014	2013
Beginning Balance, October 1	$ 220,953	$ 1,234,223
TIA received	–	–
TIA used	(156,752)	(1,013,270)
BALANCE AS OF SEPTEMBER 30	**$ 64,201**	**$ 220,953**

Note 7. Liabilities Not Covered by Budgetary Resources

As of September 30, 2014 and 2013, the following liabilities were not covered by budgetary resources:

	2014	2013
Intragovernmental – FECA Liabilities	$ 88,975	$ 94,605
Annual Leave	9,590,172	8,748,274
Actuarial FECA Liabilities	460,759	501,748
Custodial Liabilities	4,218,788	69,744,626
Contingent Liabilities	85,000	–
Deposit Fund Liabilities	134,683	83,997
Deferred Lease Liabilities	25,961,973	25,241,114
Other	11,699	19,600
TOTAL LIABILITIES NOT COVERED BY BUDGETARY RESOURCES	**$ 40,552,049**	**$ 104,433,964**

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*.

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 $6,773,161 for the period ended September 30, 2014 and $5,505,799 for the period ended September 30, 2013. 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, 2014 and September 30, 2013 were $88,975 and $94,605, respectively.

Actuarial FECA liability represents the liability for future workers compensation (FWC) benefits, which includes the expected liability for death, disability, medical, and miscellaneous cost for approved cases. The liability is determined using a formula provided by DOL annually as of September 30th using a method that utilizes historical benefits payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefits payments are discounted to present value using OMB's economic assumptions for ten-year Treasury notes and bonds. To provide more specifically for effects of inflation on the liability for FWC benefits, wage inflation factors (Consumer Price Index-Medical) are applied to the calculation of projected future benefits. These factors are also used to adjust historical payments so benefits are stated in current-year constant dollars. Actuarial FECA liabilities at September 30, 2014 and September 30, 2013 were $460,759 and $501,748, respectively.

Note 10. Leases

The CFTC leases office space in publicly owned buildings for its locations in Washington D.C., Chicago, New York, and Kansas City. The lease contracts for publicly owned buildings are operating leases. 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, 2014, future estimated minimum lease payments through FY 2025 are as follows:

Fiscal Year	Dollars
2015	$ 18,254,669
2016	19,017,114
2017	19,411,711
2018	19,772,333
2019	20,133,393
2020 and thereafter	115,870,290
TOTAL FUTURE MINIMUM LEASE PAYMENTS	**$ 212,459,510**

Lease expense is recognized on a straight-line basis because lease payment amounts vary, and in some cases, CFTC receives periods of up-front free rent, or incentive contributions (TIA) paid by the landlord. As of September 30, 2014, the Commission had received $16,199,394 in incentive awards for the renovation of space in Washington D.C., Chicago, New York and Kansas City. In order to recognize rent expense in line with the utility of its office space, the Commission records a deferred lease liability representing expense amounts in excess of payments to date. The deferred lease liabilities at September 30, 2014 and September 30, 2013 were $25,961,973 and $25,241,114 respectively.

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 2014, the Commission was involved in civil matters which it believes the chance of an unfavorable outcome to be probable and has recorded a liability of $85 thousand. Additionally, the Commission was involved in a case where an unfavorable outcome is reasonably possible. The potential loss in this case is estimated to be $27 thousand.

Note 12. Undelivered Orders

The amount of budgetary resources obligated for undelivered orders as of September 30, 2014 and 2013 consisted of the following:

	2014	2013
Undelivered Orders	$ 33,377,094	$ 19,344,364

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.

Note 13. Apportionment Categories of Obligations Incurred

Obligations incurred and reported in the Statements of Budgetary Resources in FY 2014 and FY 2013 were Category A and consisted of the following:

	2014	2013
Direct Obligations	$ 221,336,488	$ 203,181,477
Reimbursable Obligations	13,787	87,520
TOTAL OBLIGATIONS INCURRED	**$ 221,350,275**	**$ 203,268,997**

Note 14. Explanations of Differences between the Statement of Budgetary Resources and Budget of the United States Government

The CFTC had no 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 2013. The Budget of the U.S. Government with actual numbers for FY 2014 has not yet been published. The expected publish date is February 2015. A copy of the Budget can be obtained from OMB's website at *http://www.whitehouse.gov/omb/*.

Note 15. 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 following major goals presented in the 2011 – 2015 CFTC Strategic Plan.

1. Protect the public and market participants by ensuring market integrity; promoting transparency, competition, and fairness; and lowering risk in the system.
2. 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.
3. Protect the public and market participants through a robust enforcement program.
4. Enhance integrity of U.S. markets by engaging in cross-border cooperation, promoting strong international regulatory standards, and encouraging ongoing convergence of laws and regulation worldwide.
5. Promote Commission excellence through executive direction and leadership, organizational and individual performance management, and effective management of resources.

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:

	2014	2013
GOAL 1: PROTECT THE PUBLIC AND MARKET PARTICIPANTS BY ENSURING MARKET INTEGRITY; PROMOTING TRANSPARENCY, COMPETITION, AND FAIRNESS; AND LOWERING RISK IN THE SYSTEM.		
Intragovernmental Gross Costs	$ 8,991,682	$ 9,973,286
Less: Earned Revenue	–	–
Intragovernmental Net Cost of Operations	**$ 8,991,682**	**$ 9,973,286**
Gross Costs with the Public	$ 47,762,770	$ 52,266,489
Less: Earned Revenue	(8,189)	(14,117)
Net Cost of Operations with the Public	**$ 47,754,581**	**$ 52,252,372**
TOTAL NET COST OF OPERATIONS – GOAL ONE	**$ 56,746,263**	**$ 62,225,658**

continued on next page

(continued)	2014	2013
GOAL 2: 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.		
Intragovernmental Gross Costs	$ 8,233,762	$ 9,211,220
Less: Earned Revenue	–	–
Intragovernmental Net Cost of Operations	**$ 8,233,762**	**$ 9,211,220**
Gross Costs with the Public	$ 43,736,790	$ 48,272,764
Less: Earned Revenue	(7,498)	(13,038)
Net Cost of Operations with the Public	**$ 43,729,292**	**$ 48,259,726**
TOTAL NET COST OF OPERATIONS – GOAL TWO	**$ 51,963,054**	**$ 57,470,946**
GOAL 3: PROTECT THE PUBLIC AND MARKET PARTICIPANTS THROUGH A ROBUST ENFORCEMENT PROGRAM.		
Intragovernmental Gross Costs	$ 11,334,342	$ 10,277,414
Less: Earned Revenue	–	–
Intragovernmental Net Cost of Operations	**$ 11,334,342**	**$ 10,277,414**
Gross Costs with the Public	$ 60,206,711	$ 53,860,314
Less: Earned Revenue	(10,323)	(14,549)
Net Cost of Operations with the Public	**$ 60,196,388**	**$ 53,845,765**
TOTAL NET COST OF OPERATIONS – GOAL THREE	**$ 71,530,730**	**$ 64,123,179**
GOAL 4: ENHANCE INTEGRITY OF U.S. MARKETS BY ENGAGING IN CROSS-BORDER COOPERATION, PROMOTING STRONG INTERNATIONAL REGULATORY STANDARDS, AND ENCOURAGING ONGOING CONVERGENCE OF LAWS AND REGULATION WORLDWIDE.		
Intragovernmental Gross Costs	$ 1,860,348	$ 1,171,066
Less: Earned Revenue	–	–
Intragovernmental Net Cost of Operations	**$ 1,860,348**	**$ 1,171,066**
Gross Costs with the Public	$ 9,881,952	$ 6,137,145
Less: Earned Revenue	(1,694)	(1,658)
Net Cost of Operations with the Public	**$ 9,880,258**	**$ 6,135,487**
TOTAL NET COST OF OPERATIONS – GOAL FOUR	**$ 11,740,606**	**$ 7,306,553**
GOAL 5: PROMOTE COMMISSION EXCELLENCE THROUGH EXECUTIVE DIRECTION AND LEADERSHIP, ORGANIZATIONAL AND INDIVIDUAL PERFORMANCE MANAGEMENT, AND EFFECTIVE MANAGEMENT OF RESOURCES.		
Intragovernmental Gross Costs	$ 4,030,754	$ 4,324,204
Less: Earned Revenue	–	–
Intragovernmental Net Cost of Operations	**$ 4,030,754**	**$ 4,324,204**
Gross Costs with the Public	$ 21,410,897	$ 22,661,636
Less: Earned Revenue	(3,671)	(6,121)
Net Cost of Operations with the Public	**$ 21,407,226**	**$ 22,655,515**
TOTAL NET COST OF OPERATIONS – GOAL FIVE	**$ 25,437,980**	**$ 26,979,719**
GRAND TOTAL		
Intragovernmental Gross Costs	$ 34,450,888	$ 34,957,190
Less: Earned Revenue	–	–
Intragovernmental Net Cost of Operations	**$ 34,450,888**	**$ 34,957,190**
Gross Costs with the Public	$ 182,999,120	$ 183,198,348
Less: Earned Revenue	(31,375)	(49,483)
Net Cost of Operations with the Public	**$ 182,967,745**	**$ 183,148,865**
TOTAL NET COST OF OPERATIONS	**$ 217,418,633**	**$ 218,106,055**

Note 16. 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.

	2014	2013
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated		
Obligations Incurred	$ 221,350,275	$ 203,268,997
Less: Spending Authority from Offsetting Collections and Recoveries	(178,365,365)	(4,988,625)
Obligations Net of Offsetting Collections and Recoveries	$ 42,984,910	$ 198,280,372
Less: Offsetting Receipts	(39,435)	(63,000)
Net Obligations After Offsetting Receipts	$ 42,945,475	$ 198,217,372
Other Resources		
Transfers In from from Disgorgements, Fines and Penalties	$ 176,110,604	$ 817,435
Imputed Financing from Costs Absorbed by Others	6,773,161	5,505,799
Total Resources Used to Finance Activities	**$ 225,829,240**	**$ 204,540,606**
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	$ (14,032,326)	$ 16,898,076
Resources that Fund Expenses Recognized in Prior Periods	(46,620)	(167,890)
Offsetting Receipts	39,435	63,000
Nonexchange Interest Revenue	35,630	50,504
Resources that Fund the Acquisition of Fixed Assets	(10,569,054)	(15,823,712)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	**$ (24,572,935)**	**$ 1,019,978**
COMPONENTS OF NET COST OF OPERATIONS THAT WILL REQUIRE OR GENERATE RESOURCES IN FUTURE PERIODS		
Increase in Unfunded Liabilities	$ 1,647,757	$ 541,506
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	**$ 1,647,757**	**$ 541,506**
COMPONENTS NOT REQUIRING OR GENERATING RESOURCES		
Depreciation and Amortization	$ 14,167,999	$ 11,802,099
(Gain)/Loss on Disposal	1,065,291	548,992
Other	(718,719)	(347,126)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	**$ 14,514,571**	**$ 12,003,965**
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Year	**$ 16,162,328**	**$ 12,545,471**
NET COST OF OPERATIONS	**$ 217,418,633**	**$ 218,106,055**

Note 17. 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 and $817 thousand were transferred into the Customer Protection Fund as of September 30, 2014 and 2013, respectively. 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, 2014 and 2013:

	2014	2013
BALANCE SHEETS		
Fund Balance with Treasury	$ 4,448,248	$ 4,983,233
Investments	270,000,000	95,000,000
TOTAL ASSETS	**$274,448,248**	**$ 99,983,233**
Accounts Payable	109,470	60,116
Accrued Payroll and Annual Leave	23,466	18,826
TOTAL LIABILITIES	**$ 132,936**	**$ 78,942**
Cumulative Results of Operations – Funds from Dedicated Collections	274,315,312	99,904,291
TOTAL NET POSITION	**$274,315,312**	**$ 99,904,291**
TOTAL LIABILITIES AND NET POSITION	**$274,448,248**	**$ 99,983,233**
STATEMENTS OF NET COST		
Gross Costs	$ 1,735,213	$ 960,397
TOTAL NET COST OF OPERATIONS	**$ 1,735,213**	**$ 960,397**
STATEMENTS OF CHANGES IN NET POSITION		
Beginning Cumulative Results of Operations, October 1	$ 99,904,291	$ 99,996,749
Nonexchange Interest Revenue	35,630	50,504
Transfers-In Without Reimbursement	176,110,604	817,435
Net Cost of Operations	(1,735,213)	(960,397)
Net Change	174,411,021	(92,458)
TOTAL NET POSITION, SEPTEMBER 30	**$274,315,312**	**$ 99,904,291**

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, 2014 and 2013, 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. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 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 audit opinion.

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

Opinion on the Financial Statements

In our opinion, 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, 2014 and 2013, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis section 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. 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 in the Other Information Section 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, 2014, 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*.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02, and which are described below.

Noncompliance. CFTC is currently in the process of reporting an *Anti-deficiency Act* (ADA) violation, 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*.

Other Matters. CFTC is investigating a matter that may potentially represent a violation of the *Anti-deficiency Act* that originated in FY2010. This matter is currently under the review of the CFTC management. A final determination has not yet been made and therefore the outcome of this matter is not presently known.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed no instances in which the CFTC's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

***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 the CFTC's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 14, 2014

This page intentionally left blank.

Other Information

Inspector General's FY 2014 Assessment

U.S. COMMODITY FUTURES TRADING COMMISSION
Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5110
Facsimile: (202) 418-5522

Office of the
Inspector General

MEMORANDUM

TO: Timothy Massad
Chairman

FROM: A. Roy Lavik
Inspector General

DATE: November 17, 2014

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

Introduction

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.

This memorandum summarizes the results of the CFTC's current financial statement audit, describes the Agency's progress on last year's management challenges, and finally discusses the most serious management challenges that we have identified. For Fiscal Year 2015, the most serious management challenge is:

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

- For the CFTC to deliver on Congressional expectations embedded in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)[3], including expansion of the CFTC's regulatory footprint to the swaps markets, while adhering to government-wide budgetary constraints.

CFTC Financial Statement Audit Results

In accordance with the *Accountability of Tax Dollars Act*,[4] CFTC, along with numerous other federal entities, is required to submit to an annual independent financial statement audit by the Inspector General, or by an independent external auditor as determined by the Inspector General.[5] The results of the Fiscal Year 2014 financial statement audit will be discussed in the Annual Financial Report (AFR), and the financial statement audit resulted in an unmodified audit opinion.

CFTC's Progress on Last Year's Challenges

Last year's OIG identified management challenge remains relevant for this year and the near future and, possibly, more acute under a government wide continuing resolution[6]; although, CFTC has significantly addressed congressional expectations embedded in the Dodd-Frank Act.[7] Since July 21, 2010, when President Obama signed the Dodd-Frank Act into law, CFTC has completed over 80%[8] of the rules mandated by the Dodd-Frank Act. Consequently, the agency is now focused on implementing, refining, and ensuring industry compliance with fifty new Dodd-Frank Act related rules now in place. Nonetheless, stakeholders will continue to expect the agency to meet its regulatory oversight responsibilities by continually improving its information technology infrastructure[9] for receiving regulatory compliance related data[10] as well as swap transaction data[11]. Collecting and evaluating swaps market data will enable CFTC to

---

[3] Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203, 124 Stat. 1376 (2010)
[4] Public Law 107-289, 116 STAT. 2049, Nov. 7, 2002, *codified at* 31 USC 3501 note
[5] The IG's authority is found at § 304 of the CFO Act, P.L. 101-576, 104 STAT.2852, Nov. 15, 1990, *codified* at 31 USC 3521(e)
[6] See Public Law 113-164 The Continuing Appropriations Resolution provides continuing FY2015 appropriations to federal agencies until December 11, 2014, or enactment of specified appropriations legislation
[7] See CFTC press release: PR6853-14 CFTC Announces Measures to Promote Trading on Swap Execution Facilities and Support an Orderly Transition to Mandatory Trading. Mandatory trading of swaps on Swap Execution Facilities (SEF) began for certain interest rate swaps on February 15, 2014.
[8] OIG calculation (50 out of 60 = 80%) Dodd-Frank mandated rules. See Speech of Commissioner Sharon Bowen before the Futures Industry Association Expo 2014 November 5, 2014 paragraph 7.
[9] Virtually all communication with industry participants is in electronic form. Therefore efficient use of information technology resources is fundamental to the operations of the CFTC. That is why OIG identified management challenges reflect this fact. See Fiscal Year 2009, 2011, and 2012 IG management challenge letter.
[10] Regulation 23.600(c) (2) (ii) requires that Swap Dealers (SD) and Major Swap Participants (MSP) furnish risk exposure reports to the Commission. On March 22, 2013, the Commission implemented a web based portal to facilitate the furnishing of risk exposure reports to the Commission by SDs and MSPs.
[11] See Remarks of Timothy G. Massad before the Swaps Execution Facilities Conference (SEFCON V) November 12, 2014, paragraph 8 "We also have four swap data repositories provisionally registered, collecting and disseminating market data. This is a work in progress, but today we and the public have much more information regarding the swaps marketplace, enabling more competition and better oversight."

continue to restore confidence in all aspects of the commodities and swaps derivatives markets post 2008[12] market events.

As an independent sentinel, the OIG is committed to monitoring continuously CFTC's response to stakeholders such as Congress. During the 2014 calendar year my staff completed three performance audits[13] directly in line with congressional expectations embedded in the Dodd-Frank Act, sensitive to stakeholders' interests, and consistent with our oversight responsibilities for evaluating aspects of the CFTC's strategic plan for FY2011-FY2015. Along with our statutory responsibilities for conducting annual audits of the CFTC's financial statements the OIG audits relevant to last year's management challenges and supportive of our understanding of CFTC's operations executed during calendar year 2014 were:

1. Performance Audit-*Management's Use of Information Technology Resources in Support of its Strategic Plan and Regulatory Responsibilities*.
   Starting in fiscal year 2011, Congress designated specific spending levels for information technology at the CFTC. Our audit objective for undertaking this audit was to ascertain how the agency allocated congressionally designated funds for information technology. We examined Office of Data and Technology (ODT) spending on information technology during fiscal year 2011 and 2012 and, for the first time, we were able to evaluate FY2013 ODT spending allocations and found that ODT spent 50% of funds on software licenses and staff augmentation and 50% on software modernization and surveillance enhancements. Furthermore, we examined the largest contracts entered into by ODT that accounted for 49% of ODT spending in FY2013 and found ODT monitored vendors and their deliverables under the contracts. In the coming years as additional funds are appropriate for ODT we will evaluate their spending to ensure that congress and taxpayers expectations are efficiently and effectively address.

2. Recent market disruptions by MF Global Inc. and Peregrine Financial Group Inc. exposed management control weakness at some Futures Commission Merchants (FCM). The CFTC has regulatory oversight responsibilities for FCMs. Consequently, we sought to identify and evaluate the process CFTC employs for monitoring and reviewing financial statements of FCMs and Retail Foreign Exchange Dealers (RFEDs) and assess the agency's procedures for evaluating financial information received as well as evaluating reporting firm's regulatory compliance reports to the CFTC regarding their separation of customers' funds from individual firm's capital. The audit team selected a statistical sample of firms and found that the CFTC, an oversight regulator, complied with its policies and procedures for reviewing financial information received over the

[12] See Opening Statement of Chairman Timothy G. Massad, Open Meeting on Proposed Rule on Margin Requirements for Uncleared Swaps and Final Rule on Utility Special Entities paragraph 2: "It was six years ago—September 16, 2008—when our government was required to step in and prevent the failure of AIG, which was on the brink of collapse because of excessive swap risk, a collapse that could have thrown our nation into another Great Depression."

[13] The OIG contracted with independent public accounting (IPA) firms to conduct each audit and the OIG monitored conduct of all performance audits performed by the IPA.

three year period examined (FY2011 through FY2013). Following is a link to the final audit report[14].

During FY2014 CFTC enhanced its regulatory requirements to address concerns emerging from the two FCM related events mentioned above. CFTC's regulatory footprint in this area continues to grow. Today there are 105 swap dealers[15] and 2 major swap participants provisionally registered, along with 22 swap execution facilities temporarily registered with the CFTC.[16] Consequently, CFTC oversight of these entities will present a challenge for the agency during this ongoing period of budgetary constraints. We will monitor the agency's effectiveness in meeting its statutory responsibilities to stakeholders during the foreseeable period of austere budgets.

3. Finally, section 748 of the Dodd Frank Act [17]amended the Commodity Exchange Act to establish a consumer education and outreach program funded from CFTC collected civil monetary sanctions, greater than one million dollars, imposed by individual judiciary decisions. During FY2014 the Customer Protection Fund (CPF, Fund) acquired over $274.9 million in budgetary resources for use in addressing twin goals of increasing Customer Protection education and awarding payments to whistleblowers[18] for actionable prosecutorial information.

   My office decided to undertake a performance audit of *CFTC's Consumer Outreach Program's Efforts for Enhancing Awareness of Regulatory Resources and Protections Available to Commodity Market Users Against Fraud*.[19] This audit of the three year old Customer Protection Fund sought to assess management's plans for addressing its mandate as stated in the Dodd-Frank Act. For congress and stakeholders we offered several recommendations for improving consumer outreach operations-management accepted the audit recommendations. My office continues to manage the annual financial statement audit of the Fund which separately provides all financial resources for consumer outreach and may revisit this critical operation so as to ensure that it continues to operate efficiently and effectively in addressing congressional intent codified in the Dodd-Frank Act.

---

[14] Management Controls and Procedures for Evaluating Futures Commission Merchants'(FCM) and Retail Foreign Exchange Dealers'(RFED) Compliance with CFTC Financial Reporting Requirements Mandated by the Commodity Exchange Act and the Dodd Frank Act.
http://www.cftc.gov/ucm/groups/public/@aboutcftc/documents/file/oig_auditreportp05.pdf
[15] Data as of 11-3-14 http://www.cftc.gov/LawRegulation/DoddFrankAct/registerswapdealer
[16] See Remarks of Timothy G. Massad before the Swaps Execution Facilities Conference (SEFCON V) November 12, 2014, paragraph 7 and 11
[17] Public Law No. 111-203, § 748, 124 Stat. 1841 (2010)
[18] Section 748 of the Dodd-Frank Wall Street Reform and Consumer Protection Act amended the Commodity Exchange Act ("CEA") by adding Section 23, entitled "Commodity Whistleblower Incentives and Protection." CEA Section 23 established a whistleblower program under which the Commodity Futures Trading Commission ("Commission") will pay awards, based on collected monetary sanctions and under regulations prescribed by the Commission, to eligible whistleblowers who voluntarily provide the Commission with original information about violations of the CEA that lead either to a "covered judicial or administrative action" or a "related action."
[19] See audit report at: http://www.cftc.gov/ucm/groups/public/@aboutcftc/documents/file/oigocoaudit2014.pdf

Results of these three audits and awareness of CFTC operations confirm our assessment of major near term management challenges for the CFTC.

Current and Future OIG audits

In the coming year my office plans to contribute meaningful independent analyses towards aiding the agency to explore solutions to its management challenges. Toward that goal my office has underway an audit to examine the agency's process for conducting Rule Enforcement Reviews (RER) of designated contract markets. We will evaluate staffing, frequency of audit, and management controls in the program office responsible for RERs which the CFTC identified in their FY2011-2015 strategic plan as a significant component of their strategic goal #1.[20] As we learn more about the agency's monitoring of designated contract markets we may further evaluate how the agency reviews designated contract markets cyber security efforts-a critical infrastructure. These audits along with our two financial statement audits, other program audits, and reviews provide us with valuable data for evaluating future challenges at the CFTC

Cc: Commissioners Wetjen, Bowen, and Giancarlo

[20] See CFTC Strategic Plan 2011-2015 goal 1 located at: http://www.cftc.gov/reports/strategicplan/2015/2015strategicplan0701.html

Summary of Audit and Management Assurances

Summary of FY 2014 Financial Statement Audit

Audit Opinion:	Unmodified				
Restatement:	No				
MATERIAL WEAKNESS	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	ENDING BALANCE
	0	0			0

Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance:	Unqualified					
MATERIAL WEAKNESS	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
	0	0				0
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
COMPLIANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)						
	AGENCY			AUDITOR		
1. System Requirements	No noncompliance noted					
2. Accounting Standards	No noncompliance noted					
3. USSGL at Transaction Level	No noncompliance noted					

Improper Payments

The Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010, requires agencies review all programs and activities they administer and identify those which may be susceptible to significant improper payments.

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 2014 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 2.5 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.

Appendix

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**
GPRA ..... **Government Performance and Results Act**
Farm Bill ..... **Food, Conservation, and Energy Act**
FECA ..... **Federal Employees' Compensation Act**
FFMIA ..... **Federal Financial Management Improvement 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
DOL ..... U.S. Department of Labor
DOT ..... U.S. Department of Transportation
FERC ..... U.S. Federal Energy Regulatory Commission
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

ADA ..... Anti-deficiency Act
AFR ..... Agency Financial Report
AFSG ..... Aggregation Feasibility Study Group
APR ..... Annual Performance Report
CCP ..... Central Counterparty
CDS ..... Credit Default Swaps
COOP ..... Continuity of Operations
CPF ..... CFTC Customer Protection Fund
CPMI ..... Committee on Payments and Market Infrastructures
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
ESC ..... U.S. Department of Transportation's Enterprise Services Center
EU ..... European Union

FCM	Futures Commission Merchants
FBOT	Foreign Board of Trade
FERS	Federal Employees' Retirement System
FIXML	Financial Information Exchange Markup Language
FpML	Financial Products Markup Language
FTE	Full-time Equivalent
FWC	Future Workers Compensation
FY	Fiscal Year
GAAP	U.S. Generally Accepted Accounting Principles
IOSCO	International Organization of Securities Commissions
ISDA	International Swaps and Derivatives Association
ISS	Integrated Surveillance System
IT	Information Technology
LEI	Legal Entity Identifier
LIBOR	London Interbank Offered Rate
MD&A	Management's Discussion and Analysis
MSP	Major Swap Participants
MTF	Multilateral Trading Facility
NFA	National Futures Association
ORB	Other Retirement Benefits
PLI	Practicing Law Institute
RER	Rule Enforcement Review
SD	Swap Dealer
SDR	Swap Data Repository
SEF	Swap Execution Facility
SFFAS	Statement of Federal Financial Accounting Standards
SIDCO	Systemically Important DCO
SRO	Self-Regulatory Organization
TIA	Tenant Improvement Allowance
UPI	Unique Product Identifier
US	United States
UTI	Unique Transaction Identifier

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 commodity futures and option contracts in the United States and takes action against firms or individuals suspected of illegally or fraudulently selling commodity futures and options. 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 Web site 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:
CFTC, 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 us with original information about violations of the Commodity Exchange Act that lead us 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 person who sends us original information, from a corporate office 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 provide us with information about possible violations of the Commodity Exchange Act, or who assist us 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 *http://www.cftc.gov/ConsumerProtection/WhistleblowerProgram/index.htm,* which has copies of our rules, filing forms, notices and frequently asked questions.

Additional copies of the
Commodity Futures Trading Commission
FY 2014 Agency Financial Report
are available by contacting the
Office of Financial Management:

Office of Financial Management
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Telephone: Mary Jean Buhler, 202.418.5089 or
Lisa Malone, 202.418.5184
Fax: 202.418.5414
E-mail: *mbuhler@cftc.gov or lmalone@cftc.gov*
Web: *http://www.cftc.gov/About/CFTCReports/index.htm*

Acknowledgements

This Agency Financial Report was produced with the energies and talents of Commission staff. To these individuals, the Office of Financial Management would like to offer our sincerest thanks and acknowledgement.

We would also like to acknowledge the Office of the Inspector General and KPMG LLP for the professional manner in which they conducted the audit of the Fiscal Year 2014 Financial Statements.

We offer our special thanks to The DesignPond, in particular Sheri Beauregard and Michael James, for their outstanding contribution to the design of this report.

Page Photo Credits

CFTC; Pages III, 1, 4, 6, *and* 7
Clark Day Photography; Pages I, 2, 3, 9, 10, 14, 16, 17, 18, 19, 20, 21, 22, 24, 27, 31, 44, 51, 54, 57, 58, 59, 83, 89, 90, 91, *and* 92
USDA; Page 5
Other Stock Images; Cover, pages 1, 26, 33, 35, 37, 39, 42, *and* 95

COMMODITY FUTURES TRADING COMMISSION

THREE LAFAYETTE CENTRE • 1155 21ST STREET, N.W. • WASHINGTON, DC 20581

202.418.5000 • WWW.CFTC.GOV