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I write about whistleblower matters involving fraud and other issues.

INVESTING | 2/19/2014 @ 4:03PM | 291 views

## CFTC Enforcement Efforts Will Get a Boost in 2014

This year could be a big one for enforcement efforts by the Commodity Futures Trading Commission for a good reason: Whistleblowers.

The demands on CFTC enforcement have increased tremendously due to the Dodd-Frank Act. The CFTC now has jurisdiction over the \$400 trillion swaps market, in addition to its longstanding futures portfolio. Yet, the CFTC is admittedly understaffed and underfunded. Its budget is expected to increase only slightly to \$215 million for fiscal year 2014 – a \$10 million increase over last year but \$100 million less than it had requested.

What has been overlooked in discussions about the CFTC's expanding enforcement obligations and constrained budget is the [CFTC whistleblower reward program](#) created by Dodd-Frank. Although the Securities and Exchange Commission has gotten more attention for its whistleblower program, whistleblowers have been turning to the CFTC to report a wide array of fraudulent practices – from price manipulation to Ponzi schemes.

Whistleblowers have become invaluable contributors to government enforcement efforts. Like the SEC, the CFTC recognizes that whistleblowers provide insider information and evidence that can save investigators time and critical resources – a huge benefit for an agency that is seeing its responsibilities increase at the same time the agency is losing several key figures.

The number of whistleblower claims filed with the CFTC jumped from 58 in fiscal year 2012 to 138 in fiscal 2013. Although that's small by comparison to the SEC's whistleblower program, it's not surprising that an agency that deals primarily with a smaller segment of the financial markets would get fewer whistleblower claims. The SEC's program also has been helped by publicity from its early rewards.

The CFTC Whistleblower Office may not be playing catch-up for long. The CFTC expects to make its first whistleblower award this year, which will help attract more whistleblowers to report wrongdoing and thereby strengthen CFTC enforcement. The CFTC also now has \$300 million set aside in a special fund to use for whistleblower rewards.

Another strength of the CFTC whistleblower program is that the director of the CFTC Whistleblower Office, Christopher Ehrman, has the background and

the willingness to make the program successful. He joined the CFTC in July after years of working in the SEC's Enforcement Division, most recently as assistant director of the SEC's Office of Market Intelligence.

Under the provisions of the [Dodd-Frank Act](#), private individuals can file whistleblower claims with the CFTC and collect a reward if the CFTC recovers more than \$1 million as a result of the individual's report of wrongdoing. The whistleblower will be awarded 10 percent to 30 percent of all the money that is recovered, including amounts recovered in related actions by other agencies.

The CFTC has raised its profile in the past few years, with its pursuit of enforcement actions against some of [Wall Street](#)'s biggest names. Its investigation into manipulation of Libor and other benchmark interest rates, for instance, resulted in settlements with five banks totaling more than \$1.765 billion, beginning with Barclays Bank's settlement in 2012 for \$200 million for CFTC sanctions and most recently, Rabobank's settlement for \$475 million in October.

Currently, the CFTC is one of many regulators investigating whether as many as 15 global banks manipulated the foreign exchange markets – allegations that “are every bit as bad as they have been with Libor,” according to Martin Wheatley, chief executive of the UK Financial Conduct Authority.

[The BBC reports](#) that the Royal Bank of Scotland and Barclays are among the banks reviewing thousands of emails and instant messages sent by their currency traders to determine whether they tried to manipulate foreign exchange markets. Additional banks – including Deutsche Bank, UBS AG, JPMorgan Chase & Co. and Citigroup Inc. – have acknowledged their practices are under investigation and have said they are cooperating with the probes.

The CFTC's higher visibility and large recoveries will undoubtedly help convince individuals with knowledge of frauds in the swap and futures markets to step forward to the CFTC Whistleblower Office. What they will find are CFTC officials eager to work with whistleblowers to stop corporate wrongdoing.

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