Commodity Futures Trading Commission

Fiscal Year 2020 President's Budget

March 2019

U.S. Commodity Futures Trading Commission
Three Lafayette Centre, 1155 21st Street, NW, Washington, DC 20581
www.cftc.gov

J. Christopher Giancarlo
Chairman

(202)418-5030
(202)418-5533 (fax)
jcgiancarlo@cftc.gov

Chairman's Transmittal Letter

March 8, 2019

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

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

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

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

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

I am pleased to transmit the U.S. Commodity Futures Trading Commission (CFTC or Commission) justification for the President's fiscal year (FY) 2020 budget request. If fulfilled, this budget request would maximize the Commission's ability to oversee our nation's swaps, futures, and options markets.

For more than a century, farmers have relied on U.S. derivatives markets to manage risk. These markets allow farmers, ranchers, and producers to hedge production costs and delivery prices so that consumers can always find plenty of food on grocery store shelves. They are one reason why American consumers enjoy stable prices, not only in the supermarket, but in all manner of consumer finance from auto loans to household purchases. Derivatives markets influence the price and availability of heating in American homes, the energy used in factories, the interest rates borrowers pay on home mortgages, and the returns workers earn on their retirement savings.

Today, American derivatives markets are the world's largest, most developed, and most influential. They are relatively unmatched in their depth and breadth, providing deep pools of trading liquidity, low transaction cost and friction and participation by a diverse array of global counterparties. They are also some of the world's fastest growing and technologically innovative.

We cannot, however, take for granted having the world's leading futures markets. We must do everything we can to ensure that they continue to provide domestic and international participants with the world's most accurate price discovery, least friction execution, and the deepest trading liquidity. The combination of regulatory expertise and competency is one of the reasons why U.S. derivatives markets continue to serve the global need to hedge price and supply risk, safely and

efficiently. It is also why well-regulated U.S. derivatives markets, by allowing low-cost and effective hedging, are of great benefit to American producers and consumers and to the rest of the world.

In order for the CFTC to fulfill its duty to oversee these vital derivatives markets in FY 2020, the Commission is requesting a total of $315.0 million. This budget request consists of two separate requests, the annual Commission operational funding of $284.0 million and a new request to support the relocation of three regional offices of $31.0 million. The Commission requests $284.0 million and 707 FTE to sustain its annual operations in FY 2020; this request is $2.5 million above the FY 2019 President's Budget Request and represents an inflationary adjustment of less than one percent. This request seeks an annual increase of $35.0 million above the FY 2019 Continuing Resolution funding level and is in line with the FY 2019 President's Budget. The FY 2020 request will allow the Commission to effectively implement the internal reforms and initiatives outlined in the FY 2019 request.

In FY 2020, the Commission will continue to invest resources to ensure U.S. derivatives markets operate free from fraud, manipulation, and other trading abuses. A strong enforcement program is vital to maintaining public confidence in the financial markets. To achieve this end, the Commission is using all of its fraud and manipulation authority to bring forward important enforcement cases. This is critical to market participants who depend on the futures and swaps marketplace. Similarly, it is also critical to retail customers who trust their hard-earned dollars to off-exchange firms that promise that great profits will be achieved quickly, only to misappropriate the customers' funds or lose them through trading or exorbitant commissions.

In the face of increasingly complex markets and sophisticated trading instruments, the Commission remains focused on fostering market integrity and security through robust oversight and reviews of designated contract markets (DCMs), swap execution facilities (SEFs), and swap data repositories (SDRs). This includes conducting examinations of derivatives platforms' self-regulatory programs to ensure that they are complying with the Commodity Exchange Act (CEA) and Commission regulations.

Examinations of derivatives clearing organizations (DCOs) help the Commission identify issues that may affect a DCO's ability to control and monitor its risks. Among the most important examinations that the Commission conducts are those of clearinghouses, which, as noted, have become critical single points of risk in the global financial system. Furthermore, the number of clearinghouses, the scope and complexity of the examination issues, and the importance of these examinations to overall financial stability are all increasing. Effective cybersecurity and system safeguards oversight is increasingly crucial to the stability of the economy and a critical element of the Commission's examination program. Effective cybersecurity protection of regulated entities requires an increase in the number and frequency of examinations conducted each year. In conducting such oversight, the Commission works to reduce the burden on entities by coordinating system safeguard examinations between DCOs, and one or more DCMs, SEFs, or SDRs.

The FY 2020 budget request will also allow the Commission to address the large volumes of data collected as a result of the Dodd-Frank Act. Commercial trade execution and strategy in the regulated markets is increasingly driven by quantitative data analysis of highly granular market data. The Commission is beginning to chart a parallel course to become a Quantitative Regulator, which means an effective and up-to-date big data organization capable of engaging in robust data collection, automated data analytics, and artificial intelligence deployment. This transformation is necessary to ensure we can glean critical market intelligence, conduct effective trade surveillance and oversight, calibrate policy prescriptions, and capably regulate our markets. Access to large volumnes of data will improve economic and econometric analysis which will strengthen the analytical and empirical foundations of the Commission's policies and rules and better inform its cost-benefit considerations.

With the proper balance of sound policy, regulatory oversight and private sector innovation, new technologies and global trading will allow American markets to evolve in responsible ways, and continue to grow our economy and increase prosperity. Part of this effort includes increasing our efforts to respond to changes in our foreign counterparts systems, such as the European authorities, particularly the European Securities and Markets Authority as they expand their supervision of U.S. firms or apply their rules and requirements to U.S. firms and markets. In addition, the CFTC will oversee the implementation of relevant European Union (EU) equivalence determinations on central

clearinghouses, trading platforms and margin requirements. Only with such a commitment can our markets continue to remain the strongest, and most liquid and provide the economic benefits that risk-transfer markets afford.

Thank you for your consideration of this budget request.

Sincerely,

J. Christopher Giancarlo

cc:

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

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

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

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

The FY 2020 Budget Request

Table of Contents

The FY 2020 Budget Request

Figures and Tables

Executive Summary

The Commission is requesting a total of $315.0 million and 707 FTE for FY 2020. This budget consists of two separate requests: the Commission's operational budget of $284.0 million, and a one-time request of $31.0 million to support the relocation of the Commission's three regional offices, each with expiring leases. The CFTC's request for its operational budget is consistent with the FY 2019 President's Budget Request, inflating it by less than one percent (1%). Commission priorities in this budget remain focused on increasing resources to expand economic analysis, increase examiners, strengthen cybersecurity, fully fund LabCFTC, and enhance IT capability to improve market oversight.

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

Highlights of the 2020 Budget

Division of Enforcement

The Commission requests $56.1 million and 166 FTE to ensure U.S. derivatives markets operate free from fraud, manipulation, and other trading abuses. The Commission has strengthened its rules and procedures to better protect whistleblowers, brought new impactful enforcement cases, and successfully resolved other important enforcement cases. In addition, enforcement resources have been enhanced through the internal realignment of the Market Surveillance Branch in 2017 to report directly to the Director of Enforcement. This is one of several actions the Commission has taken to better utilize resources across the Commission. This effort will allow the Commission to maintain a robust market surveillance program that develops and utilizes sophisticated systems to analyze trade data, respond to outlying events, and to help identify trading or positions that warrant further enforcement inquiry.

A strong enforcement program is vital to maintaining public confidence in the financial markets. The Commission uses its authority to deter fraudulent and manipulative conduct and ensure that markets, firms, and participants subject to the Commission's oversight meet their obligations. To achieve this end, the Commission uses its authority to bring forward important enforcement cases. This is critical to market participants who depend on the futures and swaps marketplace. Similarly, it is also critical to retail customers who trust their hard-earned dollars to off-exchange firms that promise that great profits will be achieved quickly, only to misappropriate the customers' funds or lose them through trading or exorbitant commissions.

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

In FY 2018, the Commission implemented a self-reporting program designed to identify wrongdoers and hold them accountable. This self-reporting program is designed to help the Commission identify the individuals and where the evidence supports, prosecute those individuals most culpable for any wrongdoing. Through the end of FY 2018, the Commission issued three significant orders that

involved self-reporting. Each order included a civil monetary penalty that reflected a significant reduction on account of the self-report, cooperation, and remediation. The current cooperation program mirrors similar programs established by the U.S. Department of Justice and the U.S. Securities and Exchange Commission (SEC).

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

Division of Market Oversight

The Commission requests $28 million and 90 FTE inthe FY 2020 budget to continue its commitment to maintaining the integrity of the markets. The Commission is working to promote healthy and vibrant markets by conducting a holistic review of Commission rules and re-working them to ensure that they keep pace with the rapidly changing digital transformation of markets, which will enable innovation and unburden the U.S. economy. In FY 2020, the Commission plans to finalize rules on swaps trading, swaps data reporting, and position limits among others, which would reduce regulatory burden, streamline regulations, improve market structures, increase trading liquidity, and remove barriers for new entrants, while also preserving the goals of the Dodd-Frank Act. The division anticipates codifying and eliminating current no-action letters and guidance, and will continue to implement reforms as part of the Commission's Project KISS initiative.

In the face of increasingly complex markets and sophisticated trading instruments, the Commission remains focused on fostering market integrity and security through robust oversight and reviews of designated contract markets (DCMs), swap execution facilities (SEFs), and swap data repositories (SDRs). This includes conducting examinations of derivatives platforms' self-regulatory programs to ensure that they are complying with the CEA and Commission regulations. In May 2018, the Commission published the first ever advisory to ensure derivatives platforms follow appropriate governance processes with respect to the launch of virtual currency products. The advisory clarifies CFTC staff priorities and expectations in review of new virtual currency derivatives listed on DCMs, SEFs, or cleared by derivatives clearing organizations (DCOs). Effective cybersecurity and system safeguards oversight is increasingly crucial to the stability of the economy and a critical element of the division's examinations. Effective cybersecurity protection of regulated entities requires an increase in the number and frequency of examinations conducted each year. In conducting such oversight, the Commission works to reduce the burden on entities by coordinating system safeguard examinations between DCOs, and one or more DCMs, SEFs, or SDRs.

Since establishing the Market Intelligence Branch (MIB) in FY 2017, the Commission has produced staff analytical reports for agency and public use on sharp price movements in the markets, agricultural block trades, and other valuable policy and regulatory issues. The teams have developed sophisticated analytics to identify trends and outlying events that warrant further study. As such, the Commission will commit resources in FY 2019 and continue in FY 2020 to finalize and fully implement the standards for over-the-counter (OTC) derivatives markets, agreed to at the 2009 Pittsburgh G-20 summit and codified in the Dodd-Frank Act to ensure we have complete, accurate, and high-quality swaps data to fulfill our statutory responsibilities.

Division of Clearing and Risk

The Commission requests $22.7 million and 74 FTE, reflecting the Commission's aspiration of expanding its examination activities directed toward DCOs to reduce market risk. Regular examinations, in concert with the Commission's surveillance and other functions, are a highly effective method to maintain market integrity so that American businesses can rely on these markets. The Commission leverages resources through conducting joint examinations across Commission

divisions, and coordinated examinations with the U.S. Federal Reserve and the SEC, where possible. This effort allows the Commission to be more efficient with its limited resources and at the same time reduce burdens for dual registrants.

Examinations of DCOs help the Commission identify issues that may affect a DCO's ability to control and monitor its risks. Among the most important examinations that the Commission conducts are those of clearinghouses, which, as noted, have become critical single points of risk in the global financial system. Furthermore, the number of clearinghouses, the scope and complexity of the examination issues, and the importance of these examinations to overall financial stability are all increasing.

Currently, the Commission has six registered clearinghouses located overseas, including some that are extremely important to the markets given the volume of swaps and futures cleared for U. S. entities. The Commission anticipates new applications for DCO registration resulting from the explosion of interest in crypto currencies; an area in which protection of the crypto currencies will be one of the highest risks. The marketplace does not currently have any depositories willing to expand in this area, and thus, the DCOs must design novel and complex strategies to protect the crypto currencies.

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

The Commission has an active, data-driven daily risk surveillance function, and expects to continue investing additional resources on human capital, data, and technology to improve our current analytical capabilities to keep up with growth in both the scale and complexity of risk transmission in the derivatives markets, both cleared and uncleared. Given the emphasis of G-20 and Dodd Frank Act reform efforts on central clearing as a critical tool to help mitigate systemic risk in the global financial markets, the Commission expects to grow our stress testing program to help ensure that the clearing eco-system continues to be resilient to absorb both market and systemic shocks.

Division of Swap Dealer and Intermediary Oversight

The Commission requests $23.1 million and 73 FTE to maintain oversight of intermediaries and swap dealers' activities in CFTC-regulated markets. The change in resources is a result of Commission efforts to provide effective oversight using current delegated authorities and improve cooperative oversight policies. The Commission oversees the registration and compliance of swap and futures market intermediaries and swap and futures industry self-regulatory organizations (SROs), including the Chicago Mercantile Exchange (CME) and the National Futures Association (NFA). With almost $292 billion in customer funds held by futures commission merchants (FCMs) and thousands of registered introducing brokers (IBs), swap dealers and other types of registrants, market intermediaries serve as a cornerstone of the Commission's regulatory framework. As such, the Commission directs its registration and compliance resources to provide critical policy and regulatory guidance to market participants, both directly and in coordination with the SROs. In addition, these resources are also used to oversee NFA in its role of implementing delegated authority to register and oversee compliance by intermediaries. The Commission will also use these resources to ensure that registration rules, standards and reporting requirements keep pace with the needs of the evolving marketplace. The Commission is the primary financial regulator of 102 registered swap dealers, who in the 12 month period of January – December 2017, collectively transacted more than $350 trillion[1] in notional value swap contracts serving a vital source of liquidity for commercial end users seeking to hedge their risk.

The Commission is also in the midst of a comprehensive review of its rules and is recommending amendments to its relevant rules and regulations. Notably, the Commission is preparing recommendations for the swap dealer *de minimis* registration rulemaking, strengthening customer

[1] Data source: Data from the four SDRs including interest rate, foreign exchange, equity, and credit default swaps for which at least one party is a registered swap dealer at the time reported and excluding inter-affiliate swaps.

protections, and monitoring capital rules for registered swap dealers not subject to prudential regulatory oversight. The resulting renewed framework will better align to the swaps market, focus on reducing burden on the entities, increase participant diversity, and simulate board-based economic growth and stability. The reforms will more closely adhere to the spirit and intention of the Dodd-Frank Act.

The Commission will continue to address complex regulatory and financial reporting issues with the managed funds industry, including 2,127 registered commodity trading advisers (CTAs) and 1,567 commodity pool operators (CPOs). In connection with this function, the examination branch of this division has launched new supervisory activities related to the trading of Bitcoin futures contracts and continues to conduct oversight of the aforementioned FCMs, as well as CPOs and CTAs on a regular basis. This budget provides the necessary funding to continue these activities.

Office of the Chief Economist

The Commission requests $7.9 million and 24 FTE to expand its core economic expertise in order to conduct in-depth analytical and empirical studies of issues affecting all areas of Commission and regulatory interest. The FY 2020 budget request will allow the Commission to address the large volumes of data collected as a result of the Dodd-Frank Act. The resulting work will further enhance the Commission's understanding of derivatives market participants, including end users, intermediaries, trading and clearing entities; market structure; execution methods; liquidity; price discovery; hedging; market risk; counterparty risk; systemic risk; and connections between futures, cleared swaps, and uncleared swaps. Improved economic and econometric analysis will improve the analytical and empirical foundations of the Commission's policies and rules and better inform its cost-benefit considerations. Furthermore, this request will enable the Commission to provide more of its analysis to the public in the form of white papers on topics of current interest; recurring reports on aggregate market trends, trading activity, and positions; and high-quality research papers on fundamental properties of relevant markets and sectors of market participants.

Office of the General Counsel

The Commission requests $17.5 million and 52 FTE, of which $2.6 million and six FTE are to support the Commission's commitment to the FinTech initiative.

The Commission launched LabCFTC as part of the FinTech initiative, to serve as the focal point for the Commission's efforts to promote market-enhancing FinTech innovation and fair competition for the benefit of the American public. FinTech comprises a range of technology-driven innovations in capital markets, including blockchain, crypto assets, distributed ledger technology, machine learning and artificial intelligence, cloud, and algorithmic trading. LabCFTC is designed to make the CFTC more accessible to FinTech innovators, and serves as a platform to inform the Commission's understanding of emerging technologies. LabCFTC provides a dedicated point of contact for FinTech innovators to engage with the CFTC, learn about the CFTC's regulatory framework, and obtain feedback. Further, LabCFTC is an information source for the Commission and the CFTC staff on responsible innovation that may influence policy development. When fully staffed, LabCFTC will enable the CFTC to be proactive and forward thinking as FinTech applications continue to develop, and to help identify related regulatory opportunities, challenges, and risks.

The LabCFTC initiative accomplishes this mission through thoughtful engagement with innovators, consideration of how new technologies can make the Commission more effective and efficient, and collaboration with external organizations, including domestic and international regulators, focused on sharing best practices related to FinTech innovation.

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

Office of International Affairs

The Commission requests $4.3 million and 12 FTE to enable the Commission to continue critical work with international counterparts and to participate in regulatory bodies to ensure that the rules and regulations of key foreign regulators and international standard setters are consistent with the U.S. derivatives markets. Through this office, the Commission is able to engage in leadership roles of critical international bodies, such as the International Organization of Securities Commissions (IOSCO) and the Financial Stability Board (FSB). As CFTC regulatory counterparts continue to implement swaps reforms in their markets, it is essential that staff ensures that our rules do not conflict with, or fragment, the global marketplace, and that they develop a sophisticated understanding of foreign regulatory developments and processes to carry out successful outcomes-based regulatory coordination. The Commission will continue to coordinate efforts for enforcement cooperation, supervisory cooperation and information-sharing arrangements with counterparts all over the world. The Commission is also pursuing new arrangements to encourage cross-border cooperation on FinTech and crypto-asset developments.

Office of Data and Technology

The Commission requests $57.0 million for the Information Technology (IT) program and $29.0 million and 89 FTE as part of the Salaries and Expense program, for a total estimate of $86.0 million to support its data and technology initiatives. This is the same level of funding as the FY 2019 request. As the Commission looks forward to meeting the challenges of the increasingly digitized financial markets, the importance and role of technology resources and the need to integrate technology into the way the CFTC conducts business and performs mission work will continue to grow. Technology capacity plays an important role in the Commission's efforts to adopt and implement new FinTech tools, swap data reforms, and digital reporting that will strengthen CFTC market oversight activities.

With the FY 2020 budget request, the Commission plans to strengthen cybersecurity and network defenses, support the LabCFTC CFTC 2.0 initiative, and invest in the agency's multi-year cloud strategy. The Commission will invest in additional IT security tools to continue progress towards achieving compliance with Federal Information Security Management Act (FISMA) and related Office of Management and Budget (OMB) security mandates, and ensuring the protection of sensitive market participant data. Resources will be directed to address the rapid expansion of Bitcoin and other virtual currencies within the financial markets, enhance CFTC's data governance capabilities and further integrate technology tools and services into CFTC mission and business operations.

The Commission expects to produce substantive progress with the requested funding on the implementation of CFTC's cloud strategy by acquiring direct access to order book data from the CME, Intercontinental Exchange (ICE) and potentially other exchanges and data sources. In addition, the CFTC plans to implement cloud technology to strengthen core agency management/oversight programs, streamline/automate training and staff development processes, and enhance the office automation software used every day to support the mission.

CFTC Facility Relocation and Replication Request

The Commission requests $31.0 million as a separate no-year appropriation for resources required to relocate and replicate the current regional facilities in three locations. The Commission is requesting these resources in accordance with the General Services Administration (GSA) Public Building Service (PBS) National Policy Document, appropriation laws, and occupancy agreements covering non-severable services that require full upfront funding. The estimate includes design, alteration, and initial outfitting costs for the new federal space assigned by GSA or leased through GSA. This request is necessary to provide complete, habitable, and operational spaces when the Commission assumes occupancy of the GSA managed space. Additional details are provided in the Relocation and Replication justification section starting on page 37.

Overview of the FY 2020 Budget

FY 2020 Budget Request by Program[2] [3] [4] [5] [6]

Table 1: Summary of FY 2018 to 2020 by Program

	FY 2018 Actual $ (000)	FY 2019 Continuing Resolution $ (000)	FY 2020 President's Budget $ (000)	Change $ (000)
Salaries and Expenses	$197,636	$198,300	$223,614	$25,314
Office of the Inspector General	$2,678	$2,700	$3,386	$686
Information Technology	$49,672	$48,000	$57,000	$9,000
Total Annual Request	**$249,987**	**$249,000**	**$284,000**	**$35,000**
Facilities Relocation and Replication[7]			$31,000	$31,000
Grand Total Request	$249,987	$249,000	$315,000	$66,000

Columns may not add due to rounding

[2] FY 2019 Continuing Resolution: Annualized estimates provided in the Continuing Appropriations Act, 2019 (Division C of Public Law 115-245), as amended.

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

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

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

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

[7] Facilities Relocation and Replication resources are requested as a separate no-year account from the Commission's other PPAs.

FY 2020 Budget Request by Division[8] [9]

	FY 2018 Actual		FY 2019 Continuing Resolution		FY 2020 President's Budget		Change	
	FTE	$ (000)	FTE	$ (000)	FTE	$ (000)	FTE	$ (000)
Enforcement	169	$52,529	159	$51,978	166	$56,077	7	$4,099
Market Oversight	90	$25,902	85	$26,083	90	$27,991	5	$1,908
Clearing and Risk	65	$18,650	61	$18,571	74	$22,746	13	$4,175
Swap Dealer and Intermediary Oversight	76	$22,499	72	$22,409	73	$23,125	1	$716
Chief Economist	14	$4,046	14	$4,335	24	$7,865	10	$3,529
General Counsel	45	$13,908	43	$14,247	52	$17,524	9	$3,277
International Affairs	10	$3,564	9	$3,304	12	$4,327	3	$1,023
Data and Technology	84	$75,418	78	$72,574	89	$85,980	11	$13,406
Executive Director	82	$22,837	77	$21,712	85	$24,241	8	$2,529
Chairman and Commissioners	26	$7,955	34	$11,086	33	$10,739	(1)	($347)
Inspector General [10]	9	$2,678	8	$2,700	9	$3,386	1	$686
Total	**670**	**$249,987**	**640**	**$249,000**	**707**	**$284,000**	**67**	**$35,000**

Table 2: Summary of FY 2018 to 2020 by Division

Columns may not add due to rounding

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

[9] FY 2019 Continuing Resolution: Annualized estimates provided in the Continuing Appropriations Act, 2019 (Division C of Public Law 115-245), as amended.

[10] Due to rounding, the Office of the Inspector General FY 2020 request is displayed as 9 FTE in the table above; however, the Inspector General requested 9.5 FTE, as displayed on pages 41-43. The Inspector General's request of 9.5 FTE is appropriately calculated into the budget estimate.

FY 2020 Budget Request by Object Class

Table 3: Summary of FY 2018 to 2020 by Object Class

Annual Baseline Request	FY 2018 Actual $ (000)	FY 2019 Continuing Resolution[11] $ (000)	FY 2020 President's Budget $ (000)	Change $ (000)
11.0 Personnel Compensation	$118,093	$120,532	$133,687	$15,130
12.0 Personnel Benefits	$39,399	$39,172	$42,913	$1,765
21.0 Travel and Transportation of Persons	$1,266	$1,395	$2,076	$681
22.0 Transportation of Things	$34	$49	$49	$0
23.1 Rental Payments to GSA	$0	$1,173	$0	($1,172)
23.2 Rental Payments to Others	$25,544	$24,535	$24,933	$398
23.3 Communication, Utilities, & Misc.	$3,177	$2,609	$2,620	$11
24.0 Printing and Reproduction	$405	$619	$619	$0
25.0 Other Services	$55,197	$51,829	$68,264	$16,435
26.0 Supplies and Materials	$2,883	$2,374	$2,575	$201
31.0 Equipment	$3,988	$4,698	$6,249	$1,551
32.0 Building and Fixed Equipment	$0	$15	$15	$0
Total	**$249,987**	**$249,000**	**$284,000**	**$35,000**
Facilities Relocation and Replication Request[12]				
21.0 Travel and Transportation of Persons		$0	$100	$100
22.0 Transportation of Things		$0	$681	$681
23.2 Rental Payments to GSA		$0	$20,086	$20,086
25.0 Other Services		$0	$240	$240
25.7 Operation & Maintenance - Equipment		$0	$225	$225
26.0 Supplies and Materials		$0	$8	$8
31.0 Equipment Purchase		$0	$9,660	$9,660
Total	**$0**	**$0**	**$31,000**	**$31,000**
Grand Total	**$249,987**	**$249,000**	**$315,000**	**$66,000**

Columns may not add due to rounding

[11] FY 2019 Continuing Resolution: Annualized estimates provided in the Continuing Appropriations Act, 2019 (Division C of Public Law 115-245), as amended.

[12] Facilities Relocation and Replication resources are requested as a separate no-year account from the Commission's other PPAs.

Crosswalk from FY 2019 to FY 2020

Table 4: Crosswalk from FY 2019 to FY 2020

	FY 2019 CR Estimate[13]	FY 2020 Request	Change
Base Budget Authority ($000)	**$249,000**	**$284,000**	**$35,000**
Facilities Relocation and Replication Request[14]		$31,000	$31,000
Net Budget Authority ($000)	$249,000	$315,000	$66,000
Full-Time Equivalents (FTEs)	**640**	**707**	**+67**

Explanation of Change	**FTE**	**Dollars ($000)**
Current Services Increases: (Adjustments to FY 2019 Base)		
To provide for changes in personnel compensation & benefits:		$2,439
To provide for the following changes in non-personnel costs:		(-$1,173)
--Space Rental/Communications/Utilities (-$1,173)		
Program Increase: (Adjustments to FY 2020 Current Services)	+67	$33,734
--Addition of 67 FTE ($14,457)		
--Space Rental/Communications/Utilities ($409)		
--Travel/Transportation ($681)		
--Other Services ($16,435)		
--Supplies/Printing ($201)		
--Equipment ($1,551)		
Program Increase: (Relocation and Replication)		$31,000
--Equipment and furniture for new facilities ($9,660)		
--Payments to GSA for renovation of new facilities ($20,086)		
--Relocation of existing equipment to new facilities ($681)		
--Services and support to relocate to new facilities ($573)		
Total Change	**+67**	**$66,000**

[13] FY 2019 Continuing Resolution: Annualized estimates provided in the Continuing Appropriations Act, 2019 (Division C of Public Law 115-245), as amended.

[14] Facilities Relocation and Replication resources are requested as a separate no-year account from the Commission's other PPAs

Justification of the FY 2020 Budget by Division

Division of Enforcement

Resource Overview

Table 5: Enforcement Request

	FY 2018 Actual	FY 2019 Continuing Resolution	FY 2020 President's Budget	Change
BUDGET	$52,529,098	$51,978,377	$56,077,392	+$4,099,015
FTE	169	159	166	+7

Columns may not add due to rounding

Organization Description

The Division of Enforcement (DOE) investigates and prosecutes alleged violations of the CEA and Commission regulations. The Commission's enforcement efforts are necessary to ensure both the integrity of the derivatives markets and the public's confidence in these financial markets. DOE utilizes its authority to, among other things: 1) shut down fraudulent schemes and seek to immediately preserve customer assets through asset freezes and receivership orders; 2) uncover and stop manipulative and disruptive trading; 3) ensure that markets, firms, and participants subject to the Commission's oversight meet their obligations, including their financial integrity and reporting obligations, as applicable; 4) ban certain defendants from trading in its markets and bar them from being registered; and 5) obtain orders requiring defendants to pay restitution, disgorgement, and civil monetary penalties. DOE also engages in cooperative enforcement work with domestic (state and Federal) and international regulatory and criminal authorities. The Whistleblower Office within DOE receives tips, complaints and referrals of potential violations, which allows the staff to bring cases more quickly and with fewer CFTC resources, and guides the handling of whistleblower matters as needed during investigation, litigation, and award claim processes. The Commission also augments its enforcement program through both a robust market surveillance program, which, among other things, develops and utilizes sophisticated systems to analyze trade data, respond to outlying events, and identify trading or positions that warrant further enforcement inquiry; and forensic economic analysis, which includes extensive data analysis to develop evidence for investigations into potential market manipulation, disruptive trading practices (including spoofing), and other unlawful trade-based conduct.

Justification of CFTC Request

The Division of Enforcement addresses the Commission's mandate to protect both customers and the integrity of the markets. The primary pillars of a robust enforcement function are the ability to rigorously and thoroughly investigate potential violations of the CEA and Commission regulations, and effectively prosecute such alleged violations, including the corresponding imposition of sanctions for the greatest deterrent effect.

In FY 2020, the Commission will continue preserving market integrity and protecting customers from harm through comprehensive and effective investigation and prosecution of violations, including:

- Utilizing the Commission's authority to address fraud and manipulative conduct, false reporting of market information, and disruptive trading practices, including spoofing, trade practice violations, and other misconduct on registered entities;

- Protecting customers who are victims of retail fraud and illegal off-exchange transactions, such as fraud by intermediaries (e.g., pool fraud), and fraud and illegal transactions relating to foreign currency and precious metals;

- Exerting robust enforcement in both the virtual currency derivatives markets and in the underlying cash or spot markets, including prosecuting fraud, false solicitation, and manipulation, or other market abuse;

- Enforcing regulatory requirements to ensure that registrants maintain diligent supervision of their operations, adhere to their regulatory obligations, and maintain their financial integrity by meeting standards for capitalization, segregation, and handling of funds; and

- Protecting the data integrity of information by enforcing requirements for recordkeeping and reporting across derivatives classes.

Cooperative Enforcement

Going forward, the Commission will continue its focus on collaborative relationships with SROs, state, Federal, and international authorities, including achieving efficiencies through referrals, to meet its enforcement objectives. For example, in May 2018, the Commission, with the assistance of the North American Securities Administrators Association, entered into a Memorandum of Understanding with individual state securities commissions that focuses our collective resources to better detect and prosecute federal and state financial fraud detection. As Chairman Giancarlo stated: "This agreement increases the ability of the CFTC and state securities administrators to share information, discover misconduct and deter it. It eliminates burdensome red tape. It enhances long-standing relationships among our agencies. It supports our vital missions for now and for the future.[15]" In fact, in November 2018, the CFTC and the State of Utah jointly filed a civil enforcement action charging a precious metals dealer and his company with engaging in a $170 million precious metals Ponzi scheme, defrauding at least 200 individuals — from Utah and at least 16 other states.

The Commission will also continue to expand its effort to charge cases in parallel with our criminal law enforcement counterparts, which is critical to achieving optimal deterrence. Perhaps the most significant development on this front was the announcement of the parallel actions involving spoofing and manipulative conduct the Commission filed together with the U. S. Department of Justice and U.S. Federal Bureau of Investigation in January 2018. A senior member of the Justice Department stated that these filings constituted "the largest futures market criminal enforcement action in Department history.[16]" These filings were equally significant for the Commission, which filed charges against three financial institutions and six individuals for manipulative conduct and spoofing, including the largest civil monetary penalty ever imposed for spoofing-related misconduct.

Although this program is still developing, the results are encouraging. Through the end of FY 2018, the Commission issued three significant orders that involved self-reporting. Each order included a civil monetary penalty that reflected a significant reduction on account of the self-report, cooperation, and remediation. The Commission employed its individual cooperation program to sign up individuals to cooperation agreements, which also led to significantly reduced penalties—some of which even included no civil monetary penalty. Further, during FY 2018, the Commission charged

[15] Remarks of Chairman J. Christopher Giancarlo at the North American Securities Administrators Association Conference, May 21, 2018, Washington, D.C. Accessible from the page https://www.cftc.gov/PressRoom/SpeechesTestimony/opagiancarlo46

[16] Remarks of Acting Attorney General John P. Cronan, Announcing Futures Markets Spoofing Takedown, January 29, 2018, accessible from the page https://www.justice.gov/opa/speech/file/1029596/download and also Written Testimony of Chairman J. Christopher Giancarlo before the U.S. House Committee on Appropriations, Subcommittee on Agriculture, Rural Development and Related Agencies, March 7, 2018, Washington, D.C. accessible from the page https://www.cftc.gov/PressRoom/SpeechesTestimony/opagiancarlo39

individuals in more than two-thirds of our filed cases. The Commission charged primary wrongdoers, those who facilitated that misconduct as aiders and abettors, and the wrongdoers' supervisory and control persons, including supervisors and desk heads, Chief Executive Officers, and a Chairman of the Board. The Commission anticipates this trend will continue into FY 2020.

Surveillance

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

- Conduct surveillance in all traded commodity classes on a prioritized basis, and perform discrete forensic analysis involving data reported to the Commission to confirm orderly operation of the markets and to identify conduct that may give rise to a potential violation of the CEA and Commission regulations;

- Evaluate compliance with Federally-imposed position limits, conduct a forensic review of market activity to identify potential market and trading abuses;

- Coordinate with other Federal regulators such as U.S. Department of Agriculture, U.S. Department of Energy, Federal Energy Regulatory Commission, and U.S. Environmental Protection Agency on market events involving their respective jurisdictions; and

- Communicate with market participants and the exchanges, about market participant trading activities based upon aggregate data across markets.

On December 1, 2017, CME, CBOE Futures Exchange, and Cantor Exchange self-certified new contracts for Bitcoin futures products. Several other exchanges have expressed an intention to self-certify similar contracts in the near future. The new and largely unregulated underlying cash markets have led some U.S. regulators to express concern about the potential for fraud and manipulation in the cash and futures markets; and other risks that fall within the purview of the Commission, such as risks to centralized counterparty clearing organizations.

To meet these challenges, the Commission will utilize resources requested for its Virtual Currency Task Force to conduct surveillance of virtual currencies, such as Bitcoin futures contracts and of the underlying cash markets to which these futures contracts settled. In addition, the Task Force will assist with detecting, investigating, and prosecuting fraud and manipulation in these markets.

Forensic Capabilities

The Commission utilizes forensic economists to perform complex data analysis to develop evidence for investigations into potential market manipulation, disruptive trading practices (including spoofing), and other unlawful trade-based conduct. This analytical evidence is used to determine the nature and scope of the trading or activity at issue and informs the Commission's determination of whether to recommend an enforcement action. In FY 2020, the Commission will utilize its economic forensic analysis resources to keep pace with the enforcement program's increasing demand for, and complexity of, investigative analysis, which has been affected by:

- The rapid innovation and increasing complexity of financial markets, which necessitates the collection and analysis of vast amounts of data including fundamental economic data, transaction data, position data, and order book data; and

- The proliferation of algorithmic and high-speed trading, the use of price benchmarks in financial transactions, and the use of economically equivalent or similar instruments in futures, options, swaps, and cash markets.

International Enforcement Efforts

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

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

Division of Market Oversight

Resource Overview

Table 6: Market Oversight Request

	FY 2018 Actual	FY 2019 Continuing Resolution	FY 2020 President's Budget	Change
BUDGET	$25,901,751	$26,082,645	$27,990,930	+$1,908,286
FTE	90	85	90	+5

Columns may not add due to rounding

Organization Description

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

Justification of CFTC Request

Enhancing Commission Rules

In FY 2020, the Commission will use a significant portion of its resources to continue to improve Commission rules in order to promote fair, efficient, and vibrant markets and a sound market structure. These policy improvements will encourage innovation, streamline regulations, improve market structure, increase trading liquidity, and remove barriers for new entrants and unburden the U.S. economy. These changes will ensure that the Commission's rules keep pace with the rapidly changing digital transformation of markets. Specifically, the Commission anticipates enhancing and finalizing rules on swaps trading, position limits, among others. As part of this effort, the Commission anticipates codifying and eliminating current no-action letters and Division guidance. The CFTC will continue to implement reforms as part of the Commission's Project KISS initiative.

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

Market Intelligence

In FY 2020, the CFTC will continue to analyze and communicate current and emerging derivatives market dynamics, developments, and trends to assist the Commission in developing sound policy, together with assisting other Federal agencies, Congress, the Administration, and the public in making informed decisions. This initiative includes conducting high value-added analysis using proprietary and outside data to promote efficient and sound markets. Such market data is critical, and

dependent on the ability to acquire large volumes of data and to use it through the development of sophisticated analytics to identify trends and/or outlying events that warrant further study. The CFTC will continue to work with internal and external stakeholders to ensure the Commission has complete, accurate, and high-quality futures and swaps data to fulfill its statutory responsibilities. The Commission will continue to publish information and reports to the public regarding several market structure issues, such as market liquidity, trading technologies, and convergence.

Examinations and Cybersecurity

In FY 2020, the Commission will remain focused on fostering market integrity and security through robust oversight and reviews of DCMs, SEFs, and SDRs. To do so, the CFTC will continue to conduct examinations of DCMs' self-regulatory programs to ensure that they are complying with the core principles and Commission regulations. In FY 2020, the Commission anticipates developing and implementing a program to conduct examinations of SEFs' self-regulatory programs upon completion of enhancements to the swaps trading rules.

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

Additionally, swaps and futures data maintained by entities and available to regulators provides for systemic risk mitigation, transparency, and market supervision oversight. The CFTC must dedicate resources to these responsibilities to ensure the accuracy and reliability of such data in order to carry out its mission and must invest in automating procedures and data to integrate it into its various functions.

Virtual Currency Issues and other Product Reviews

In FY 2020, the Commission will continue to be involved in virtual currency derivatives issues, including reviewing new virtual currency derivatives that are listed for trading on DCMs and SEFs. Additional resources are needed to meet the challenges related to virtual currency derivatives and ensure that these contracts are not readily susceptible to manipulation. The CFTC reviews these and other futures, options, and swaps contract filings by DCMs and SEFs primarily to verify that the contracts are not readily susceptible to manipulation and other price distortions, and that they are subject to appropriate position limits or position accountability standards as required by the CEA and Commission regulations. In May 2018, the Commission published the first ever advisory to ensure derivatives platforms follow appropriate governance processes with respect the launch of virtual currency products. The advisory clarifies CFTC staff priorities and expectations in review of new virtual currency derivatives listed on DCMs, SEFs, or cleared by DCOs. Virtual currency derivatives and the underlying cash markets present many unique risks and challenges, such as price volatility, market dislocations due to flash rallies, crashes, and other technology issues.

The Commission is working to develop procedures to identify contracts that may require updated reviews of their terms and conditions after initial submission to the CFTC. As noted above, the review of terms and conditions of contracts occur upon filing by a DCM or SEF. This would assist the Commission in determining when the terms and conditions of a contract fail to keep pace with changes in the underlying cash market, potentially increasing the risk of manipulation.

Registration and Compliance

In FY 2020, the Commission will analyze, designate, and register new DCM, SEF and FBOT applications. The CFTC anticipates that additional entities focused on virtual currency derivatives will seek registration as DCMs and SEFs, which will raise unique issues and challenges requiring further resources. At the same time, other entities, such as decentralized or peer-to-peer networks may seek to trade virtual currency derivatives and avoid registration, which would also raise novel issues.

Lastly, once the enhancement of the Commission's swap data reporting rules are completed, the division will review the four provisionally registered SDRs for permanent registration.

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

Division of Clearing and Risk

Resource Overview

Table 7: Clearing and Risk Request

	FY 2018 Actual	FY 2019 Continuing Resolution	FY 2020 President's Budget	Change
BUDGET	$18,650,323	$18,571,200	$22,746,196	+$4,174,996
FTE	65	61	74	+13

Columns may not add due to rounding

Organization Description

The Division of Clearing and Risk (DCR) oversees DCOs and other participants that may pose risk to the clearing process, including FCMs, swap dealers, major swap participants (MSPs), and large traders; and oversees the clearing of futures, options on futures, and swaps by DCOs. The DCR staff: 1) prepare proposed regulations, orders, guidance, and other regulatory work products on issues pertaining to DCOs; 2) review applications for DCO registration and DCO rule submissions, and make recommendations to the Commission; 3) make recommendations to the Commission of which swaps should be required to be cleared; 4) make recommendations to the Commission as to the eligibility of a DCO seeking to clear swaps that it has not previously cleared; 5) assess compliance by DCOs with the CEA and Commission regulations, through the examination process, including examining SIDCOs at least once a year; and 6) conduct risk assessment and financial surveillance through the use of risk assessment tools, including automated systems to gather and analyze financial information, and to identify, quantify, and monitor the risks posed by DCOs, clearing members, and market participants and their financial impact.

Justification of CFTC Request

DCO Examinations

The Commission expects the number of DCOs to continue to increase in FY 2020, as it is currently reviewing and expecting new applications for registration. The business of the recent DCO applicants is in the area of crypto currencies, an area in which protection of the crypto currencies will be one of the highest risks. The marketplace does not have any depositories willing to offer custodial services in this area, and therefore the DCOs must design novel and complex strategies to protect the crypto currencies and devise appropriate policies and procedures to manage holding the crypto currencies. The budget request supports our efforts to examine DCO approaches to protecting crypto currencies. In addition, cloud providers are a much cheaper solution to use for the storage of data and the operation of clearing applications. As DCOs begin using this technology more broadly, the budget request will support systems risk analysts with the appropriate knowledge to identify areas of concern regarding the security of the cloud provider and the DCOs implementation of such technology. Of concern is the security that surrounds the clearing applications that are in the cloud and the lack of information from the cloud providers regarding this very important topic.

From a risk assessment perspective, the expectation is more frequent examination will occur on DCOs clearing crypto currency products. This is due to the unique challenges associated with operating in this space. The DCOs that are clearing these products may also be registered as DCMs or SEFs. The relevant divisions jointly examine for compliance, where appropriate. This allows the Commission to be more efficient with its limited resources and at the same time reduce burdens on dual registrants. During the planning process, the divisions meet to discuss the scope of the examination and discuss examination plans that will accommodate both scopes in the most efficient manner possible. These divisions have created common documents for use during the examination process making it easier

for the DCO, DCM, or SEF to produce the documentation requested from the two divisions. In addition, division staff perform their onsite fieldwork at the same time and harmonize their conclusions prior to the issuance of any examination report. This reduces burdens for dual registrants and it streamlines the process. It will also maximize the limited number of risk analysts available for this type of examination.

As the number of DCOs increase, the number of DCO filings and the potential number of required examinations will increase CFTC's oversight responsibilities. As the number of DCOs has increased, so too has the complexity of the counterparty risk management oversight programs and liquidity risk management procedures of the DCOs. The Commission has an interagency project underway with the Board of Governors of the Federal Reserve in which the teams are collaborating in an effort to identify best practices in the areas of default management, liquidity risk management, and the performance of margin models. The teams are sharing analysis, information, and supervisory experiences in an attempt to define policies and to agree upon examination programs for systemically important CCPs regarding the various topics. Fewer examinations may be completed in the short term, as significant resources will be leveraged to complete this activity. However, in the long term more effective and efficient SIDCO examinations will be completed at the conclusion of this project. Another goal of this effort is to identify areas where additional transparency surrounding our regulations may be of significant benefit to the DCO community.

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

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

Swap Clearing Requirement Product Reviews

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

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

Relying on new data from DCOs, SDRs, SEFs, and other market infrastructure and participants, the Commission will continue to analyze, by asset class, the percentage and volume of cleared and uncleared swaps, the level of risk transfer among market participants, the market dynamics with respect to new products, and the implied overall credit and market risk, in FY 2020. This will help ensure that the Commission has an appropriate understanding of risk within the swaps markets. The Commission also will review data to monitor market participants, including swap dealers, for compliance with the swap clearing requirement and its exceptions and exemptions.

Registration and Compliance for DCOs

The FY 2020 budget request continues to support the Commission's registration and compliance activities for DCOs. The Commission will devote effort to completing the review of pending applications for DCO registration, as well as commencing review of new applications. The Commission also expects to review petitions for exemption from DCO registration for the clearing of swaps. These activities, in addition to oversight of registered DCOs, will continue to require regulatory coordination on both a domestic and cross-border basis. As additional DCOs are registered or exempted over the course of FY 2020, these coordinated efforts will necessarily increase concurrently.

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

DCO Risk Surveillance

Risk surveillance is a technology-intensive function, and in FY 2020, both the quantity and types of position data requiring review will continue to increase. The Commission currently collects granular or entity-level position and exposure data, and the Commission anticipates investing additional resources into collecting and maintaining comprehensive, current financial information on DCOs, FCMs, and their clients. Further, to enable development of risk metrics, the Commission requires real-time and historic information on prices of derivatives and related underlying markets, as well as risk factor information. To perform these functions, the Commission uses internally developed applications and commercially available software. The Commission's ability to function effectively and advance this program is dependent upon its ability to process this data, and this request enables the Commission's efforts in this area.

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

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

International Policy Support

The FY 2020 budget request will permit the Commission to continue participation in key international bodies setting standards for clearinghouses, with the aim of promoting appropriately rigorous standards. Commission staff participates in, or leads, international groups such as the Committee on Payments and Market Infrastructures-IOSCO Steering Group, Policy Standing Group, Implementation Monitoring Standing Group, Working Group on Cyber-Resilience, the FSB's

Resolution Steering Group and Financial Market Infrastructure Cross-Border Crisis Management Group.

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

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

Division of Swap Dealer and Intermediary Oversight

Resource Overview

Table 8: Swap Dealer and Intermediary Oversight Request

	FY 2018 Actual	FY 2019 Continuing Resolution	FY 2020 President's Budget	Change
BUDGET	$22,499,441	$22,408,899	$23,124,624	+$715,725
FTE	76	72	73	+1

Columns may not add due to rounding

Organization Description

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

Justification of CFTC Request

Registration and Compliance

The CFTC's thousands of registered intermediaries play a vital role in the Nation's financial system by connecting customers to the global market. With $292 million in estimated customer funds, the registrants serve as a cornerstone of the Commission's regulatory framework. As such, the Commission directs its registration and compliance resources to provide critical policy and regulatory guidance to market participants, both directly and in coordination with the NFA. The Commission also uses these resources to ensure that registration rules, standards and reporting requirements keep pace with the needs of the evolving marketplace.

Core activities funded through this function include:

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

- Furnishing responses to other Federal and state agencies, CFTC registrants, and to the public with respect to intermediary issues. These answers involve an array of activities, from

responding to inquiries from market participants and registrants to briefing policy makers on major registration and compliance issues.

- Providing direct support to the international regulatory community with established agreements on substituted compliance matters. This support is central to overseeing the global activities of the derivatives industry, and the implementation of key aspects of legislative mandates, and other high priority initiatives.

- Preparing and delivering critical guidance to the SROs, which support the execution of the Commission's regulatory framework and delegated regulatory activities.

Economic and Legal Support

In FY 2019 and continuing into FY 2020, the Commission is focusing on reducing regulatory burdens by pursuing a data driven, policy agenda. The policy-making agenda will include a final swap dealer *de minimis* rule and, working with other federal financial regulators, amendments to the Volcker Rule. The Commission will continue implementing refinements to the Commission's rules in a manner consistent with Project KISS on issues including swap dealer business conduct standards, SRO financial surveillance programs, CPO and CTA reporting obligations, and cross-border application of the Commission's intermediary regulations. The Commission expects to codify existing no-action letters in regulation, and promote regulatory efficiency in the rules applying to swap dealers, CPOs, CTAs, IBs and FCMs through a thoughtful sequence of proposed rule amendments intended to streamline the Commission's regulatory burdens.

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

- Providing draft rulemakings, interpretations, and opinions on questions of statutory and regulatory authority relevant to market intermediaries and legal advice for substantive Commission actions relevant to intermediaries, including registration and futures association rule submission reviews, regulations, and exemptions;

- Drafting and administering the applicable capital, margin, segregation and financial reporting requirements for market intermediaries, swap dealers, and MSPs, to include drafting related rulemakings, no-action letters, interpretations, and exemptions;

- Responding to informal requests for guidance from market participants, non-U.S. regulators, and the public;

- Coordinating capital, margin, and financial reporting requirements with the SEC and Prudential Regulators regarding swap dealers and MSPs; and

- Working closely with foreign regulators to reduce cross-border regulatory burdens by implementing agreements that will allow swap dealers and MSPs to be deemed in compliance with the CFTC's margin rules, while remaining subject to the CFTC's examination and enforcement authority.

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

Office of the Chief Economist

Resource Overview

Table 9: Chief Economist Request

	FY 2018 Actual	FY 2019 Continuing Resolution	FY 2020 President's Budget	Change
BUDGET	$4,045,916	$4,335,403	$7,864,557	+$3,529,154
FTE	14	14	24	+10

Columns may not add due to rounding

Organization Description

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

Justification of CFTC Request

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

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

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

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

The FY 2020 budget request allows the Commission to staff to levels sufficient to make continued progress in fulfilling its mission. With respect to research, this request will allow the CFTC to begin to master the data available; understanding how and why market participants use derivatives; studying the risk profiles of market participants; assessing the efficiency of trading platforms; evaluating how well derivatives products and markets serve end users; and appraising the extent to which systemic risk might be generated by or might be transmitted through derivatives markets. The CFTC will also work to integrate research into Commission policies and actions. Recent research conducted at the CFTC allowed for the introduction of ENNs (Entity-Netted Notionals) as an alternative to notional value for the markets. The initial January 2018 white paper, "*Introducing ENNs: A Measure of the Size of Interest Rate Swap Markets*"[17] outlined the calculation of ENNs as well as their distribution across participant types and products. The paper also discusses why other common market size measures, like notional value, do not accurately measure the amount of market risk transfer through swap markets. This measure estimates the size of risk transfer in the swaps market and provides a more direct comparison between swaps and other rates markets, like U.S. Treasuries. The Commission is using interest rate swaps (IRS) ENNs to improve the understanding of how various business sectors use derivatives markets and how regulations affect that usage. Since the initial publishing of the ENNs concept, the Commission has published a second white paper, *"ENNs for Corporate and Sovereign CDS and FX Swaps"* in February 2019[18]. Additional information is provided in Appendix 5, starting on page 57.

The FY 2020 budget request will also enable the Commission to improve the analytical and empirical foundations of its policy and rules, as well as the cost-benefit considerations of its policy and rulemaking. This will be achieved partly through a deeper understanding of the functioning of markets and the behavior of market participants, as described previously, and through supplementing that understanding with data-driven studies of the costs and impacts of past rules and the potential costs and impacts of the Commission's contemplated policy changes.

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

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

Office of General Counsel

Resource Overview

Table 10: General Counsel Request

	FY 2018 Actual	FY 2019 Continuing Resolution	FY 2020 President's Budget	Change
BUDGET	$13,907,628	$14,247,199	$17,524,000	+$3,276,802
FTE	45	43	52	+9

Columns may not add due to rounding

Organization Description

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

Justification of CFTC Request

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

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

LabCFTC is the Commission's focal point for efforts to promote market-enhancing FinTech innovation and fair competition for the benefit of the American public. FinTech comprises a range of technology-driven innovations in capital markets, including blockchain, crypto assets, distributed ledger technology, machine learning and artificial intelligence, cloud, and algorithmic trading. LabCFTC facilitates access for FinTech innovators into CFTC, and serves as a platform to inform the Commission's understanding of emerging technologies. LabCFTC provides a dedicated point of contact for FinTech innovators to engage with the CFTC, learn about the CFTC's regulatory framework, and obtain feedback. Further, LabCFTC is an information source for the Commission and the CFTC staff on responsible innovation that may influence policy development. LabCFTC enables the CFTC to be proactive and forward thinking as FinTech applications continue to develop, and to help identify related regulatory opportunities, challenges, and risks.

The LabCFTC initiative will accomplish its goal through thoughtful engagement with innovators, consideration of how new technologies can help make the Commission more effective and efficient,

and collaboration with external organizations, including domestic and international regulators, focused on sharing best practices related to FinTech innovation.

Through LabCFTC, the Commission will facilitate market enhancing innovation, inform policy, and ensure that the agency has the regulatory and technological tools and understanding to keep pace with changing markets. The initiative addresses three fundamental issues: 1) how the CFTC can leverage and support innovation to make it a more effective regulator and improve markets, 2) how the CFTC can inform policy by identifying rules, regulations, and regulatory approaches that need to be updated for relevance in digital markets, and 3) how the Commission can advance and leverage emerging technologies, including artificial intelligence and machine learning. LabCFTC executes its mission through the three following work streams.

First, 'Guide Point' provides a dedicated point of contact for FinTech innovators to engage with the CFTC, learn about the CFTC's regulatory framework, and obtain feedback. Such feedback and discourse provides innovators with valuable information that can help them save time and resources, or allow for the identification of potential friction or uncertainty in existing rules. The CFTC will continue to periodically publish FinTech primers for the public to provide education and guide posts around emerging technologies and that are responsive to engagement with market participants and innovators.

Second, 'CFTC 2.0' fosters the testing, understanding, and potential adoption of new technologies that can improve markets or make the Commission a more effective and efficient regulator. We recently crowdsourced ideas for future innovation competitions[19], which may involve, for example, novel ways to visualize CFTC published data, developing market surveillance tools, making our rules more readily machine-readable, or building a more dynamic, digital, and "smart" notice-and-comment platform.

Finally, 'DigitalReg' is designed to support the Commission's effort to build a 21st century regulator and regulatory approach. Internally, DigitalReg serves as a CFTC-wide resource to help inform the Commission and staff on Fintech-related developments. Externally, DigitalReg acts as a hub to help the Commission collaborate with other U.S. and international regulatory authorities in order to share best practices around FinTech engagement. In 2018 the CFTC entered into three international FinTech cooperation arrangements with the United Kingdom (UK) Financial Conduct Authority, the Monetary Authority of Singapore, and the Australian Securities and Investment Commission.

[19]Press Release, CFTC, "CFTC Asks Innovators for Competition Ideas to Advance FinTech Solutions" (Apr. 24, 2018) (available at www.cftc.gov/PressRoom/PressReleases/7717-18).

Office of International Affairs

Resource Overview

Table 11: International Affairs Request

	FY 2018 Actual	FY 2019 Continuing Resolution	FY 2020 President's Budget	Change
BUDGET	$3,563,964	$3,304,031	$4,326,938	+$1,022,907
FTE	10	9	12	+3

Columns may not add due to rounding

Organization Description

Office of International Affairs (OIA) advises the Commission regarding international regulatory initiatives and policies; provides guidance regarding international issues raised in Commission matters; represents the Commission in international fora, such as International Organization of Securities Commission (IOSCO), the Financial Stability Board (FSB), and the OTC Derivatives Regulator Group; coordinates Commission policy as it relates to policies and initiatives of major foreign jurisdictions and the G20; coordinates with the U.S. Department of the Treasury and U.S. financial regulatory authorities on international matters; negotiates cooperative arrangements and responds to inquiries related to supervisory cooperation or information sharing; and provides technical assistance to foreign market authorities, including advice and organization of international training programs and regulatory symposia.

Justification of CFTC Request

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

The CFTC will increase its efforts to respond to attempts by European authorities, particularly the European Securities and Markets Authority, to expand their supervision of U.S. firms or apply their rules and requirements to U.S. firms and markets. In addition, the CFTC will oversee the implementation of relevant European Union (EU) equivalence determinations on central clearinghouses, trading platforms and margin requirements. Furthermore, the exit of the United Kingdom (UK) from the EU requires the Commission to engage with both the UK and EU to respond to changing regulatory requirements that might affect existing agreements and regulatory arrangements with the Commission.

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

The Commission anticipates continuing engagement with the FSB and its working groups and committees that directly affect the Commission regulatory regime. The CFTC will remain actively engaged as a member of the Board of the IOSCO and assume leadership roles within important policy committees and task forces that develop standards and policy guidance for the derivatives markets. The Commission will continue to participate in financial regulatory dialogues with the European Union, United Kingdom, Singapore, Australia, China, Japan, India, Canada, and Mexico.

In addition, the Commission will continue to co-chair an international study group created to examine and analyze market fragmentation in the global financial markets; co-chair three international groups either developing the governance arrangements for international data standards or reviewing their implementation; and chair an international committee looking at the effectiveness of the global OTC derivatives reforms on market structure and reporting. The CFTC will also chair an international group focused on improving adherence to international cybersecurity standards.

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

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

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

Office of Data and Technology

Resource Overview

Table 12: Data and Technology Request

	FY 2018 Actual	FY 2019 Continuing Resolution	FY 2020 President's Budget	Change
Information Technology Services	49,672,061	48,000,000	57,000,000	+$9,000,000
Information Technology Personnel (Salaries & Expenses)	25,746,298	24,573,920	28,979,897	+$4,405,977
Total IT Portfolio	**$75,418,359**	**$72,573,920**	**$85,979,897**	**+$13,405,977**
FTE	**84**	**78**	**89**	**+11**

Columns may not add due to rounding

Organization Description

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

IT Portfolio

Although the CFTC IT Portfolio supports all aspects of the Commission's operations, its mission importance continues to grow as the agency strives to meet the oversight demands of today's increasingly sophisticated financial markets. Investing, leveraging, and integrating technology at all levels of the organization is core to the CFTC's ability to develop the new capabilities, and provide cost effective performance required to protect market users and reduce systemic risk. In accordance with OMB's Capital Planning guidance, the Commission's IT Portfolio has been reorganized to reflect the technology business model (TBM) that will provide additional standardization across the Federal government for how IT resources and expenses are planned, managed and reported. In accordance with the TBM structure, the portfolio is now arrayed across five primary services as follows:

1. *Mission and Agency Operations Service (Business Applications)*
2. *IT Security, Planning and Management (Delivery Services)*
3. *End User Services*
4. *Infrastructure Services*
5. *Platform Services*

1. Mission and Agency Operations Service (Business Applications)

Within this service area, the CFTC's TBM structure reflects three categories (summarized below).

Industry Oversight and Financial Integrity. This category covers the IT business application services, systems, and tools that directly support Commission's core mission activities, with a distinct focus on industry data management and analysis. Examples include:

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

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

- *Other CFTC missions*. These resources are used to provide tools and services that are vital to a variety of other CFTC functions that include the Office of the Chief Economist, the FinTech CFTC 2.0 initiative, firm and entity registration and reporting, and international policy efforts.

Management and Administrative Systems. This category delivers the tools and services that allow the CFTC to function as an independent agency. Software and support in this investment area include CFTC's financial management system, payroll and automated human resource services, as well as inventory management, logistics management systems, and secretariat support.

Litigation Support. The Commission has responsibility for extensive legal activities, and technology resources provide a variety of critical automated litigation and investigative support capabilities. Technology business applications facilitate the overall management of documents and data for both enforcement and litigation activities, along with innovation and timesaving document analysis, and case support services. This investment area includes the Commission's computer forensics program, which uses special tools and software to access, analyze, and evaluate data and evidence retrieved from a range of sources essential to CFTC enforcement activities.

2. IT Security, Planning and Management (Delivery Services)

Although this portfolio item encompasses several important programmatic activities, the most significant component is CFTC's IT Security Program. Other business areas included are strategic and enterprise-wide planning and architecture, IT-specific training/program support, and business continuity and disaster recovery. A summary of key IT security objectives are:

- Protect all data and technology within the Commission with continuous assurance of confidentiality, integrity and availability;

- Strengthen staff vigilance by ensuring that authorized users understand, accept, and follow security and privacy responsibilities;

- Combat cyber threats through incident detection, response, and mitigation capabilities;

- Assess and synthesize threat intelligence, vulnerabilities, potential business impacts, and the likelihood to impact operational risk decisions; and

- Continue to invest in IT security to maintain and achieve compliance with cybersecurity objectives, such as the FISMA, and related National Institute of Standards and Technology (NIST) mandates.

3. End User Services

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

4. Infrastructure Services

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

5. Platform Services

Just as the Commission utilizes infrastructure services to provide the hardware platform for its enterprise IT requirements, the CFTC also leverages software platforms like cloud technology, the official CFTC.gov website, collaboration software, and statistical analysis software to support a full range of important analytical, administrative and information management functions. The CFTC employed cloud technology to automate administration of certain training programs and will apply a similar approach to asset management. The collaboration software platform continues to transform records management, and organization and storage throughout the Commission. A recent redesign of the CFTC.gov site has made CFTC information more accessible to stake holders and the public at large.

Justification of CFTC Request

In FY 2020, the Commission requests a total of $86.0 million and 89 FTE for the Commission to sustain base operations and address current and emerging mission challenges. Included in the $86.0 million, is $57 million for technology purchase and $29.0 million for the Salaries and Expenses account, which funds the staff, and support for the division. Technology resources and expertise continue to be of utmost importance to the CFTC mission – not only to support day-to-day operations, but also to develop the new capabilities necessary to oversee the 21st century markets. The FY 2019 CR funding level provided technology funding of $48.0 million and $24.5 million for staffing. The increase in funding requested for FY 2020 provides an additional $9.0 million for technology purchase and $4.4 million to increase staffing by 11 FTE allowing the Commission to emphasize the following areas in FY 2020:

Cybersecurity

Securing data from cyber threats remains a top priority and the CFTC will continue to work closely with the U.S. Department of Homeland Security (DHS) and other stakeholders on security matters while maintaining and evaluating cybersecurity protections to guard against growing cyber threats. The Commission's request will increase staff in its IT security program to address pressing workload demands and enhance the professional skill base in this vital, and highly specialized component of information technology management. Growing cybersecurity staff also directly supports CFTC's ongoing efforts to adopt the NIST Cybersecurity Framework.

This request will allow investment in cyber operations to acquire, develop, and deploy the specialized capabilities required for the Commission to continue making progress towards achieving full compliance with FISMA and related security mandates. Collectively, the additional staff and resources will enable a significant upgrade to the Commission's cyber defense capabilities and its

ability to safeguard sensitive agency and market data, as well as agency IT infrastructure from new and emerging threats.

Cloud Technology

Continued investment in the CFTC's cloud strategy allows the Commission to leverage proven technology that offers important benefits (e.g., flexible "pay-as-you-go" costing, multi-device user access, acquisition cost avoidance, etc.) in ways that fully align with the CFTC's innovation and efficiency objectives. The Commission is already experiencing the benefits of cloud services across a diverse group of mission critical activities that includes the CFTC.gov website, the CFTC internal collaboration and information sharing portal, and mobile communications. Additional initiatives planned for cloud adoption include:

Futures and Options Order Book Data. The Commission plans to utilize cloud technology to innovate and fundamentally transform how the CFTC collects market data from industry sources. Although the CFTC already works closely with the futures and options exchanges such as the CME and ICE to obtain 0rder book data to surveil markets and triage, investigate, and prosecute violations of the CEA, the Commission presently has no direct regular access to the large sets of order book information. Instead, the CFTC relies on the exchanges to provide data on a case-by-case basis. This labor intensive and unwieldy data acquisition process is inefficient for both parties. Using cloud technology, the Commission plans to acquire direct access to the CME and ICE exchange's order book data that will:

- enhance analytical capabilities to more rapidly detect, identify, and target suspicious activity and behavior;
- reduce administrative burden on the CME, ICE and CFTC;
- achieve greater investigative efficiencies and effectiveness;
- develop greater insight and understanding of market patterns and associated evolutions in risk management, and apply this knowledge to CFTC policies and regulations; and
- enhance CFTC's ability to identify, target and investigate potential CEA violations.

The CFTC has determined that a cloud solution provides the most viable, cost effective platform to accomplish this objective. Given the sheer amount of order book data that the CFTC plans to acquire this initiative was not financially practical without efficient and expansive data management and storage capabilities available from a cloud technology solution. The amount of data to be obtained is estimated at nearly one full petabyte (1,000,000,000,000,000 bytes) which spans the last five to seven years of CME data and the additional two billion (2,000,000,000) order book records per trading day that CFTC will collect thereafter. The CME will be the first exchange to participate in this initiative in FY 2020. It is anticipated that additional order book data from other exchanges and data sources would be incorporated in the future.

Management and Administration. The Commission is working to apply cloud innovation to strengthen core management, training, and productivity activities in ways that will not only be cost friendly, but also produce time and staffing-related efficiencies. In FY 2019, the Commission plans to implement a cloud-based asset management system that once completed will modernize and optimize execution of this important stewardship function.

In FY 2019, the Commission will complete transition of all agency eLearning and core training management processes to a new cloud-based solution to eliminate multiple, work-intensive legacy systems and realize agency-wide efficiencies by automating manual, paper-based processes. In FY 2020, the agency plans to transition to a cloud-based solution that will provide continuous office automation software to the CFTC workforce that is not only optimally priced but provides the latest software capabilities and future upgrades on an on-going basis, and avoids the costly software acquisition, implementation, and training expenses of the previous efforts.

IT Modernization

Although cloud technology remains a core driver of the Commission's IT modernization plans, the CFTC plans to pursue other modernization initiatives that include the following:

Data Management: Technology has dramatically altered capital markets over the past few decades, and technologically induced innovations such as electronic exchanges, high-frequency trading and exchange traded funds have made trading in capital markets faster, cheaper, more integrated, and increasingly complex. This transformation means that, in order to remain effective, the CFTC's regulation and oversight of the highly automated derivatives markets must keep pace. The collection of, and need for, data continues to grow exponentially as the marriage of regulation and technology moves to the forefront. In order to address this exponential increase in data and required capabilities, CFTC is undertaking a comprehensive effort to review its data and analytics function in FY 2019 and FY 2020.

LabCFTC 2.0: The Division will continue to provide support to LabCFTC's mission to identify innovation opportunities, which could yield improvements to the Commission's speed, performance, and efficiency in market surveillance, oversight and enforcement efforts.

Technology Refreshment: This resource request will allow the Commission to replenish aging hardware and software to modernize and strengthen core IT capability and services. As the Commission continues to increase cloud adoption, one target is the migration of backup facilities to the cloud to provide additional flexibility and cost reductions for these technology refreshments. In FY 2019 and FY 2020, the Commission continues to manage its life-cycle technology refreshment plan within the CFTCs' enacted funding level with particular emphasis on data storage, communication and audio-visual capabilities, network connectivity and performance, and operational security.

Additional Budgetary Data on Information Technology Resources

The first table below represents the budget request for Information Technology (IT) by budget program. The CFTC considers Salary and Expenses (S&E) and Information Technology (IT) two of its primary PPAs. Indirect Overhead is a proportional share of estimated operating costs, such as, lease of space, utilities, printing, supplies, equipment and other services used by or available to all divisions and offices. CFTC allocates indirect overhead to all divisions and offices in this budget presentation based on a per FTE distribution.

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

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

IT Budget by Program	FY 2018 Actual	FY 2019 Continuing Resolution	FY 2020 President's Budget
Information Technology Services	49,672,061	48,000,000	57,000,000
Information Technology Personnel (S&E)	18,583,824	18,585,606	21,194,816
S&E Operating	2,588,546	1,590,000	2,558,535
S&E Indirect Overhead	4,573,928	4,398,314	5,226,546
Total IT Budget By Program	**$75,418,359**	**$72,573,920**	**$85,979,897**

IT Portfolio by Cost Type	FY 2018 Actual	FY 2019 Continuing Resolution	FY 2020 President's Budget
Development, Modernization, and Enhancement (DME)	13,978,861	5,338,471	7,505,476
Operations and Maintenance (O&M)	54,206,798	61,247,135	70,689,340
S&E (Non-DME/O&M)	2,658,771	1,590,000	2,558,535
S&E Indirect Overhead	4,573,928	4,398,314	5,226,546
Total IT Portfolio	**$75,418,359**	**$72,573,920**	**$85,979,897**

Columns may not add due to rounding

DEFINITION OF TERMS

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

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

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

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

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

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

Office of the Executive Director

Resource Overview

Table 14: Executive Director Request

	FY 2018 Actual	FY 2019 Continuing Resolution	FY 2020 President's Budget	Change
BUDGET	$22,837,257	$21,712,355	$24,241,020	+$2,528,665
FTE	82	77	85	+8

Columns may not add due to rounding

Organization Description

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

Justification of CFTC Request

The Commission continues to promote excellence through executive direction and leadership, organizational and individual performance management, and effective management of resources. Efforts to achieve these objectives will result in better-informed decision making regarding the management and investment of the Commission's resources. The FY 2020 budget request focuses on strengthening the Commission's fiduciary posture by executing and evaluating the remaining agency corporate reform efforts. The FY 2020 budget request recognizes the need to keep overhead costs as low as possible, while making careful investments to continue efficiency, innovation, and effectiveness in its operations and management. To that end, the Commission will continue to provide essential day-to-day financial management, human resources, building management, and secretariat functions as well as maintain the centralized services model that supports the various CFTC divisions and offices in compliance with Federal administrative mandates.

This budget request also includes resources to provide for a strong risk management structure by building out an enterprise risk management (ERM) framework, as required by OMB Circular A-123. Enterprise Risk Management provides an enterprise-wide, strategically-aligned portfolio view of organizational challenges that provides improved insight about how to more effectively prioritize and manage risks to mission delivery. Effective ERM facilitates improved decision-making through a structured understanding of opportunities and threats. Effective ERM also helps agencies implement strategies to ensure effective use of resources, enables an optimized approach to the identification and remediation of compliance issues, and promotes reliable reporting and monitoring across business units. CFTC will initiate its ERM efforts in FY 2019 and expects to continue this implementation in FY 2020.

The Commission has the responsibility to comply with Federal standards, the agency requires resources to address the requirements contained in OMB Memoranda M-12-18, *Managing Government Records Directive* and the National Archives and Records Administration's (NARA) 2018-2022 strategic plan for agencies to manage permanent records electronically. The Commission will continue to transition to electronic business processes and systems for managing those records, and where not feasible, to transition legacy permanent, paper records to electronic form, and send those records to NARA. The Commission will continue to implement the Controlled Unclassified Information (CUI) program began in FY 2019 by assessing the Commission's statutory and regulatory authorities for information protection and sharing, and by developing and piloting training. These efforts will be finalized and evaluated in FY 2020.

The CFTC has taken an aggressive approach to streamlining operations and will continue to realize efficiencies from actions taken in FY 2018 and FY 2019. This approach will better align organizational structures, update the agency's performance management policies and streamline operations where feasible. The FY 2020 budget request supports these initiatives, allowing the Commission to provide capable administrative support, meet regulatory obligations, and continue with process improvements to promote efficiencies. This support ensures fiduciary responsibility of taxpayer funds while supporting the Commission so that it may advance its mission to foster open, transparent, competitive, and financially sound markets.

CFTC Facility Relocation and Replication Request

Resource Overview

Table 15: CFTC Facility Relocation and Replication Request

	FY 2018 Actual	FY 2019 Continuing Resolution	FY 2020 President's Budget	Change
BUDGET			$31,000,000	+$31,000,000
FTE			0	+$31,000,000

Justification of CFTC Request

The Commission requests $31.0 million as a separate no-year appropriation for resources required to relocate and replicate the current regional facilities in its three locations: Kansas City, Chicago, and New York. In FY 2018, the CFTC signed agreements with General Services Administration (GSA) to procure replacement facilities based on the long-lead time requirements of the GSA Public Building Service (PBS). The Commission is expected to relocate from CFTC federally leased space into GSA federally-owned space in Chicago and New York. Acquiring facility space through GSA is expected to provide some financial relief and certainty to the Commission for the ensuing ten-year occupancy agreement period. The Commission will require funding for GSA to commence alterations and replication of the facilities to the newly assigned spaces in early FY 2020. The table on the next page provides an overview and estimates by regional location.

In order to provide transparency to this lengthy and complicated process, and in accordance with the GSA PBS National Policy Document and appropriation laws covering non-severable services requiring full upfront funding, the Administration's President's Budget Appendix contains the appropriation language proposal for a separate no-year appropriation supporting the Commission's request.

This request encompasses costs including design, alteration, and initial outfitting for the new space assigned by GSA or leased through GSA. This request includes items payable to GSA and other sources for alteration/construction, relocation and replication of the existing facilities to the new locations such as IT infrastructure and telecommunications equipment, systems furniture, logistics support, and personal property. These resources are necessary to provide complete, habitable, and operational spaces when the Commission assumes occupancy of the facilities.

In FY 2021, the Commission will have duplicate lease costs for the three regional locations as GSA completes the alterations of the new spaces and the Commission begins to transition to the new facilities. These costs will be included in the annual Salaries and Expenses request under the Office of the Executive Director. Annualized lease costs for the all CFTC locations are included in CFTC's Salaries and Expense account under Office of the Executive Director request, and details of specific leasing cost estimates can be found in Appendix 2. This transition period may take up to three months to ensure construction is complete, and that furniture, telecommunication, and computer equipment are installed and operational prior to occupancy. Funding requested under the Office of the Executive Director will support the staffing and administration of the relocation and replication funding for the agency.

The Commission has met government-wide footprint reduction mandates through extensive efforts to eliminate the square footage requirements in each of the locations with expiring leases. The Commission expects to achieve a 52 percent (52%) footprint reduction (reduction of 72,168 square feet) with the conversion to GSA managed space, which is in addition to the release of 7,922 square

footage in Kansas City in December, 2017. It is anticipated that further footprint reduction efforts will continue as Commission staff and GSA representatives begin reviewing the requirements for replacement of the Washington D.C. lease expiring in 2025.

Table 16: CFTC Facility Relocation and Replication Request by Location

CFTC Facility Relocation and Replication Request					
Proposed GSA Facility Type by Location	**Lease Expiration**	**Est New Rentable Sqft**	**FY 2018 Actual**	**FY 2019 Continuing Resolution**	**FY 2020 President's Budget**
			$ in thousands		
Kansas City - Leased Facility	**April, 2021**	**11,624**			**$2,713**
Construction/Alterations					**1,099**
Relocation/Replication					**$1,614**
Chicago - Federal Facility	**April, 2022**	**32,047**			**$13,052**
Construction/Alterations					**7,426**
Relocation/Replication					**5,626**
New York - Federal Facility	**June, 2022**	**22,523**			**$15,236**
Construction/Alterations					**11,561**
Relocation/Replication					**3,675**
Total		**66,194**			**$31,000**

Office of the Chairman and Commissioners

Resource Overview

Table 17: Chairman and Commissioners Request

	FY 2018 Actual	FY 2019 Continuing Resolution	FY 2020 President's Budget	Change
BUDGET	$7,954,806	$11,085,971	$10,738,914	-$347,057
FTE	26	34	33	-1

Columns may not add due to rounding

Organization Description

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

The Commissioners

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

J. Christopher Giancarlo, Chairman

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

Brian, D. Quintenz, Commissioner

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

Rostin Behnam, Commissioner

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

Dawn DeBerry Stump, Commissioner

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

Daniel M. Berkovitz, Commissioner

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

Justification of CFTC Request

The FY 2020 budget request will support the Commission's leadership function, which includes the Offices of the Chairman and the full complement of Commissioners and support staff, as well as the Offices of External Affairs, Legislative and Intergovernmental Affairs, and Minority and Women Inclusion. This budget request assumes a full complement of Commissioners in FY 2020 as all Commissioners' terms extend into or through FY 2020 and it is expected the Administration will nominate a replacement for any position that expires. The request includes professional and administrative staff to support the four Commissioners and to assist each with analysis of the increasing number of complex issues presented to the Commission for review and action. The budget provides resources to continue efforts to evaluate mandated reforms and focus on transparency and market integrity.

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

Office of the Inspector General

Organization Description

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

Budget Request

The total FY 2020 Budget as described below includes the OIG request of $2,856,981 for estimated direct salary and benefit costs of nine FTE, along with travel, training, and contracted audits (including the annual financial statement audit), including an estimated contribution of $7,264 to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The Budget also includes overhead of approximately $528,527. Overhead is estimated by the Commission and is added to the OIG direct budget request. Overhead represents a proportional share of estimated operating costs, such as lease of space, utilities, printing, supplies, equipment and other services used by or available to all divisions and offices, including the OIG. CFTC allocates overhead to all divisions and offices in this budget presentation based on a per FTE distribution.

Table 18: Inspector General's Budget Request

Budget Year	Total Budget	OIG Requested Budget	Estimated Overhead
FY 2020	$3,385,508	$2,856,981	$528,527

Training Budget Estimate	CIGIE	FTE
20,400	7,264	9.5

Inspector General's FY 2020 Budget Request

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

February 4, 2019

TO: Chairman J. Christopher Giancarlo
Commissioner Brian D. Quintenz
Commissioner Rostin Behnam
Commissioner Dawn Stump
Commissioner Dan Berkovitz

FROM: A. Roy Lavik
Inspector General

SUBJECT: Proposed FY 2020 OIG Operating Budget

In accordance with the Inspector General Act of 1978, as amended, I am notifying you of the requested budget for Fiscal Year 2020 to operate my office. OIG activities include audits, investigations, reviews, inspections, and other activities evaluating the operations and programs of the Commission. Such activities assist in improving the economy, efficiency, and effectiveness of operations, as well as in detecting and preventing fraud, waste, and mismanagement. We are requesting $2,856,981, an increase over our FY 2019 request ($2.8 million) by approximately 2% (for inflation). Of this amount, $20,400 is budgeted for training purposes and will satisfy all training requirements.

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

This budget request does not include funds for Agency-wide overhead. At this time, OIG has not been notified of CFTC's expected overhead charge to OIG for FY 2020. The Agency will determine this amount and will add it to my requested FY 2020 budget of $2,856,981. We respectfully request that appropriations language or commentary limit **CFTC overhead to the amount determined by Congress, which is added to the OIG FY 2020 operating budget as determined by Congress** (and is not subtracted from it).

Our intent is to submit an OIG budget request that is solely for funds under the control of, and to be spent directly by, the Office of the Inspector General.

Attachment

Attachment for CFTC Inspector General's Budget Request

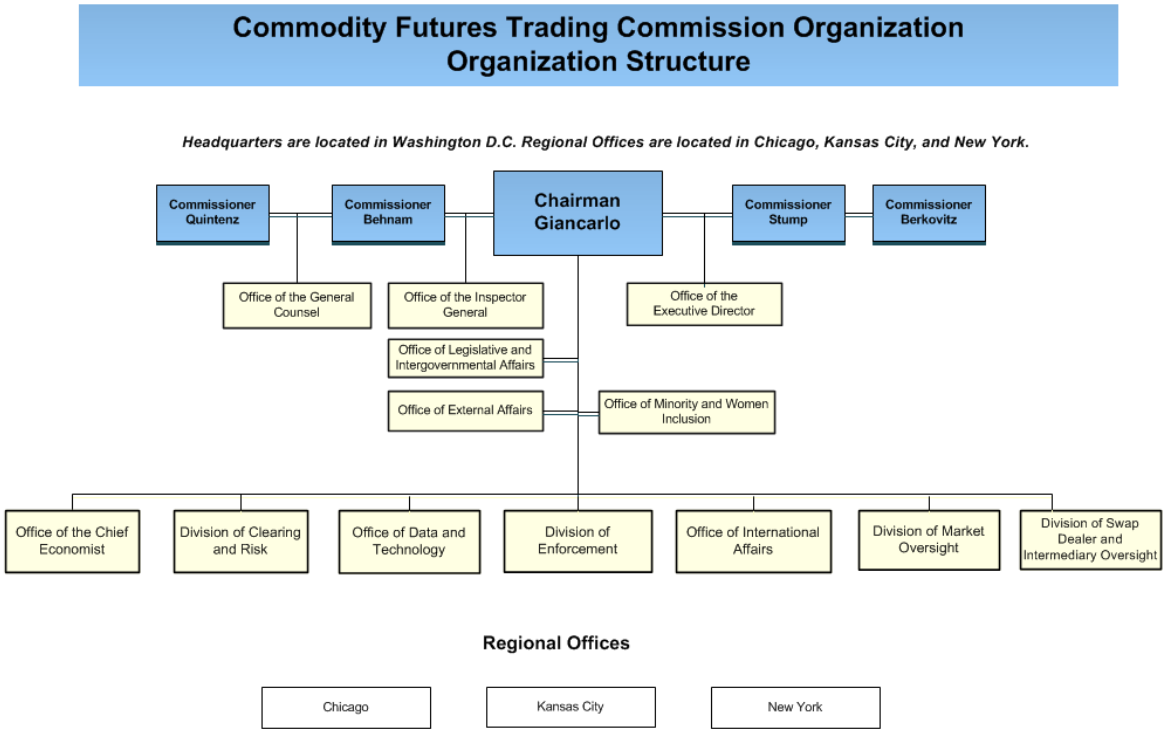
Direct Costs ($)	OIG Request
Salaries and Benefits	2,464,002
Travel	53,040
Training	20,400
Contract Audits	204,155
Contract Services	108,120
Subtotal Direct Costs	**$ 2,849,717**
CIGIE Contribution (estimate of .26% of total)	$7264
Total Direct OIG Costs	**$ 2,856,981**
FTE	9
Positions	9.5

APPENDIX 1

Organizational Divisions and Offices

The Office of the Chairman oversees the Commission's principal divisions and offices that administer and enforce the CEA and the regulations, policies, and guidance thereunder. The four programmatic divisions—the Division of Clearing and Risk, Division of Enforcement, Division of Market Oversight , and the Division of Swap Dealer and Intermediary Oversight—are supported by, a number of offices, including the Office of the Chief Economist, Office of Data and Technology, Office of the Executive Director, Office of the General Counsel, and the Office of International Affairs. The Office of the Inspector General is an independent office of the Commission.

Figure 1: Organization Structure



APPENDIX 2

CFTC Facility Leasing

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

Leasing Expirations and Estimated Leasing Costs[20] [21] by Location[22]

Table 19: Leasing Expirations and Estimated Leasing Costs by Location

	Lease Expiration	FY 2018 Actual ($000)	FY 2019 Estimate ($000)	FY 2020 Estimate ($000)
Washington, DC	**FY 2025**	**$17,377**	**$18,527**	**$19,070**
Chicago	**FY 2022**	**2,423**	**2,580**	**2,658**
New York	**FY 2022**	**2,516**	**2,702**	**2,739**
Kansas City	**FY 2021**	**583**	**726**	**443**
COOP Site		**149**	**110**	**113**
Total		**$23,048**	**$24,645**	**$25,023**

Columns may not add due to rounding

The Commission entered into a memorandum of understanding with the U.S. General Services Administration (GSA) in November of 2016, and established a relationship for collaborating on the development of a comprehensive real estate portfolio strategy that addresses CFTC's current leasehold interests and its future leasing needs. CFTC will relinquish its management of facility leasing as new leases are arranged through GSA.

[20] These estimates are included in Table 3, *FY 2020 Budget Request by Object Class*, on page 8. The estimated costs include a proportionate share of building operating costs (taxes, utilities, and maintenance) incurred by the landlord, which may not be billed for two years past the fiscal year reported.

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

[22] The Commission is working through GSA to locate replacement leased or federal facility space in Chicago, New York, and Kansas City.

APPENDIX 3

Administration's Proposal on User Fees

Table 20: FY 2020 Budgetary Resources and Offsetting Collections

	FY 2020 Request $ (000)
Salaries and Expenses	$223,614
Office of the Inspector General	$3,386
Information Technology	$57,000
Total Annual Appropriation	**$284,000**
Facilities Relocation and Replication Costs	**$31,000**
Total Appropriation	**$315,000**
Offsetting Collections	**($65,000)**
Net Appropriation	**$250,000**

Proposal and Impact

This budget reflects the Administration's intention to propose authorizing legislation to collect user fees of $65.0 million to fund a portion of the Commission's activities. Fees and charges assessed by the Commission would be credited to an offsetting collections account, which would be available until expended for necessary expenses of the CFTC. The total amount appropriated from the general fund for FY 2020 would be offset by the collections, resulting in a net FY 2020 appropriation from the general fund of approximately $250.0 million. CFTC fees would be designed in a way that supports market access, liquidity, and the efficiency of the Nation's derivatives markets.

Background

CFTC ensures the integrity and effectiveness of the U.S. futures, options, and swaps markets through administration of the CEA, as amended. CFTC is the only Federal financial regulator that does not derive its funding from the specialized entities it regulates, and since the CFTC's programs provide clear benefits to market participants, it is appropriate for those participants to at least partially offset or contribute toward the cost of providing those programs. The Administration has proposed a user fee for the CFTC for most of the past 10 years.

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

APPENDIX 4

Statement of Availability on Basis of Obligations

Table 21: FY 2018 to 2020 Statement of Availability on Basis of Obligations

	FY 2018 Actual $ (000)	FY 2019 Estimate[23] $ (000)	FY 2020 Estimate $ (000)
New Appropriations	**$249,000**	**$249,000**	**$284,000**
Carryover from Prior Year	**85**	**355**	**200**
Recoveries of Prior Year Obligations	**2,133**	**2,032**	**2,000**
Total Available	**251,217**	**251,367**	**286,200**
Obligations	**227,682**	**228,090**	**262,512**
Lease-Related Amount Transferred to No-Year Account (amount reduces negative lease obligation) [24]	**22,305**	**22,676**	**23,088**
Balance Available	**1,231**	**600**	**600**
Lapsing Appropriations	**(896)**	**(600)**	
Total Available or Estimate	**$335**	**$0**	

[23] FY 2019 Continuing Resolution: Annualized estimates provided in the Continuing Appropriations Act, 2019 (Division C of Public Law 115-245), as amended..

[24] The estimated lease obligations exclude the proportionate share of building operating costs overages (taxes, utilities, and maintenance passed onto CFTC) that are not included in the lease-related no-year account. These charges are estimated at $0.743 million in FY 2018; $1.969 million for FY 2019; and for $1.935 million for FY 2020. If the building cost overages are added to the lease-related amounts, the total leases costs are: $23.047 million in FY 2018; $24.645 million for FY 2019; and $25.023 million for FY 2020.

APPENDIX 5

The Commission and the Industry It Regulates

The mission of the CFTC is to foster open, transparent, competitive, and financially sound markets; to avoid systemic risk; and to protect market users and their funds, consumers, and the public from fraud, manipulation, and abusive practices related to derivatives and other products that are subject to the CEA. As a key mechanism for performing these responsibilities, the Commission delegates certain authorities to registered entities such as SROs, clearing entities and data depositories and then oversees and supports these organizations by reviewing their operations and procedures and by providing guidance, policy and direction in accordance with Commission regulations.

With respect to its oversight of swap dealers, MSPs and intermediaries, the CFTC oversight occurs in coordination with the SRO system. While the designated SROs are obligated to conduct surveillance, compliance oversight and enforcement activities for entities under their purview, the Commission conducts surveillance, compliance oversight and enforcement activities across all market participants while concurrently providing the rules, legal interpretations and policy oversight necessary to guide designated SRO activities.

Revisions to the Commission's regulatory requirements have required additional focus on the oversight of designated SROs in their implementation of these new requirements for market participants. As the CFTC seeks to strengthen the regulatory framework for both FCMs and swap dealers, the Commission will continue to work closely with the NFA to emphasize priority areas such as risk management, internal controls, legal compliance and FCM and swap dealer examinations.

CFTC Regulatory Landscape Matrix

The matrix, as detailed in Table 22, reflects how the Commission administers its oversight authorities for each regulated entity by CFTC function. In summary, regulatory oversight is managed as follows:

- *CFTC Core*. All activities under this category are reflected as "CFTC" in Table 22. Activities under this category apply to core functions central to the Commission's mission. Examples include major enforcement actions, rulemaking, policy, legal interpretations, no action determinations, etc.
- *CFTC Delegated*. All activities under this category are reflected in Table 22 as "NFA/CFTC" or "designated self-regulatory organizations (DSRO)/CFTC", or "self-regulatory organizations" (SRO/CFTC), as appropriate. This category captures mission activities that involve the delegation of certain regulatory functions to the NFA or other SROs. Examples include cyclical intermediary examinations, certain enforcement actions, reporting requirements, etc. However, in all cases of delegation, the CFTC is responsible for the review and oversight of the SRO processes, products, procedures, etc. to ensure and validate compliance with all applicable regulations. This work includes quarterly reviews of SRO examinations activities, review/approval of proposed SRO rules and policies, guidance and legal interpretations, etc.
- *CFTC Shared*. All activities under this category are reflected in Table 22 as "CFTC/DCO Regulator or Federal Reserve." For SIDCOs, the CFTC shares regulatory authority with the Federal Reserve. For exempt DCOs, the CFTC share regulatory authority with the DCO's home regulatory authority with respect to oversight of swaps clearing by U.S. persons. For registered FBOTs, the CFTC shares regulatory authority with the FBOT's home regulatory authority with respect to oversight over direct access trading from the U.S. and review of products to be offered for trading by direct access. The FBOT's home regulatory authority has responsibility for the remaining mission functions. For intermediaries the CFTC retains certain direct responsibilities and those which have been delegated to SROs, CFTC remains responsible for oversight of such responsibilities and/or delegates regulatory authority to SROs by CFTC mission function.

Table 22: U.S. Regulated Entities and Registrants by CFTC Function

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

Number of Regulated Entities and Registrants

The Commission's regulatory framework continues to evolve in response to market forces, technology impacts, legislative mandates, and other factors. The number of registrants operating within this framework are similarly impacted by these drivers and as such, their number will fluctuate over time. The FY 2018 actuals are provided below.

Table 23: Number of Regulated Entities/Registrants

Entity	Acronym	FY 2018 Actual
Trading Entities		
Designated Contract Market	**DCM**	15
Foreign Board of Trade[25]	**FBOT**	18
Swap Execution Facility	**SEF**	23
Clearing Entities		
Derivatives Clearing Organization[26]	**DCO**	16
Exempt Derivatives Clearing Organization	**Exempt DCO**	4
Systemically Important DCO	**SIDCO**	2
Data Repositories		
Swap Data Repository[27]	**SDR**	4
Registrants[28]—Intermediaries		
Futures Commission Merchant[29]	**FCM**	62
Major Swap Participant	**MSP**	0
Retail Foreign Exchange Dealer	**RFED**	2
Swap Dealer		101
Registrants—Managed Funds		
Commodity Pool Operator	**CPO**	1,567
Commodity Trading Advisor	**CTA**	2,127
Other Registrants		
Associated Person	**AP**	49,811
Introducing Broker	**IB**	1,188
Floor Broker	**FB**	2,935
Floor Trader	**FT**	533

[25] FBOTs are registered with the Commission, which allows the FBOT to permit its members and other participants in the United States to enter orders directly into the FBOT's trade-matching system. Seven FBOTs are operating under no-action letters until the Commission registers them.

[26] The number of DCOs includes the two SIDCOs.

[27] The four SDRs are provisionally registered with the CFTC.

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

[29] Excludes FCMs that are also registered as RFEDs.

Industry Growth in Volume, Globalization and Complexity

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

Data and Trend Charts:

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

Trading Entities:

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

Clearing Entities:

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

Intermediaries:

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

Data Repositories:

- SDRs provisionally registered with the CFTC.

Volume of Futures and Option Contracts Traded[30]

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

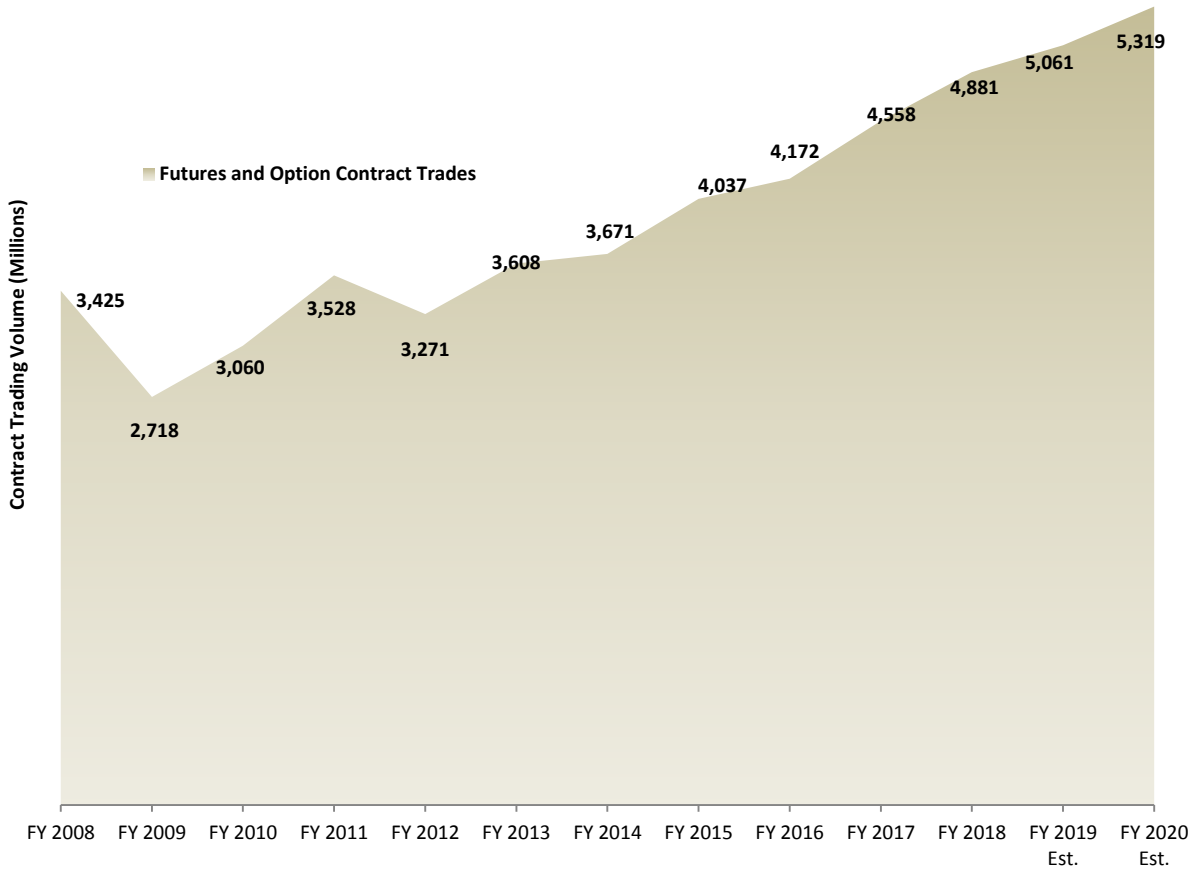


Figure 2: Growth of Volume of Contracts Traded

[30] Data Source: Futures Industry Association, CFTC estimates.

Volume of Swaps Traded on Swap Execution Facilities[31]

SEFs, a type of CFTC-regulated platform for trading swaps, began operating on October 2, 2013 (FY 2014). The Futures Industry Association publishes data on volume and market share trends for interest rate, credit default, and foreign exchange products traded on SEFs. As the volume of swaps traded on SEFs increases, CFTC workload increases, due to the increase in data to ingest and process, which results in additional trade practice and market surveillance activities over a larger number of transactions.

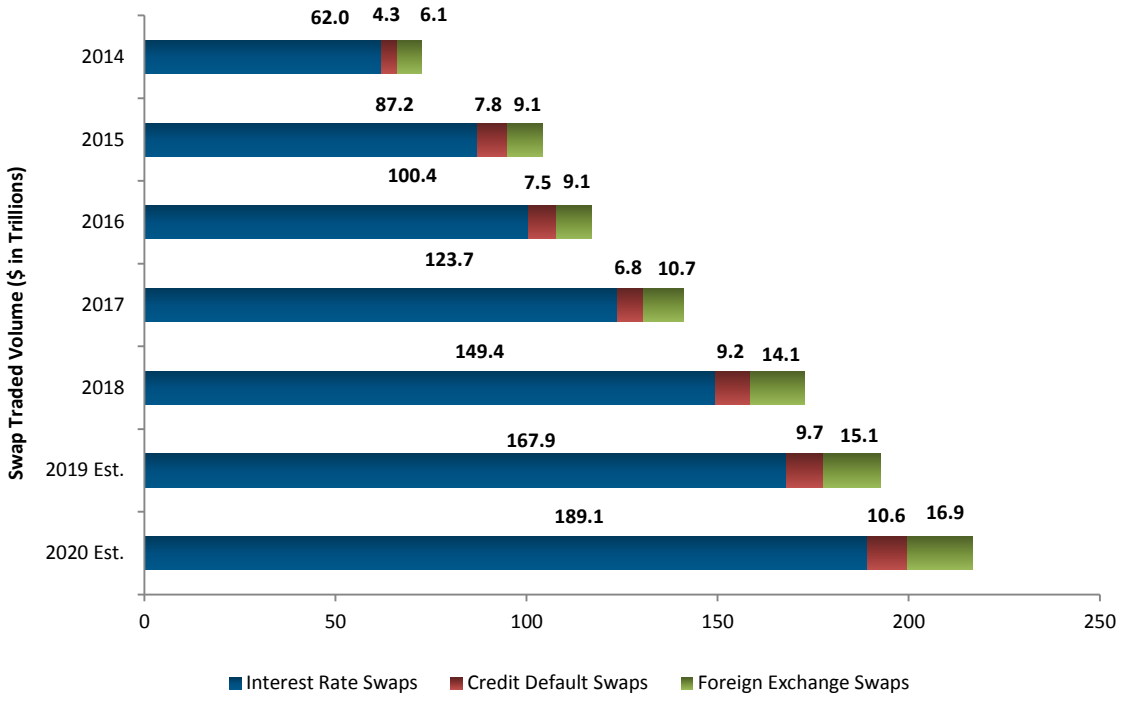


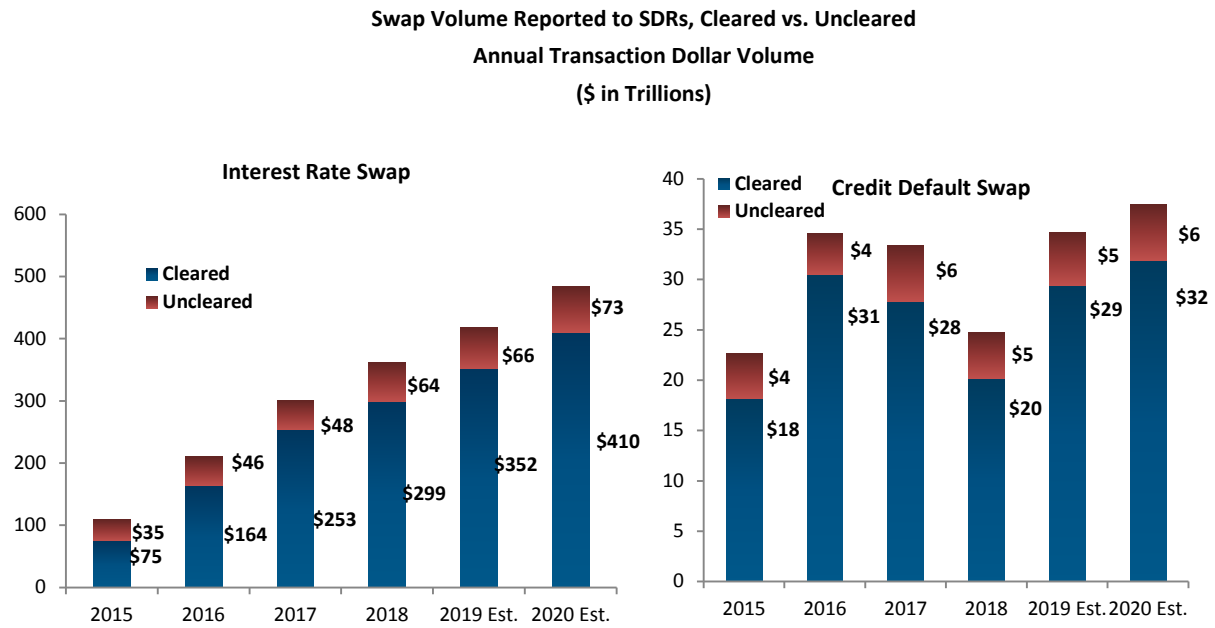
Figure 3: Volume of Swaps Traded on Swap Execution Facilities

[31] Data Source: Futures Industry Association, CFTC estimates.

Swap Volume Reported to Swap Data Repositories, Cleared versus Uncleared[32]

Based on data reported to SDRs, as shown in the chart below, 82 percent of total interest rate swap transactions in FY 2018 were cleared. This is compared to estimates by the International Swaps and Derivatives Association (ISDA) that only 16 percent by notional value, of outstanding interest rate swaps were cleared in December 2007. With regard to index credit default swaps, 82 percent of transactions were cleared in FY 2018.

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



Percent Cleared:	68%	8%	84%	82%	84%	85%	80%	88%	83%	82%	85%	85%

Figure 4: Swaps Volume, Cleared vs. Uncleared

[32] Data Source: CFTC Weekly Swaps Report located at http://www.cftc.gov/MarketReports/SwapsReports/index.htm.

Actively Traded Futures and Option Contracts[33]

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

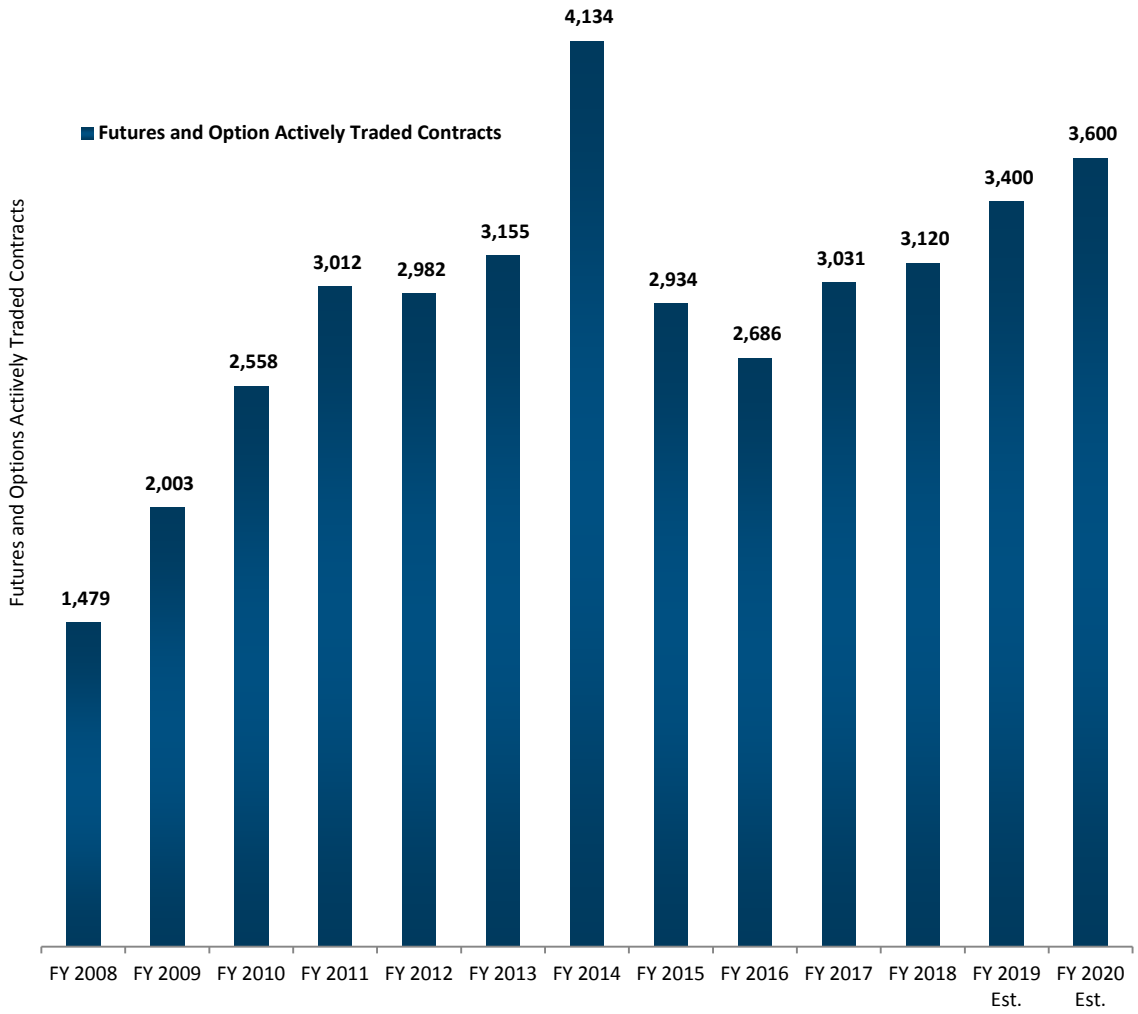


Figure 5: Number of Actively Traded Futures and Option Contracts

[33] Data Source: CFTC Integrated Surveillance System, CFTC Estimates

Notional Value of Futures and Swaps Contracts[34]

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

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

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

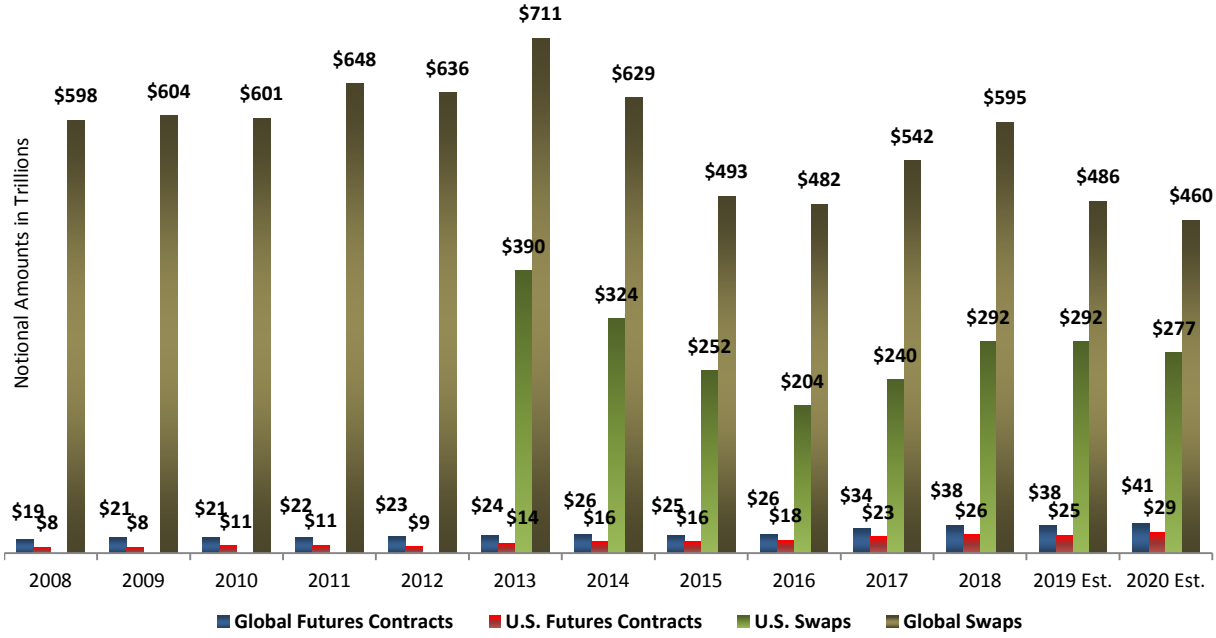


Figure 6: Notional Value of Global and U.S. Swaps and Futures Contracts

[34] Data Source: Global Swaps reflect interest rate, foreign exchange, credit, equity and commodity contracts globally, as reported by the Bank of International Settlements. U.S. Swaps until 2017 reflect interest rate and credit default contracts reported by the CFTC Weekly Swaps Report. From 2018 onwards, U.S. swaps includes foreign exchange contracts as well. The U.S. Swaps estimate is based on December 2018 numbers and global swaps estimates are based on June 2018 numbers. U.S futures contracts reflect interest rate and foreign exchange contracts for North America from the Bank of International Settlements. Global futures contracts reflect interest rate and foreign exchange contracts globally, as report by the Bank of International Settlements.

Entity-Netted Notionals

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

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

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

Next Steps. As of the beginning of FY 2019, ENNs calculations had been extended to three major swap asset classes (interest rate swap, credit default swaps, and foreign exchange). Further, more granular, analysis within each of these three markets is now possible. The Commission is using ENNs information for individual market participants to better understand how various business sectors use derivatives markets and how regulations affect that usage.

IRS Notional Amounts and ENNs for U.S. Reporting Entities by Product as of September 15, 2018[35]

(Dollars in Trillions)

Sector	Notional Amounts		Notional Amounts in 5-Year Equivalents				
	Long	Short	Long	Short	ENNs (Long)	ENNs (Short)	ENNs (Net)
Swap Dealer	160.5	159.7	85.2	83.4	10.7	9.0	1.7
Bank	31.6	32.1	21.4	21.9	2.1	2.6	-0.5
Hedge Fund	22.0	21.1	7.2	7.4	1.0	1.2	-0.2
Asset Manager	4.8	4.8	3.4	3.5	1.2	1.2	0.0
Insurance	0.9	0.9	1.4	1.5	0.6	0.7	-0.1
Pension Fund	1.8	1.6	2.3	1.7	0.9	0.3	0.6
Corporate	0.7	1.3	0.5	1.0	0.3	0.8	-0.5
Government/Quasi-Governmental	1.1	1.3	0.6	1.2	0.1	0.6	-0.5
Unclassified	0.6	1.5	0.4	0.7	0.1	0.5	-0.4
Total with Central Counterparties Adjustment:	**224.2**	**224.2**	**122.4**	**122.4**	**17.1**	**17.1**	**0.0**

Table 24: IRS Entity-Netted Notionals as of September 15, 2018

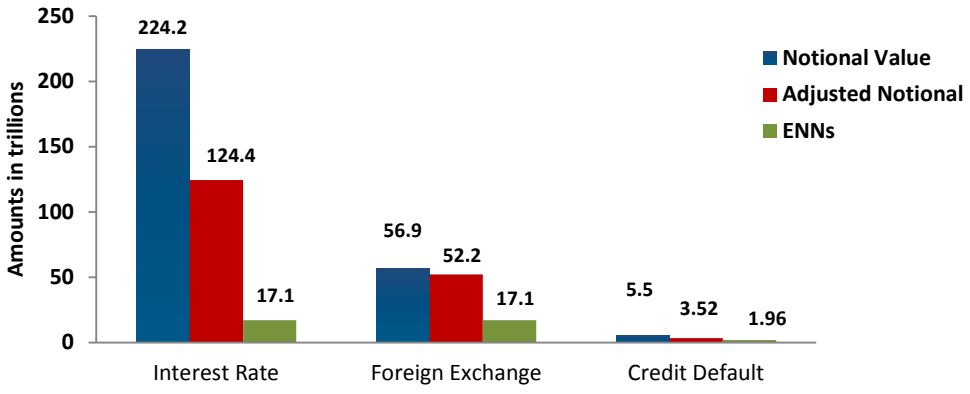


Figure 7: Summary of ENNs Steps

[35] Data Source: Swap Data Repositories and Office of the Chief Economist, CFTC.

Customer Funds in Futures Commission Merchants Accounts[36]

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

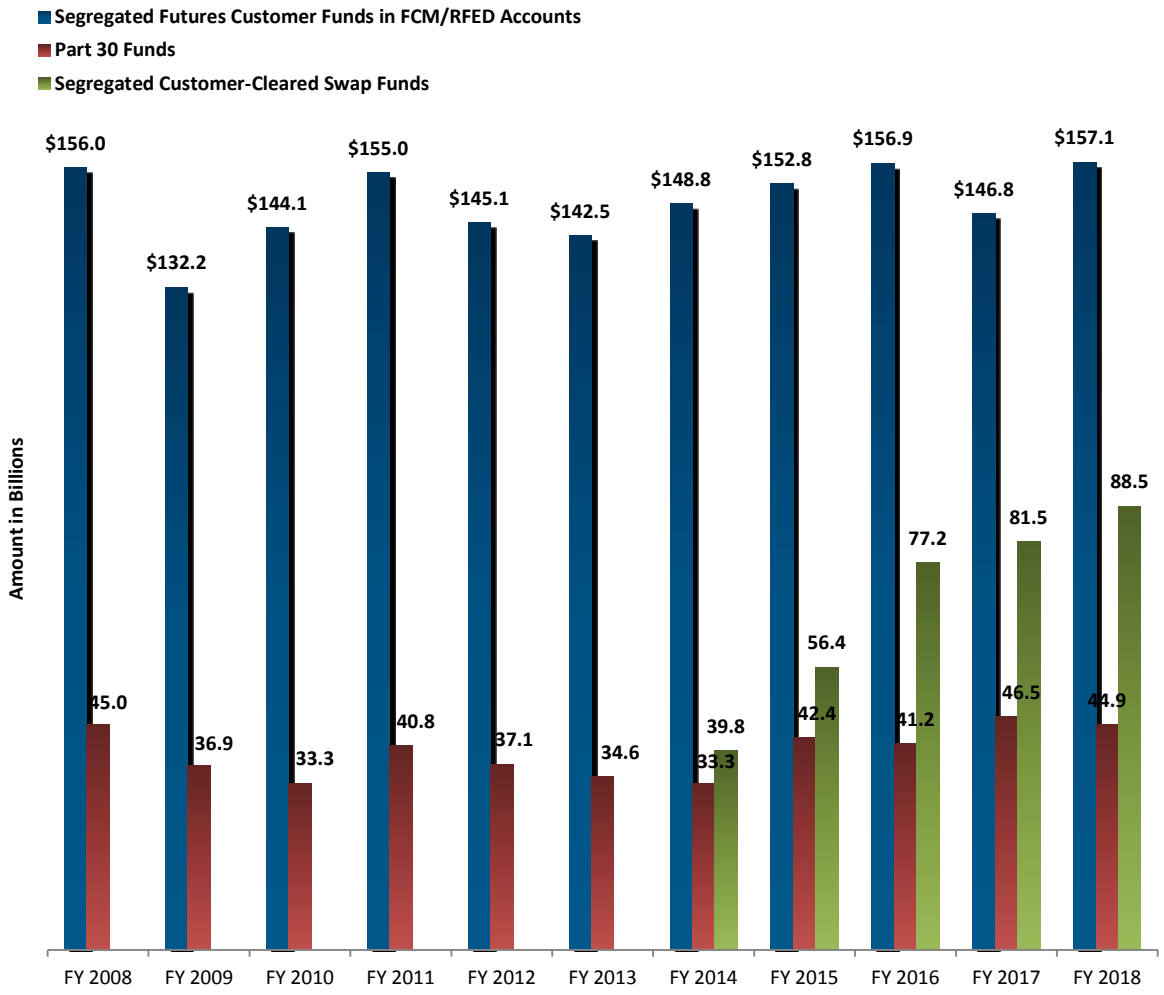


Figure 8: Customer Funds in FCM Accounts

[36] Data Source: CFTC Monthly, FCMs Financial Reporting

Margin Requirements[37]

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

CFTC has observed increases in both the number of market participants it oversees and the sizes of their cleared positions, leading to increases in margin requirements. Total cleared margin (futures and swaps combined) increased $102 billion, or 45 percent from 2014 to 2018. DCOs only accept trades from their members. If a market participant is not a member of the DCO, it must clear through a member as its customer. Customer swap clearing has been growing very rapidly, increasing $64 billion or 164 percent from 2014 to 2018.

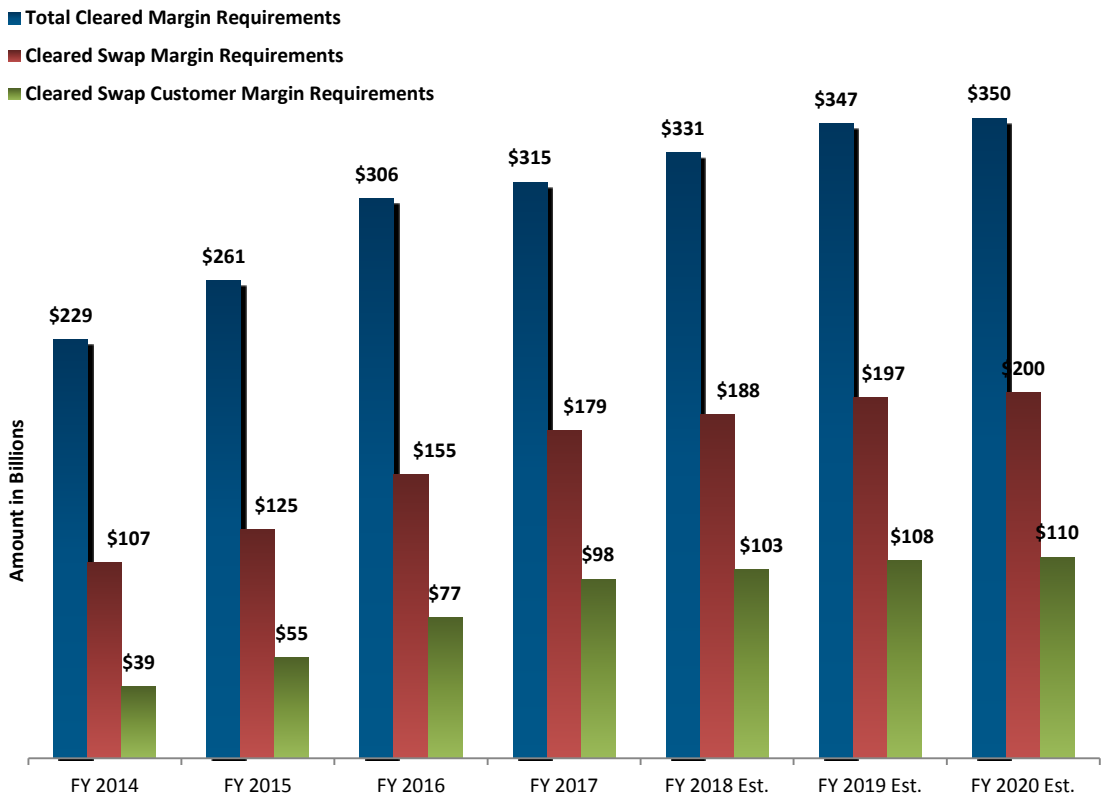


Figure 9: Margin Requirements

[37] Data Source: Part 39 data filings provided daily by DCOs.

Data Streams Supported and Being Received[38]

The chart reflects a historical depiction of the number of CFTC-supported data streams received from the industry. By working with industry to add values to certain files, the number of reporting requirements was reduced between FY 2016-FY 2017. The blue line illustrates the number of types of files that have been ingested over time while the green line depicts the number of types of files that the Commission currently receives. The number of files received (currently 113 types of files) will rise as the Commission accommodates virtual currencies, starting with the Bitcoin markets, and improve reporting from SDRs.

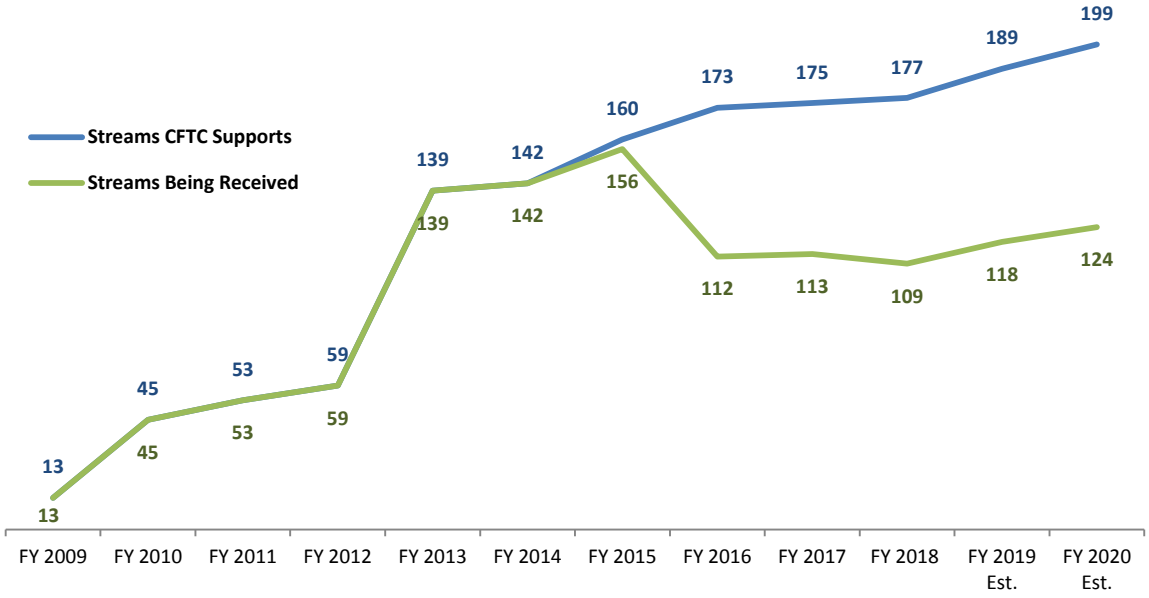


Figure 10: CFTC-Supported Data Streams Received from Industry

[38] CFTC Office of Data and Technology, CFTC estimates

Swap Execution Facilities Registered with the CFTC

The CFTC finalized its rules for SEFs in FY 2013. At the end of FY 2018, 23 SEFs were registered with the Commission. These SEFs are diverse, but each is required to operate in accordance with the same core principles. These core principles provide a framework that includes obligations to establish and enforce rules, as well as policies and procedures that enable transparent and efficient trading. SEFs must make trading information publicly available, put into place system safeguards, and maintain financial, operational, and managerial resources to discharge their responsibilities.

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

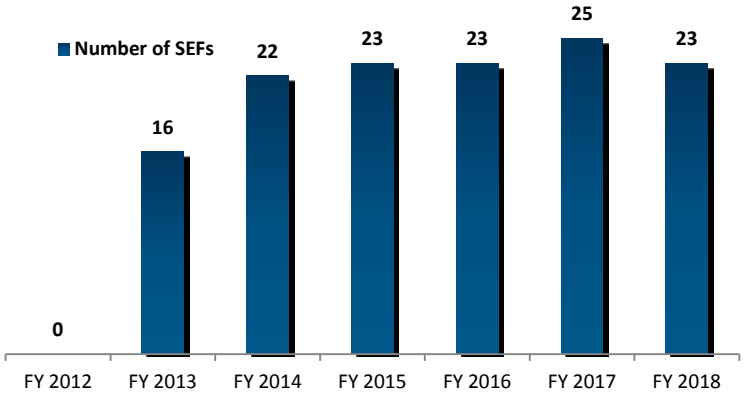


Figure 11: Number of SEFs Registered with the CFTC

Table 25: FY 2018 List of SEFs

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

Contract Markets Designated by the CFTC

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

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

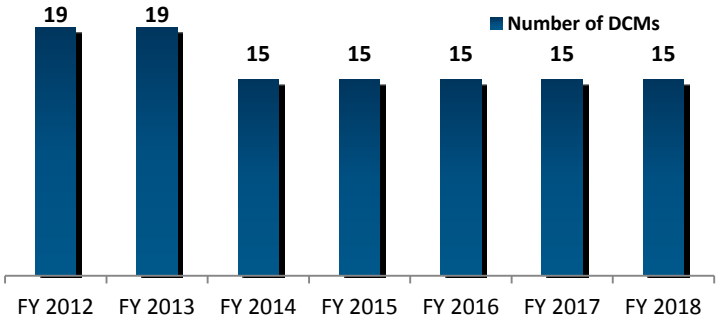


Figure 12: Number of Contract Markets Designated by the CFTC

1	**Cantor Futures Exchange, L.P.**	9	**Minneapolis Grain Exchange, Inc.**
2	**Board of Trade of the City of Chicago**	10	**North American Derivatives Exchange, Inc.**[39]
3	**CBOE Futures Exchange, Inc.**	11	**NASDAQ OMX Futures Exchange, Inc.**[40]
4	**Chicago Mercantile Exchange, L.P.**	12	**New York Mercantile Exchange, Inc.**
5	**Commodity Exchange Inc.**	13	**Nodal Exchange, LLC**
6	**ELX Futures, L.P.**	14	**OneChicago LLC Futures Exchange**
7	**Eris Exchange, LLC**	15	**trueEx LLC**
8	**ICE Futures US, Inc.**[41]		

Table 26: FY 2018 List of DCMs

[39] Formerly, HedgeStreet, Inc.
[40] Formerly, Philadelphia Board of Trade
[41] Formerly, New York Board of Trade

Derivatives Clearing Organizations Registered with the CFTC

A clearinghouse that seeks to provide clearing services with respect to futures contracts, options on futures contracts, or swaps must register with the CFTC as a derivatives clearing organization (DCO). As of the end of FY 2018, 16 DCOs were registered with the CFTC. The Commission is currently processing one application for DCO registration, has stayed one application while the applicant addresses deficiencies, and expects to receive one or two more applications in FY 2019. These numbers do not include foreign clearinghouses that have expressed an interest in receiving an exemption from the Commission for DCO registration. Any clearinghouse that receives such an exemption is still subject to limited oversight by the Commission.

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

The number of DCOs is rising also due to the increasing interest in clearing products related to digital currency. In FY 2017, the CFTC registered the first DCO devoted solely to clearing options on bitcoin. The application that the Commission is currently processing and the application that has been stayed are both related to digital currency. The CFTC expects to receive additional applications from other entities that wish to clear bitcoin products or products related to other digital currencies, such as ethereum.

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

New advancements such as cloud computing[42] will drastically change the way clearing houses manage and protect their data. As a result, the examinations staff will need resources for training purposes to enhance skill sets, create and update the examination program for measuring compliance with this

[42] Cloud computing is the practice of using a network of remote servers hosted on the Internet to store, manage, and process data.

new advancement, and make recommendations if any changes are needed to enhance the Commission's regulations.

Finally, the Commission recognizes that cybersecurity is one of the greatest threats to world markets and economic stability, and that cybersecurity oversight is a crucial part of the CFTC's mission. As the number and sophistication of cyber-security incidents increase in the financial market sector, the Commission must spend more time analyzing these incidents, participate in information sharing events such as NIST CVE repository[43], FBI Flash Alerts, FS-ISAC[44], and ChicagoFIRST[45] that discuss these incidents, risk assess the impact of those incidents to the DCO community, update skill sets by attending training classes to learn about the tools being used to hack the financial market sector, and update the information security examination program in an effort to ensure the Commission has a robust supervisory oversight program.

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

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

[43] CVE repository is a database of vulnerabilities that NIST members have experienced.
[44] FS-ISAC is an information sharing center specifically designated to allow financial market companies and regulators to inform each other of cybersecurity warnings, events or trends.
[45] ChicagoFIRST is a gathering of critical financial firms located in Chicago who collaborate with each other and governmental officials to promote resiliency.

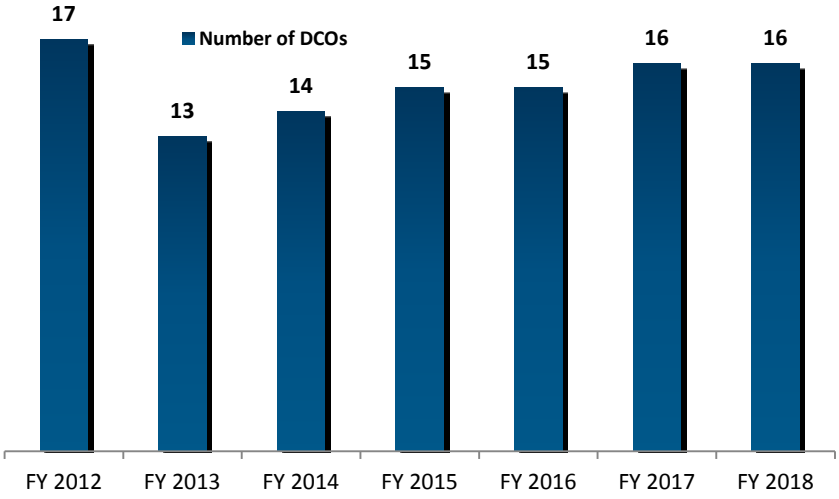


Figure 13: Number of DCOs Registered with the CFTC

1	Cantor Clearinghouse L.P.	9	LCH, Clearnet SA
2	Chicago Mercantile Exchange , Inc.	10	LedgerX LLC
3	Eurex Clearing AG	11	Minneapolis Grain Exchange Inc.
4	ICE Clear Credit, LLC	12	ICE NGX Canada Inc.[46]
5	ICE Clear Europe Ltd	13	Nodal Clear, LLC
6	ICE Clear US, Inc.[47]	14	North American Derivatives Exchange, Inc.[48]
7	LCH, Clearnet LLC[49]	15	Options Clearing Corporation
8	LCH, Ltd	16	Singapore Exchange Derivatives Clearing

Table 27: FY 2018 List of DCOs Registered with the CFTC

[46] Formerly, Natural Gas Exchange Inc.
[47] Formerly, New York Clearing Corporation
[48] Formerly, HedgeStreet, Inc.
[49] Formerly, International Derivatives Clearinghouse LLC

Systemically Important Derivatives Clearing Organizations[50]

A systemically important derivatives clearing organization (SIDCO) is a derivatives clearing organization (DCO) registered with the Commission that has been designated as systemically important by the Financial Stability Oversight Council (FSOC). The designation of a financial market utility (FMU), including a DCO, as systemically important means the failure of or a disruption to the functioning of the FMU could create, or increase, the risk of significant liquidity or credit problems spreading among financial institutions or markets and thereby threaten the stability of the U.S. financial system[51]. The FSOC was granted the authority under Title VIII of the Dodd-Frank Act to designate FMUs as systemically important.

In 2012, the FSOC designated two DCOs as systemically important. Under Title VIII, the Federal agency that has primary jurisdiction over the designated FMU (DFMU) is the Supervisory Agency, and the CFTC is the Supervisory Agency for the two SIDCOs listed in the table below:

Table 28: FY 2018 List of SIDCOs

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

Under Section 807(a) of the Dodd-Frank Act, the Supervisory Agency is required to examine each DFMU at least once annually in order to determine the nature of the operations of and the risks borne by the DFMU; the financial and operational risks presented by the DFMU to financial institutions, critical markets, or the broader financial system; the resources and capabilities of the DFMU to monitor and control risks; the safety and soundness of the DFMU, and the DFMU's compliance with Title VIII and the rules and orders prescribed thereunder. In addition, the Supervisory Agency must consult with the Federal Reserve Board regarding the scope and methodology of each examination and the Federal Reserve Board may participate in the examination led by the Supervisory Agency[52]. The 2018 systemically important DCOs listed in Table 28 are complex entities with complex risk profiles that require a significant number of resources in order to efficiently and effectively supervise and examine their clearing activities. The FY 2020 budget seeks additional staffing resources for examination purposes.

In December 2016, the CFTC substantially approved the DFMU's rules related to recovery and wind-down plans of the SIDCOs listed above. In addition, the CFTC has developed an examination program to assess compliance with the CFTC regulations associated with recovery and wind-down plans and has assessed compliance with the regulations during examinations of the DMUs. The Commission will continue to review remediation plans for any area of non-compliance that was identified during the examination process in 2019.

The Commission enhanced and clarified its regulations associated with cybersecurity testing within Regulation 39.18 and the enhanced regulations became fully effective in September 2017. As a result, there are explicit requirements regarding how often internal penetration testing, external penetration testing, vulnerability scanning, controls testing, enterprise risk technology assessment, and the testing of the security incident response plan must occur, who must complete the testing, and the remediation steps that must be undertaken. Cybersecurity testing by DCOs can harden their cyber defenses, maintain and increase their cyber resilience, and increase their ability to detect, contain, respond to, and recover from cyber-attack. The CFTC must continue to develop and update its written examination programs to measure compliance with the enhanced regulation. The CFTC assessed compliance with the enhanced regulations for all SIDCOs in 2018 and plans to follow-up on

[50] The CFTC also considers two U.K.-based registered DCOs to be systemically important to the United States even though they have not been designated as such by FSOC. They are LCH Ltd. and ICE Clear Europe Limited (ICEU).
[51] See Section 807(d) of the Dodd-Frank Act.
[52] See Section 807(d) of the Dodd-Frank Act.

remediation plans to correct any areas of non-compliance identified during the examination process in 2019. In addition CFTC staff must stay abreast of changing technologies and threats in order to effectively measure compliance and desperately needs funds for training purposes.

Exempt Derivatives Clearing Organizations

Section 5b(h) of the CEA permits the Commission to exempt, conditionally or unconditionally, a clearing organization from DCO registration for the clearing of swaps to the extent that the Commission determines that such clearing organization is subject to comparable, comprehensive supervision by appropriate government authorities in the clearing organization's home country. As of mid-FY 2019, the Commission expects to have three pending petitions for exemption.

Exempt DCOs are required to submit on a quarterly basis volume and open interest by asset class for U.S. clearing members. On an annual basis, the home country regulator for each exempt DCO must submit information indicating if the exempt DCO is in compliance with the CPMI-IOSCO Principles for Financial Market infrastructures.

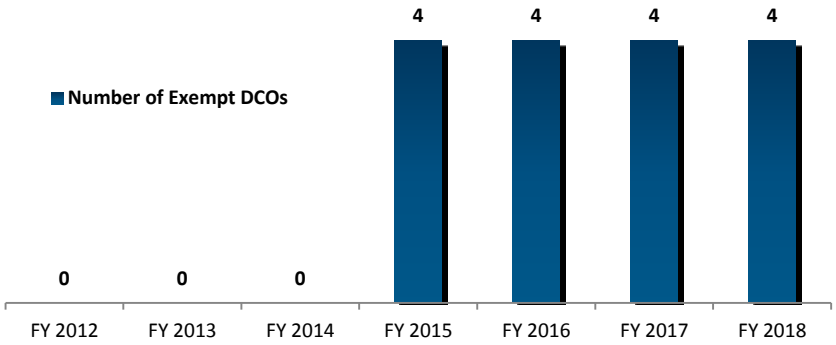


Figure 14: Number of Exempt DCOs

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

Table 29: FY 2018 List of Exempt DCOs

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

In FY 2018, there were 64 total entities registered as FCMs. Two FCMs were also registered as RFEDs. FCMs serve an integral role in the execution and clearing of futures and swap transactions for market participants. FCMs are primarily engaged in soliciting or accepting orders from customers for futures, options and swap transactions executed on or subject to the rules of an exchange, and in connection therewith accepting money, securities or property to margin, guarantee or secure such transactions. The number of registered FCMs over the past 10 years has steadily declined, despite the continued growth in the futures and cleared swaps markets. As a result, concentration of customer funds held at fewer FCMs has increased.

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

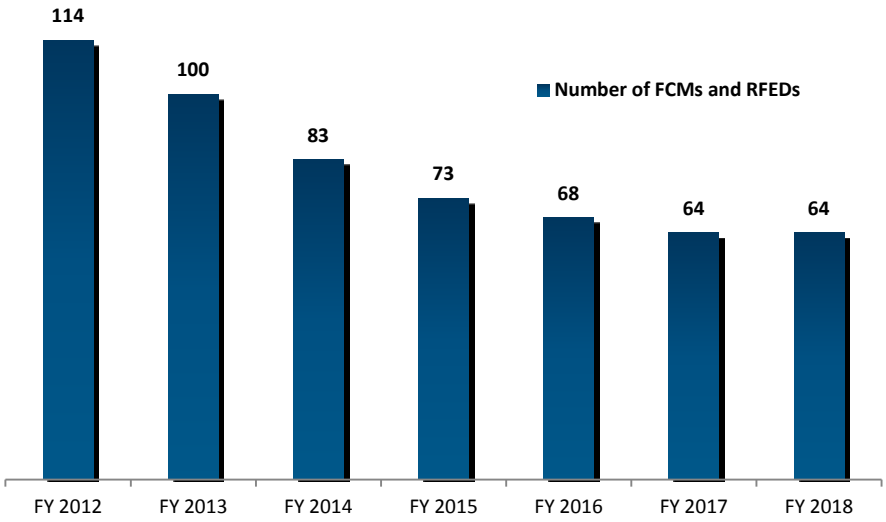


Figure 15: Number of FCMs and RFED Registered with the CFTC

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

Table 30: FY 2018 List of FCMs and RFEDs

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

[53] GAIN Capital Group, LLC is an FCM that is also registered as an RFED.
[54] OANDA Corporation is an FCM that is also registered as an RFED.

Swap Dealers Provisionally Registered with the CFTC

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

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

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

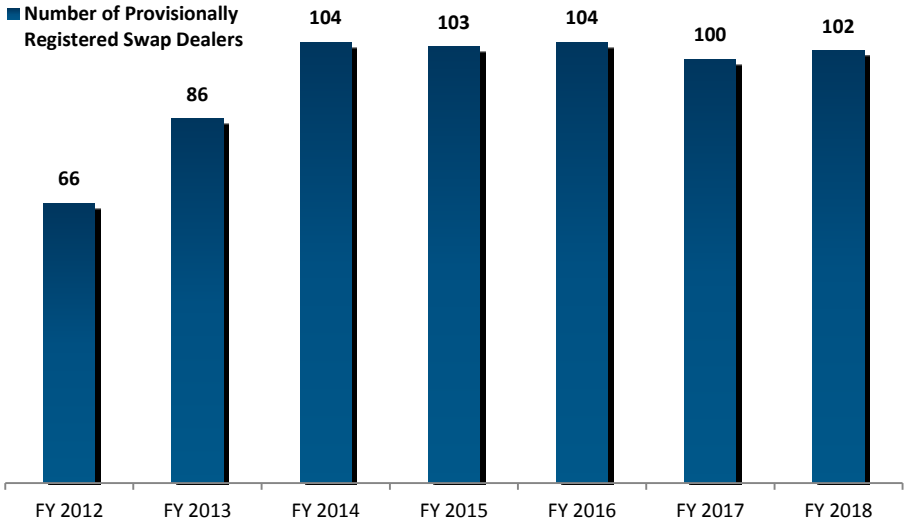


Figure 16: Number of SD Provisionally Registered with the CFTC

The next page contains a listing of Swap Dealers by name as of September 30, 2018[55].

[55] Data source: Data in the figure and table were obtained from NFA swap dealer registry.

Table 31: FY 2018 List of SDs

1	Abbey National Treasury Services PLC	35	Goldman Sachs & Co LLC	69	Morgan Stanley & Co LLC
2	Aston Capital Investment Manager LP	36	Goldman Sachs Bank USA	70	Morgan Stanley & Co International PLC
3	Australia and New Zealand Banking Group Ltd	37	Goldman Sachs Financial Markets LP	71	Morgan Stanley Bank NA
4	Banco Bilbao Vizcaya Argentaria SA	38	Goldman Sachs Financial Markets Pty Ltd	72	Morgan Stanley Bank International Limited
5	Banco Santander SA	39	Goldman Sachs International	73	Morgan Stanley Capital Group Inc.
6	Bank of America Merrill Lynch International DAC	40	Goldman Sachs Japan Co Ltd	74	Morgan Stanley Capital Products LLC
7	Bank of America NA	41	Goldman Sachs Mexico Casa De Bolsa SA De Cv	75	Morgan Stanley Capital Services LLC
8	Bank of Montreal	42	Goldman Sachs Mitsui Marine Derivative Products LP	76	Morgan Stanley Mexico Casa De Bolsa Sa De Cv
9	Bank of New York Mellon	43	Goldman Sachs Paris Inc. Et Cie	77	Morgan Stanley Mufg Securities Co Ltd
10	Bank of Nova Scotia	44	HSBC Bank PLC	78	MUFG Bank, Ltd
11	Barclays Bank PLC	45	HSBC Bank USA NA	79	MUFG Securities Emea PLC
12	BNP Paribas SA	46	ICBC Standard Bank PLC	80	National Australia Bank Limited
13	BP Energy Company	47	ING Capital Markets LLC	81	Natixis
14	BTIG LLC	48	Intesa Sanpaolo SPA	82	Natwest Markets, PLC
15	Canadian Imperial Bank of Commerce	49	Intl FCStone Markets LLC	83	Nomura Derivative Products Inc.
16	Cantor Fitzgerald Securities	50	J Aron & Company LLC	84	Nomura Global Financial Products Inc.
17	Cargill Incorporated	51	J Aron & Company Singapore Pte	85	Nomura International PLC
18	Citadel Securities Swap Dealer LLC	52	JB Drax Honore Uk Ltd	86	Northern Trust Company
19	Citibank N A	53	Jefferies Financial Products LLC	87	PNC Bank National Association
20	Citigroup Energy Inc.	54	Jefferies Financial Services Inc.	88	Royal Bank of Canada
21	Citigroup Global Markets Inc.	55	JP Morgan Securities LLC	89	Shell Trading Risk Management LLC
22	Citigroup Global Markets Limited	56	JP Morgan Securities PLC	90	Skandinaviska Enskilda Banken Ab Publ
23	Commerzbank AG	57	JPMorgan Chase Bank National Association	91	SMBC Capital Markets Inc.
24	Commonwealth Bank of Australia	58	JP Morgan Ventures Energy Corp	92	Societe Generale International Limited
25	Credit Agricole Corporate and Investment Bank	59	Keybank National Association	93	Societe Generale S A
26	Credit Suisse Capital LLC	60	Lloyds Bank Corporate Markets PLC	94	Standard Chartered Bank
27	Credit Suisse International	61	Lloyds Bank PLC	95	State Street Bank and Trust Company
28	Credit Suisse Securities Europe Limited	62	Macquarie Bank Limited	96	Suntrust Bank
29	Danske Bank AS	63	Macquarie Energy LLC	97	Toronto Dominion Bank
30	Deutsche Bank AG	64	Merrill Lynch Capital Services Inc.	98	UBS AG
31	ED&F Man Capital Markets Limited	65	Merrill Lynch Commodities Inc.	99	Unicredit Bank AG
32	ED&F Man Derivative Products, Inc	66	Merrill Lynch International	100	US Bank NA
33	Fifth Third Bank	67	Merrill Lynch Japan Securities Co Ltd	101	Wells Fargo Bank NA
34	Gain GTX LLC	68	Mizuho Capital Markets LLC	102	WestPac Banking Corp

Swap Data Repositories Provisionally Registered with the CFTC

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

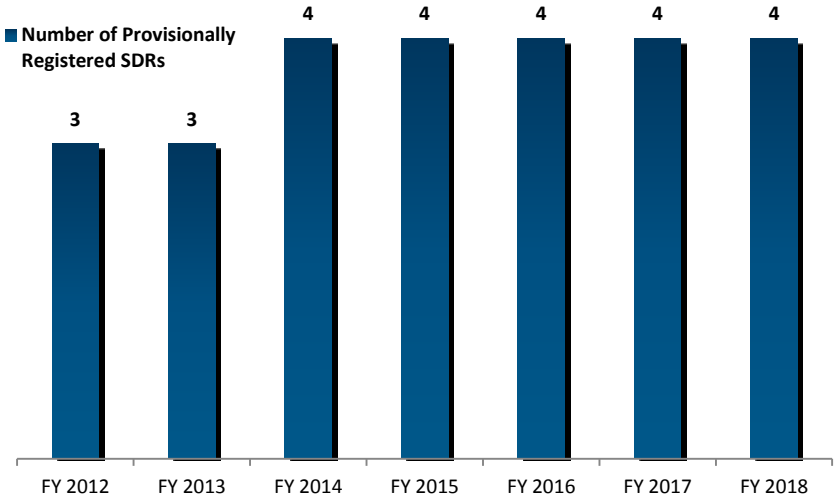


Figure 17: Number of Provisionally Registered SDRs

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

Table 32: FY 2018 List of SDRs

APPENDIX 6

Customer Protection Fund

Introduction

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

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

Management of the Whistleblower Office

The Whistleblower Office (WBO) has four essential functions:

- *Process Whistleblower Submissions.* WBO receives, tracks, and handles whistleblower submissions and inquiries, often communicating with whistleblowers or their counsel to address questions or concerns.

- *Coordinate with Commission Divisions and Outside Agencies*. WBO answers questions from Commission staff and others regarding the whistleblower program, and guides the handling of whistleblower matters as needed during examination, investigation and litigation. WBO also approves referrals of whistleblower-identifying information to outside agencies.

- *Administer Claims Process*. WBO receives and tracks whistleblower award claims, gathers and prepares the adjudicatory records for the Whistleblower Claims Review Staff (CRS), advises the CRS as needed on the whistleblower provisions and rules, and memorializes the CRS's decisions. Those determinations lead to Final Orders of the Commission through a review process which WBO also coordinates. Finally, WBO processes award claims that do not meet minimum requirements under the Whistleblower Rules, 17 C.F.R. part 165.

In FY 2018, the CFTC issued five orders granting awards to whistleblowers for providing valuable information about violations of the CEA— totaling more than $75 million, including one award of approximately $30 million.

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

In FY 2020, the Commission will continue its communications with market participants and voluntary whistleblowers about the protections and incentives under the Whistleblower Program. WBO will also continue processing whistleblower submissions and award claims with the goals of increased efficiency and shortened turnaround times.

Management of the Office of Customer Education and Outreach

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

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

The Commission also plans an alliance-based outreach strategy utilizing partnerships with Federal and state agencies as well as nonprofit and industry groups. Its first major anti-fraud initiative, "CFTC SmartCheck℠," is now in its fifth year and will provide customers and educators with new tools and resources to combat investment fraud. In addition, OCEO provides new and engaging educational content for CFTC.gov and contributes to improving the Commission's overall online presence through the use of better technology, increased emphasis on search engine optimization, and smarter use of social media.

Throughout FY 2018, much of OCEO's energy focused on two areas: virtual currencies and binary options fraud. OCEO launched an initiative to educate customers about fraud and violations that have been identified in connection with the purchase and trading of virtual currencies. This effort will continue through FY 2020 and beyond, and emphasizes the use of digital outreach to provide just-in-time education to help customers make more informed decisions. The initiative includes print materials that will be distributed through direct engagements or through stakeholder groups, and in-person events designed to reach customers who are most interested in virtual currencies or commonly targeted by fraud. Binary options fraud is an international concern. This type of fraud is committed by unregistered offshore organizations that pose as legitimate binary options brokers, create fake trading platforms, and use phony testimonials and high-pressure sales tactics to steal money from victims. Effectively communicating fraud avoidance information, and warnings about potential new tactics, requires an approach that cuts through the noise, reaches at-risk customers, and clearly describes not only the problems, but also provides available protections and actionable solutions for affected customers.

Operation of the CFTC Customer Protection Fund

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

In FY 2020, the CFTC estimates that it will use up to $60.0 million:

- Up to $6.2 million will be used to finance customer education initiatives, administrative expenses, and 15 FTE, an increase of $1.6 million over the estimated FY 2019 level.
- Whistleblower award payouts are estimated at $50 million.
- Up to $3.7 million will be used for the WBO to fund administrative expenses and 10 FTE, which is a decrease of $0.3 million over projected FY 2019 level.

Table 33: Customer Protection Fund

	FY 2018 Actual ($000)	FY 2019 Estimate ($000)	FY 2020 Estimate ($000)
Budget Authority – Prior Year	$234,775	$158,950	$102,377
Budget Authority – New Year	3,436	2,000	59,000
Prior Year Recoveries	1,506	0	0
Sequestration	(226)	(281)	0
Total Budget Authority	239,491	160,669	161,377
Whistleblower Program	3,064	3,676	3,720
Whistleblower Awards	75,575	50,000	50,000
Customer Education Program	1,902	4,616	6,253
Total Planned Expenditures	80,51	58,292	59,973
Unobligated Balance	$158,950	$102,377	$101,404

APPENDIX 7

Table of Acronyms

U.S. Federal Law

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

CFTC Divisions and Offices

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

U.S. Federal Departments and Agencies

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

Other Abbreviations

CDS	Credit Default Swaps
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CME	Chicago Mercantile Exchange
CPF	CFTC Customer Protection Fund
CPO	Commodity Pool Operator
CR	Continuing Resolution
CTA	Commodity Trading Advisor
CUI	Controlled Unclassified Information
DCM	Designated Contract Market
DCO	Derivatives Clearing Organization
DFMU	Designated Financial Market Utility
DSRO	Designated Self-Regulatory Organization
ENN	Entity-Netted Notionals

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