

# **President's Budget**

## **FISCAL YEAR 2022**

May 2021



# **CFTC**

COMMODITY FUTURES TRADING COMMISSION



**U.S. Commodity Futures Trading Commission**  
Three Lafayette Centre, 1155 21st Street, NW, Washington, DC 20581  
[www.cftc.gov](http://www.cftc.gov)

Rostin Behnam  
Acting Chairman

(202)418-5575  
[CFTCChairman@cftc.gov](mailto:CFTCChairman@cftc.gov)

Chairman's Transmittal Letter

May 19, 2021

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

The Honorable Rosa DeLauro  
Chairwoman  
Committee on Appropriations  
U.S. House of Representatives  
Washington, D. C. 20515

The Honorable Richard Shelby  
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 Leahy, Vice Chairman Shelby, Chairwoman DeLauro, and Ranking Member Granger:

On behalf of the Commodity Futures Trading Commission (Commission or CFTC), I am pleased to transmit the Commission's budget estimate for fiscal year (FY) 2022. The CFTC is requesting a budget of \$394 million. This budget request consists of two separate requests, the annual Commission operating funding of \$332 million and a new request to support the relocation of our headquarters office of \$62 million. The Commission requests \$332 million and 743 full-time equivalents (FTE) to operate the Commission effectively and advance priority initiatives in FY 2022. This request is an increase of \$28 million, or 9.2%, above the FY 2021 Enacted Budget and includes an additional 25 FTE, or 3.5%, above the FY 2021 Congressional Spend Plan.

This proposed budget reflects the CFTC's resource needs to maintain and enhance its role as the primary regulator of the U.S. futures, swaps, and options markets. This proposed budget is also aligned with the CFTC's reorganization of critical agency functions that went into effect in early FY 2021 and identified need to pursue additional organizational changes to institute initiatives to promote diversity and inclusion in our workforce. The organizational changes, including the creation of a new Division of Data, position the CFTC well for the future. The new organizational structure and details of the reorganization are provided in Appendix 1.

It may be helpful for me to provide examples of priority initiatives funded through this proposed budget. While the proposed budget will allow for modest hiring agency-wide, it focuses particularly on increasing staff in our Division of Clearing and Risk, Market Participants Division, and the new Division of Data. Spending to enhance our data programs, tools, and analytical capabilities is vital to our oversight of market utilities and participants such as swap execution facilities, market intermediaries, and commodity pool operators. The focus on data initiatives would also support an increased focus on the rise of retail participation in the derivatives and related cash markets, and facilitate our enforcement efforts, including

investigating and prosecuting fraud and manipulation in digital assets. The Commission expects to continue to invest in its capacity to conduct examinations of derivatives clearing organizations (DCOs) and conduct effective cybersecurity and system safeguards oversight, which is critical to the economy's stability. The CFTC's unique mission focused on risk mitigation and price discovery puts us on the front lines of the effort to address all emerging risks.

In conclusion, the derivatives markets play a critical role in all Americans' everyday lives and the health of the U.S. economy, and the proposed budget would help the CFTC build capacity to fulfill its mission as the derivatives markets evolve. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Behnam", with a stylized flourish at the end.

Rostin Behnam

cc:

The Honorable Chris Van Hollen  
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 Cindy Hyde-Smith  
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 2022 Budget Request

## Table of Contents

|   |    |
|---|----|
| EXECUTIVE SUMMARY .....                                 | 8  |
| OVERVIEW OF THE FY 2022 BUDGET .....                    | 12 |
| FY 2022 Budget Request by Program .....                 | 12 |
| FY 2022 Budget Request by Division .....                | 13 |
| FY 2022 Budget Request by Object Class .....            | 14 |
| Crosswalk from FY 2021 to FY 2022 .....                 | 15 |
| JUSTIFICATION OF THE FY 2022 BUDGET BY DIVISION .....   | 16 |
| Division of Enforcement.....                            | 16 |
| Division of Market Oversight .....                      | 20 |
| Division of Clearing and Risk.....                      | 22 |
| Market Participants Division .....                      | 26 |
| Office of the Chief Economist.....                      | 28 |
| Legal Division .....                                    | 30 |
| Office of International Affairs .....                   | 31 |
| Division of Data .....                                  | 33 |
| Division of Administration.....                         | 35 |
| CFTC Facility Relocation and Replication Request .....  | 38 |
| Office of the Chairman and Commissioners.....           | 40 |
| Office of the Inspector General .....                   | 42 |
| APPENDIX 1 .....  | 45 |
| Organizational Divisions and Offices.....               | 45 |
| APPENDIX 2.....   | 47 |
| CFTC Facility Leasing.....                              | 47 |
| APPENDIX 3.....   | 48 |
| Administration’s Proposal on User Fees .....            | 48 |
| APPENDIX 4.....   | 49 |
| Statement of Availability on Basis of Obligations ..... | 49 |
| APPENDIX 5.....   | 50 |
| Information Technology Resources .....                  | 50 |
| APPENDIX 6.....   | 51 |
| The Commission and the Industry It Regulates .....      | 51 |
| APPENDIX 7.....   | 79 |
| Customer Protection Fund .....                          | 79 |
| APPENDIX 8 .....  | 82 |
| Table of Acronyms .....                                 | 82 |

# The FY 2022 Budget Request

## Figures and Tables

|   |    |
|---|----|
| Table 1: Summary of FY 2020 to 2022 by Program.....                             | 12 |
| Table 2: Summary of FY 2020 to 2022 by Division .....                           | 13 |
| Table 3: Summary of FY 2020 to 2022 by Object Class.....                        | 14 |
| Table 4: Crosswalk from FY 2021 to FY 2022 .....                                | 15 |
| Table 5: Enforcement Request .....  | 16 |
| Table 6: Market Oversight Request .....   | 20 |
| Table 7: Clearing and Risk Request .....  | 22 |
| Table 8: Market Participants Request .....                                      | 26 |
| Table 9: Chief Economist Request .....  | 28 |
| Table 10: Legal Request.....  | 30 |
| Table 11: International Affairs Request .....                                   | 31 |
| Table 12: Data Request .....  | 33 |
| Table 13: Administration Request.....   | 35 |
| Table 14: CFTC Facility Relocation and Replication Request.....                 | 38 |
| Table 15: CFTC Facility Relocation and Replication Request - D.C. ....          | 38 |
| Table 16: Chairman and Commissioners Request.....                               | 40 |
| Table 17: Inspector General’s Budget Request .....                              | 42 |
| Figure 1: Organization Structure.....   | 46 |
| Table 18: Leasing Expirations and Estimated Leasing Costs by Location .....     | 47 |
| Table 19: FY 2022 Budgetary Resources and Offsetting Collections.....           | 48 |
| Table 20: FY 2020 to 2022 Statement of Availability on Basis of Obligations.... | 49 |
| Table 21: Summary of IT Budget by Program and Cost Type.....                    | 50 |
| Table 22: U.S. Regulated Entities and Registrants by CFTC Function .....        | 52 |
| Table 23: Number of Regulated Entities/Registrants.....                         | 53 |
| Figure 2: Growth of Volume of Contracts Traded .....                            | 55 |
| Figure 3: Volume of Swaps Traded on Swap Execution Facilities.....              | 56 |
| Figure 4: Swaps Volume, Cleared vs. Uncleared .....                             | 57 |
| Figure 5: Number of Actively Traded Futures and Option Contracts .....          | 58 |
| Figure 6: Notional Value of Global and U.S. Swaps and Futures Contracts .....   | 59 |
| Table 24: IRS Sector – Notional Amounts by Sector .....                         | 61 |
| Table 25: Interest Rate Futures ENNs by Participant Type.....                   | 61 |
| Table 26: FX Notional Amounts and ENNs by Sector .....                          | 62 |
| Table 27: CDS Notional Amounts and ENNs by Sector .....                         | 62 |
| Figure 7: Customer Funds in FCM Accounts.....                                   | 63 |
| Figure 8: Margin Requirements.....  | 64 |
| Figure 9: CFTC-Supported Data Streams Received from Industry .....              | 65 |
| Figure 10: Number of SEFs Registered with the CFTC.....                         | 66 |
| Table 28: FY 2020 List of SEFs.....   | 66 |
| Figure 11: Number of Contract Markets Designated by the CFTC.....               | 67 |
| Table 29: FY 2020 List of DCMs.....   | 67 |
| Figure 12: Number of DCOs Registered with the CFTC.....                         | 69 |
| Table 30: FY 2020 List of DCOs Registered with the CFTC .....                   | 70 |
| Table 31: FY 2020 List of SIDCOs.....   | 71 |
| Figure 13: Number of Exempt DCOs .....  | 73 |
| Table 32: FY 2020 List of Exempt DCOs.....                                      | 73 |
| Figure 14: Number of FCMs and RFED Registered with the CFTC.....                | 74 |
| Table 33: FY 2020 List of FCMs and RFEDs.....                                   | 75 |
| Figure 15: Number of SD Provisionally Registered with the CFTC .....            | 76 |
| Table 34: FY 2020 List of Provisionally Registered SDs.....                     | 77 |
| Figure 16: Number of Provisionally Registered SDRs.....                         | 78 |

|   |    |
|---|----|
| Table 35: FY 2020 List of SDRs .....    | 78 |
| Table 36: Customer Protection Fund..... | 81 |

## Executive Summary

The Commission is requesting a total of \$394.0 million and 743 FTE for FY 2022. This budget consists of two separate requests: the Commission's operational budget of \$332.0 million, and a one-time request of \$62.0 million to support the Commission's headquarters offices relocation. The request for its operational budget for FY 2022 is a 9.2 percent increase above the FY 2021 Enacted Budget and allows the Commission to maintain and enhance its role and capabilities as the primary regulator of the U.S. futures, swaps, and options markets.

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

### Highlights of the FY 2022 Budget

#### **Division of Enforcement**

The Commission requests \$61.9 million and 170 FTE for its enforcement program, which seeks to ensure U.S. derivatives markets operate free from fraud, manipulation, and other trading abuses. The Commission continues to bring new impactful enforcement actions, and successfully resolve other important enforcement cases in support of this critical mission. In addition, the Commission maintains a robust program that develops and utilizes sophisticated systems to analyze trade data, respond to outlying events, and 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 pursue cases if markets, firms, and others subject to the Commission's oversight do not meet their obligations. The enforcement program is critical for maintaining public and market participant confidence (including retail customers), who depend on the futures and swaps marketplace.

Specifically, the Commission's enforcement program prioritizes investigation and prosecution of the following substantive matters.

- *Spoofing and Manipulative Conduct.* The Commission is focused on detecting, investigating, and prosecuting misconduct—fraud, manipulation, spoofing, or other forms of disruptive trading—that have the potential to undermine the integrity of the markets.
- *Protecting Customers.* The CFTC aggressively prosecutes fraud across the spectrum of markets under its jurisdiction, from historical areas of focus, like precious metals, forex, and binary options to newer markets like digital assets.
- *Risk Management and Adequate Compliance Programs.* The Commission seeks to ensure that registrants adopt and implement proper risk management processes and maintain an adequate compliance program.
- *Misconduct Involving Confidential Information.* The CFTC investigates and prosecutes the illegal use of confidential information, including misappropriating confidential information, improperly disclosing a client's trading information, front running, or using confidential information to unlawfully prearrange trades.
- *Individual Accountability.* When entities commit violations, the Commission investigates the individuals involved in the illegal act, and, where appropriate, seeks to hold such persons responsible for their misconduct.

Based on the continued growth of innovative products and practices within the industry, the Commission anticipates the need for more time-intensive and inherently complex investigations. To detect and investigate complex misconduct, the Commission engages in market surveillance and

forensic economic analysis. The Commission supports these functions by providing enforcement staff with technology solutions to maintain and strengthen investigative capabilities.

The Commission engages in cooperative enforcement work with domestic, state and federal, and international regulatory and criminal authorities and, when required, supports criminal prosecution of provable, willful violations of the Commodity Exchange Act (CEA).

The CFTC also maintains an active whistleblower program within the Division of Enforcement that receives tips, complaints, and referrals of potential violations, and guides handling whistleblower matters as needed during investigation, litigation, and award claim processes.

### **Division of Market Oversight**

The Commission requests \$29.8 million and 84 FTE to continue its commitment to maintaining the integrity of the markets.

The Commission will conduct more examinations of derivatives platforms' self-regulatory programs to ensure compliance with the CEA and CFTC regulations. Specifically, beginning in late 2019, the Commission expanded its Rule Enforcement Reviews (RER), in which exchange registrants' compliance with their rules is reviewed, beyond designated contract markets (DCM) to include swap execution facilities (SEF) registrants. This expansion doubles the number and scope of entities examined without an increase in examination staff. During FY 2022, the CFTC will continue to move from establishing a baseline examination program for registered SEFs to conducting risk-based examinations tailored to the entities. This effort will require additional resources to ensure the appropriate execution of the examination program across dozens of DCMs and SEFs. In addition, the Commission's cybersecurity and system safeguards examinations, an essential component of the examination program for DCMs, SEFs, and swap data repositories (SDRs), will remain crucial to the stability of the economy. Effective cybersecurity protection of regulated entities requires increased vigilance for the scope of examinations conducted each year.

The CFTC will continue to regulate derivatives markets to promote the interests of all Americans in FY 2022 through, among other actions, implementing regulations for position limits. End users depend on the derivatives markets to manage risk for businesses that form the cornerstone of the U.S. agricultural economy. Implementing position limits regulations will help ensure that bona fide hedging is not restricted and that end users are able to manage their risk.

The Commission produces staff analytical reports for agency, inter-agency, and public use on sharp price movements in the markets, agricultural block trades, and other valuable policy and regulatory issues. The CFTC has developed sophisticated analytics to identify trends and outlying events that warrant further study and will continue to leverage this work to stay ahead of market trends and use its regulations to encourage innovation. In addition, the Commission will continue to connect with a broad range of market participants by communicating its insight on these developments through podcasts and reports.

The CFTC will continue to implement rules to prohibit post-trade identity disclosure (termed "name give-up") on SEFs to help ensure U.S. derivatives markets remain liquid, vibrant, and resilient.

### **Division of Clearing and Risk**

The Commission requests \$33.0 million and 91 FTE to maintain current capabilities and expand examination activities to reduce market risk and support the safety and soundness of derivatives clearing organizations (DCOs). 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 by conducting joint examinations with other CFTC divisions, and coordinated examinations of DCOs with the U.S. Federal Reserve and the U.S. Securities Exchange Commission (SEC), where possible. This effort allows the Commission to be more efficient with its resources and at the same time reduce burdens for dual registrants.



Currently, the CFTC has ten registered DCOs located in the U.S. including two DCOs that have been designated as systemically important by the Financial Stability Oversight Council. Examinations of DCOs help the Commission identify issues that may affect a DCO's ability to manage, control, and monitor its risks. DCOs have become critical single points of risk in the global financial system where the failure or disruption to the functioning of these DCOs could create or increase the risk of liquidity or credit problems spreading among other financial institutions. Furthermore, the number of DCOs, the scope and complexity of the examination issues, and the importance of these examinations to overall financial stability are all increasing.

In addition, the Commission regulates five registered DCOs located outside the United States, including some that are extremely important to the markets given the volume of swaps and futures cleared for U.S. entities.

There are also four DCOs outside the United States exempted from registration by the Commission that are permitted to clear proprietary swap transactions for U.S. entities. Although the CFTC relies principally on foreign authorities for oversight, it does engage in limited monitoring and surveillance of such exempt DCOs.

The Commission maintains an active, data-driven quantitative risk surveillance function, and expects to continue investing additional resources in human capital, data, and technology to improve its 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. Initial margin requirements are considered to be the first line of defense for DCOs, and there is intense focus internally and externally on the design and robustness of DCOs' margin models -- both from the perspective of ensuring the resilience of DCOs as well as their potential contribution to financial stability risks. Given the emphasis on central clearing as a critical tool to help mitigate systemic risk in the global financial markets, the Commission expects to grow its stress testing program to help ensure that the clearing system continues to be resilient to absorb both market and systemic shocks.

After the implementation of the G-20 and Dodd-Frank Act reforms, and more recently, the volatility in the global financial markets during March-April 2020, there is an active global debate on the potential need for additional requirements for clearinghouses, including DCOs. As the primary regulator for the U.S. derivatives markets, the Commission will be playing a lead role in these deliberations. It expects to take a rigorous data-driven, analytical approach to these discussions. This quantitative analysis will place substantial demands on the existing resources already committed to the CFTC's current risk surveillance function.

### **Market Participants Division**

The Commission requests \$25.2 million and 73 FTE to maintain effective oversight of registered market participants by its Market Participants Division (MPD). These resources will allow the Commission to provide effective oversight using current delegated authorities and improve cooperative oversight policies.

The CFTC oversees the registration and compliance of market participants, including swap dealers, major swap participants (MSPs), futures commission merchants (FCMs), retail foreign exchange dealers (RFEDs), introducing brokers (IBs), commodity trading advisors (CTAs), commodity pool operators (CPOs), floor brokers, and floor traders. MPD also oversees futures industry self-regulatory organizations (SROs), including the Chicago Mercantile Exchange (CME) and the National Futures Association (NFA), by assessing whether the SROs' compliance programs over member firms meet established regulatory standards.

With almost \$439 billion in customer funds held by FCMs, and thousands of registered IBs, swap dealers, CPOs, and CTAs, and other types of registrants, market participants serve as a cornerstone of the Commission's regulatory framework. As such, the CFTC 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, the Commission oversees the NFA in its role of implementing delegated authorities to register and oversee compliance by registered market participants. The Commission ensures that registration rules, standards, and reporting requirements continue to be

responsive to the needs of the evolving marketplace. The CFTC is also the primary financial regulator of 109 registered swap dealers, who collectively transact hundreds of trillions in notional value swap contracts annually, serving as a vital source of liquidity for financial institutions and commercial end users seeking to hedge their risk.

The Commission has finalized several important rulemaking efforts, notably, the capital and financial reporting requirements for registered swap dealers that are not subject to prudential regulatory oversight and rules related to the cross-border application of certain requirements for swap dealers. The resulting regulatory framework better aligns to the swaps market, reduces duplicative requirements for market participants, and helps stimulate broad-based economic growth and stability.

The CFTC will also continue the oversight of FCMs to ensure the protection of customer funds. In connection with this function, the Commission has launched supervisory activities related to the trading of Bitcoin futures contracts and continues to conduct oversight of the aforementioned FCMs, and review the activities of related SROs on a regular basis. Upcoming examination priorities include the performance of horizontal reviews depending upon the availability of adequate resources and, through the Major Review Section, the performance of annual and interim reviews of SRO Surveillance Programs.

#### **Office of the Chief Economist**

The CFTC requests \$6.8 million and 20 FTE to continue its core economic expertise by conducting in-depth analytical and empirical studies of issues affecting all areas of Commission and regulatory interest. The FY 2022 budget request will allow the Commission to continue to improve its analysis of large volumes of financial market data. The resulting work will further enhance the CFTC's understanding of a range of important areas such as: 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 CFTC to provide more of its analysis to the public in the form of white papers on topics of current interest that include; 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 International Affairs**

The Commission requests \$6.4 million and 17 FTE in the Office of International Affairs (OIA) to advance CFTC objectives in international policy development through bilateral and multilateral fora. Derivatives markets are global, and the Commission's policies relating to the U.S. derivatives markets exist in an interdependent web of foreign markets, requiring constant coordination with international counterparts. OIA engages in critical work with foreign jurisdictions and through regulatory and standard setting bodies to ensure that the policies (including rules and regulations) developed by key foreign jurisdictions and international standard setters are appropriate for the U.S. derivatives markets and consistent with the Commission's policies. Through this office, the Commission leads and participates in globally recognized international standard setting and coordination bodies, such as the International Organization of Securities Commissions (IOSCO) and its committees and working groups of the Financial Stability Board (FSB). Moreover, as CFTC regulatory counterparts continue to implement requirements regarding derivatives in their markets, it is essential that Commission staff work to ensure that such requirements are appropriate for U.S. market participants operating in the U.S. and abroad and do not duplicate, unduly overlap with, or conflict with Commission requirements. The CFTC's also mitigates the fragmentation of the global derivatives marketplace while developing apparatus to understand foreign regulatory developments and carry out successful outcomes-based regulatory coordination. The OIA will continue to coordinate Commission efforts for supervisory cooperation and information-sharing arrangements with counterparts worldwide. The CFTC will continue to pursue new arrangements to encourage cross-border cooperation regarding FinTech and digital asset developments. To further the Commission's engagement and interaction with foreign counterparts, the CFTC will continue to host symposia and training involving counterparts across jurisdictions and undertake technical assistance in emerging markets.

## Overview of the FY 2022 Budget

### FY 2022 Budget Request by Program<sup>1 2 3 4</sup>

**Table 1: Summary of FY 2020 to 2022 by Program**

|  | FY 2020          | FY 2021          | FY 2022          |                 |
|--|------------------|------------------|------------------|-----------------|
|  | Actual           | Spend Plan       | Request          | Change          |
| Salaries and Expenses                              | \$279,000        | \$300,432        | \$327,983        | \$27,551        |
| Office of the Inspector General                    | \$2,888          | \$3,568          | \$4,017          | \$449           |
| <b>Total Annual Request</b>                        | <b>\$281,888</b> | <b>\$304,000</b> | <b>\$332,000</b> | <b>\$28,000</b> |
| Facilities Relocation and Replication <sup>5</sup> | \$31,000         |                  | \$62,000         | \$62,000        |
| <b>Grand Total Request</b>                         | <b>\$312,888</b> | <b>\$304,000</b> | <b>\$394,000</b> | <b>\$90,000</b> |

Columns may not add due to rounding

<sup>1</sup> FY 2021 amounts provided in the Consolidated Appropriations Act, 2021, Public Law 116-260, Division E.

<sup>2</sup> The Salaries and Expenses program provides funding for all CEA-related activities. This includes funding for Federal staff salaries and benefits, leasing of facilities, information technology, travel, training, and general operations of the Commission.

<sup>3</sup> The Office of the Inspector General program provides audits, investigations, reviews, inspections, and other activities to evaluate the operations and programs of the Commission.

<sup>4</sup> The Commission considers the Salaries and Expenses and Office of the Inspector General programs to be its sole PPAs. All other budget displays by division or any other depictions are for informational purposes only.

<sup>5</sup> Facilities Relocation and Replication resources are a separate no-year account from the Commission's other PPAs included in the FY 2020 appropriation and FY 2022 request.

FY 2022 Budget Request by Division<sup>6 7</sup>

Table 2: Summary of FY 2020 to 2022 by Division

|  | FY 2020    |                  | FY 2021    |                  | FY 2022    |                  | Change    |                 |
|--|------------|------------------|------------|------------------|------------|------------------|-----------|-----------------|
|  | Actual     |                  | Spend Plan |                  | Request    |                  |           |                 |
|  | FTE        | \$ (000)         | FTE        | \$ (000)         | FTE        | \$ (000)         | FTE       | \$ (000)        |
| Enforcement                            | 165        | \$56,808         | 169        | \$59,107         | 170        | \$61,872         | 1         | \$2,765         |
| Market Oversight                       | 82         | \$27,532         | 81         | \$26,577         | 84         | \$29,825         | 3         | \$3,247         |
| Clearing and Risk                      | 65         | \$22,308         | 86         | \$28,974         | 91         | \$32,976         | 5         | \$4,003         |
| Market Participants                    | 72         | \$23,756         | 69         | \$22,467         | 73         | \$25,226         | 4         | \$2,759         |
| Office of the Chief Economist          | 18         | \$5,784          | 20         | \$6,200          | 20         | \$6,773          | 0         | \$573           |
| Legal                                  | 42         | \$14,727         | 55         | \$22,001         | 55         | \$23,972         | 0         | \$1,971         |
| Office of International Affairs        | 15         | \$4,835          | 14         | \$5,422          | 17         | \$6,446          | 3         | \$1,024         |
| Data and Technology                    | 82         | \$83,415         | 0          | \$0              | 0          | \$0              | 0         | \$0             |
| Data                                   | 0          | \$0              | 44         | \$29,719         | 49         | \$34,365         | 5         | \$4,646         |
| Administration                         | 0          | \$0              | 133        | \$85,654         | 134        | \$91,198         | 1         | \$5,544         |
| Office of Executive Director           | 82         | \$24,798         | 0          | \$0              | 0          | \$0              | 0         | \$0             |
| Office of the Chairman & Commissioners | 42         | \$15,038         | 38         | \$14,311         | 40         | \$15,329         | 2         | \$1,018         |
| Office of the Inspector General        | 7          | \$2,888          | 9          | \$3,568          | 10         | \$4,017          | 1         | \$449           |
| <b>Total</b>                           | <b>672</b> | <b>\$281,888</b> | <b>718</b> | <b>\$304,000</b> | <b>743</b> | <b>\$332,000</b> | <b>25</b> | <b>\$28,000</b> |

Columns may not add due to rounding

<sup>6</sup> The Commission considers the Salaries and Expenses and Office of the Inspector General programs to be its sole annual PPAs. All other budget displays by division or any other depictions are for informational purposes only.

<sup>7</sup> FY 2021 amounts provided in the Consolidated Appropriations Act, 2021, Public Law 116-260, Division E.

## FY 2022 Budget Request by Object Class

Table 3: Summary of FY 2020 to 2022 by Object Class

|  | FY 2020          | FY 2021          | FY 2022          |                 |
|--|------------------|------------------|------------------|-----------------|
| Annual Baseline Request  | Actual           | Spend Plan       | Request          | Change          |
| 11.0 Personnel Compensation                                      | \$130,703        | \$142,027        | \$158,427        | \$16,400        |
| 12.0 Personnel Benefits  | \$44,720         | \$48,677         | \$52,610         | \$3,932         |
| 13.0 Former Personnel Benefits                                   | \$6              | \$0              | \$0              | \$0             |
| 21.0 Travel and Transportation of Persons                        | \$641            | \$1,119          | \$2,108          | \$989           |
| 22.0 Transportation of Things                                    | \$36             | \$50             | \$51             | \$1             |
| 23.1 Rental Payments to GSA                                      | \$0              | \$227            | \$231            | \$5             |
| 23.2 Rental Payments to Others                                   | \$26,464         | \$27,389         | \$27,786         | \$397           |
| 23.3 Communication, Utilities, & Misc.                           | \$4,405          | \$2,661          | \$3,106          | \$445           |
| 24.0 Printing and Reproduction                                   | \$890            | \$631            | \$644            | \$13            |
| 25.0 Other Services  | \$66,251         | \$73,990         | \$81,868         | \$7,878         |
| 26.0 Supplies and Materials                                      | \$3,898          | \$2,421          | \$2,459          | \$38            |
| 31.0 Equipment   | \$3,873          | \$4,792          | \$2,694          | (\$2,098)       |
| 32.0 Building and Fixed Equipment                                | \$0              | \$15             | \$16             | \$0             |
| 42.0 Litigation Fees and Awards                                  | \$2              | \$0              | \$0              | \$0             |
| <b>Total</b>   | <b>\$281,888</b> | <b>\$304,000</b> | <b>\$332,000</b> | <b>\$28,000</b> |
| <b>Facilities Relocation and Replication Request<sup>8</sup></b> |                  |                  |                  |                 |
| 21.0 Travel and Transportation of Persons                        | \$100            |                  | \$97             | \$97            |
| 22.0 Transportation of Things                                    | \$681            |                  | \$1,095          | \$1,095         |
| 23.1 Rental Payments to GSA                                      | \$20,086         |                  | \$31,920         | \$31,920        |
| 24.0 Printing and Reproduction                                   | \$0              |                  | \$10             | \$10            |
| 25.0 Other Services  | \$240            |                  | \$6,254          | \$6,254         |
| 25.4 Operation and Maintenance - Facilities                      | \$0              |                  | \$248            | \$248           |
| 25.7 Operation and Maintenance - Equipment                       | \$225            |                  | \$675            | \$675           |
| 26.0 Supplies and Materials                                      | \$8              |                  | \$75             | \$75            |
| 31.0 Equipment Purchase  | \$9,660          |                  | \$15,526         | \$15,526        |
| 32.0 Land and Structures – Building Alterations                  | \$0              |                  | \$6,100          | \$6,100         |
| <b>Total</b>   | <b>\$31,000</b>  |                  | <b>\$62,000</b>  | <b>\$62,000</b> |
| <b>Grand Total</b>   | <b>\$312,888</b> | <b>\$304,000</b> | <b>\$394,000</b> | <b>\$90,000</b> |

Columns may not add due to rounding

<sup>8</sup> Facilities Relocation and Replication resources are a separate no-year account from the Commission's other PPAs included in the FY 2020 appropriation and FY 2022 request.

## Crosswalk from FY 2021 to FY 2022

Table 4: Crosswalk from FY 2021 to FY 2022

|  | FY 2021<br>Spend Plan <sup>9</sup> | FY 2022<br>Request | Change             |
|--|------------------------------------|--------------------|--------------------|
| Base Budget Authority (\$000)                                  | \$304,000                          | \$332,000          | \$28,000           |
| Facilities Relocation and Replication Request <sup>10</sup>    |                                    | \$62,000           | \$62,000           |
| Net Budget Authority (\$000)                                   | \$304,000                          | \$394,000          | \$90,000           |
| Full-Time Equivalents (FTE)                                    | 718                                | 743                | +25                |
|  |                                    |                    |                    |
| <u>Explanation of Change</u>                                   |                                    | FTE                | Dollars<br>(\$000) |
| Current Services Increases: (Adjustments to FY 2021 Base)      |                                    |                    |                    |
| To provide for changes in personnel compensation & benefits:   |                                    |                    | \$7,101            |
| To provide for FY 2021 Hiring Actions <sup>11</sup>            |                                    |                    | \$6,131            |
| To provide for the following changes in non-personnel costs:   |                                    |                    | \$1,017            |
| --Space Rental/Communications/Utilities (\$1,017)              |                                    |                    |                    |
| Program Increase: (Adjustments to FY 2021 Current Services)    |                                    | +25                | \$13,218           |
| --Addition of FTE (\$7,101)                                    |                                    |                    |                    |
| --Travel/Transportation (\$52)                                 |                                    |                    |                    |
| --Other Services (\$6,065)                                     |                                    |                    |                    |
| Program Increase: (Relocation and Replication)                 |                                    |                    | \$62,000           |
| --Equipment and furniture for new facilities (\$15,526)        |                                    |                    |                    |
| --Payments for renovation of new facilities (\$38,020)         |                                    |                    |                    |
| --Relocation of existing equipment to new facilities (\$1,095) |                                    |                    |                    |
| --Services and support to relocate to new facilities (\$7,359) |                                    |                    |                    |
| Total Change   |                                    | +25                | \$90,000           |
| Columns may not add due to rounding                            |                                    |                    |                    |

Columns may not add due to rounding

<sup>9</sup> FY 2021 amounts provided in the Consolidated Appropriations Act, 2021, Public Law 116-260, Division E.<sup>10</sup> Facilities Relocation and Replication resources are requested as a separate no-year account from the Commission's other PPAs included in the FY 2022 request.<sup>11</sup> FY 2021 Hiring Actions reflect FY 2021 Spend Plan FTE.

## Justification of the FY 2022 Budget by Division

### Division of Enforcement

#### Resource Overview

**Table 5: Enforcement Request**

|               | <b>FY 2020<br/>Actual</b> | <b>FY 2021<br/>Spend Plan</b> | <b>FY 2022<br/>Request</b> | <b>Change</b> |
|---------------|---------------------------|-------------------------------|----------------------------|---------------|
| <b>BUDGET</b> | \$56,808,240              | \$59,106,611                  | \$61,871,939               | +\$2,765,329  |
| <b>FTE</b>    | 165                       | 169                           | 170                        | +1            |

Columns may not add due to rounding

#### Organization Description

The Division of Enforcement's (DOE) mission is to protect the public and preserve market integrity by detecting, investigating, and prosecuting violations of the Commodity Exchange Act (CEA) and the Commission's regulations. This pursuit furthers the agency's broader mission to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation and the strategic goal of being tough on those who break the rules.

DOE utilizes its authority to, among other activities: 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. Potential violations include fraud, false statements to the Commission, misappropriation, price manipulation, use of a manipulative or deceptive device, disruptive trading practices, and other abuses concerning commodity derivatives and swaps that threaten market integrity, market participants, and the general public.

The Commission augments its enforcement program through both a Market Surveillance Unit and a Forensic Economists Unit. The Market Surveillance Unit, 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. The Forensic Economists Unit, conducts extensive data analysis to develop evidence for investigations into potential market manipulation, disruptive trading practices (including spoofing), and other unlawful trade-based conduct.

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.

#### Justification of CFTC Request

DOE 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 identify and 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 and monetary relief for the greatest deterrent effect. The requested resources will help the Commission meet the growing need for enforcement resources as reflected by the enforcement program's priorities, which, during FY 2022, are anticipated to include the following, among others.

**Spoofing and Manipulative Conduct.** The commodity and derivatives markets are at the heart of the economy and impact the livelihood of every American. Healthy markets enable producers to hedge risks, which helps them control costs, and, ultimately, protect consumers against price increases; and allow companies and individuals to allocate capital more efficiently, which contributes to the growth of the broader American economy. The Commission is focused on detecting, investigating, and prosecuting misconduct—fraud, manipulation, spoofing, or other forms of disruptive trading—that has the potential to undermine the integrity of the markets. The Commission has experienced an overall upward trend in filings involving manipulative or disruptive trading. During FY 2020, the Commission filed more such cases (16) than in any prior year other than FY 2018. The Commission anticipates this focus will continue in FY 2022, which will require the enforcement program to commit additional resources to prosecute these cases targeting some of the most pernicious forms of misconduct in our markets—i.e., manipulative conduct, commodities fraud, and fraudulent misappropriation of confidential information.

**Protecting Customers.** Since its inception, the Commission has focused on protecting customers in commodity and derivatives markets from fraud and other abuse. The Division aggressively prosecutes fraud in some of the historical areas of focus, like precious metals, forex, and binary options. The Division also continues to track down fraudsters as they enter new markets—and sometimes entirely new asset classes, like digital assets—seeking to use new products or new technologies to target unsuspecting customers. During FY 2020, in conjunction with DOE's Digital Asset Task Force, the Commission brought a record setting seven cases involving digital assets, including a case in which defendants allegedly targeted churchgoers and misappropriated \$28 million in connection with purported Bitcoin investments, and a matter where a foreign trading platform was offering illegal leveraged transactions in Ether, Litecoin, and Bitcoin. Given the explosive growth of this technology, the Commission anticipates that additional resources will be required in FY 2022 to aggressively prosecute these cases.

**Risk Management and Adequate Compliance Programs.** The Commission's enforcement program seeks to ensure that registrants adopt and implement proper risk management processes and maintain an adequate compliance program. Because companies stand as the first line of defense to prevent misconduct, the Commission expects a compliance function to serve as a meaningful check to ensure proper systems are in place to detect misconduct when it occurs, and to make sure it does not happen again. During FY 2020, DOE issued guidance regarding corporate compliance, and the Commission brought many of the cases that considered the adequacy of an entity's compliance program. These cases included: a case where a financial institution's compliance staff had substantial information regarding spoofing misconduct and failed to stop the unlawful trading; a case where a financial institution had an audio preservation system that it was on notice had a "design flaw" and was a "ticking time bomb" but that it did not address, and which ultimately led to the deletion of audio recordings responsive to a Division-issued subpoena; and cases against a swap dealer for failure to follow external business conduct standards, futures commission merchants (FCMs) and introducing brokers (IBs) for failure to maintain required capital, and an FCM for failure to supervise accounts set up by its guaranteed IB. In FY 2022, the Commission will continue its efforts in this area.

**Misconduct Involving Confidential Information.** Illegal use of confidential information can significantly undermine market integrity and harm customers in our markets. This type of misconduct could include misappropriating confidential information, improperly disclosing a client's trading information, front running, or using confidential information to unlawfully prearrange trades. During FY 2020, the Commission charged an energy trader who engaged in a scheme to steal his employer's material, nonpublic information to enter into fictitious trades for his personal profit and subsequently made false statements to both the CFTC and Intercontinental Exchange to conceal the scheme. During FY 2022, the Commission will work to ensure our market participants are not unlawfully misappropriating confidential information for their own gain.

**Individual Accountability.** The Commission's enforcement program endeavors to hold individuals accountable for wrongdoing. Individual accountability ensures that the person committing the illegal



act is held responsible and, when appropriate, banned from the market; it deters others, fearful of facing individual punishment, from breaking the law in the future; it supports companies in developing cultures of compliance and reporting to regulators when they find violations; and it promotes the public's confidence that we are achieving justice. During FY 2020, fifty of the Commission's actions involved charges against one or more individuals, including individuals at all levels within financial institutions, proprietary trading firms, and managed funds. Also, in FY 2020 the Commission charged: seven individuals with manipulative trading or spoofing conduct, including allegations against an executive of a global investment bank in connection with manipulative trading in the swaps markets; the CEO and a portfolio manager of a Commodity Pool Operator for allegedly making misleading statements regarding risk management and for failing to implement an adequate supervisory system to prevent such misstatements; and the principal of a company for alleged digital asset fraud, alleging that the defendants obtained more than \$30 million from victims. With increasing enforcement actions against primary wrongdoers, the enforcement program anticipates a corresponding increase in actions charging individuals during FY 2022.

**Surveillance.** The Commission will maintain a robust Market Surveillance Unit that develops and utilizes sophisticated systems to help identify trading or positions that warrant further enforcement inquiry. The Commission is engaged in a multi-year project to strengthen its data analytics capability to enhance the ability to identify, in the trading data, forms of misconduct that might otherwise have been undetectable. During FY 2020, the use of the surveillance technology resulted in the three largest spoofing cases in the Commission's history, including a matter in which the Commission imposed the highest monetary relief in the Commission's history (\$920 million), which included the highest restitution (\$311,737,008), disgorgement (\$172,034,790), and civil monetary penalty (\$436,431,811) amounts in any spoofing case.

During FY 2022, 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;
- Conduct a forensic review of market activity to identify potential market and trading abuses, evaluate compliance with federally-imposed position limits, and coordinate with the Division of Market Oversight;
- 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.

**Forensic Capabilities and Data Analytics.** The Commission's Forensic Economists Unit performs 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. The enforcement program is engaging in a multi-year project to enhance our ability to detect misconduct with data analytics. As part of this effort, the Commission has developed an ability to identify, in the trading data, forms of misconduct that we might otherwise have been unable to detect. The significant increase in the number of cases involving manipulative conduct, and the significant percentage of the overall docket involving charges of manipulative conduct and commodities fraud (65%), is directly tied to these data analytical efforts. The Commission anticipates that this demand for data analytics will continue in FY 2022.

**Cooperative Enforcement.** The Commission's enforcement program focuses on collaborative relationships with SROs, state, federal, and international authorities, including achieving efficiencies through referrals, to meet its enforcement objectives. The parallel enforcement program starts with the

premise that CFTC can most effectively protect markets when working together with colleagues in the enforcement and regulatory community. In particular, the CFTC believes a robust combination of criminal prosecution and regulatory enforcement is critical to deterring violators, punishing misconduct, preserving market integrity, and protecting market participants. During FY 2020, the Commission filed 16 actions parallel with federal criminal authorities, raising the three-year total of such actions to 46, which far surpasses the total number over the prior seven fiscal years (27). In addition to parallel criminal filings, the Commission also filed its largest joint filing with state financial regulators in the agency's history. The CFTC and 30 state regulators, all of which are members of the North American Securities Administrators Association (NASAA), jointly filed an enforcement action alleging an ongoing nationwide elder fraud that solicited and received more than \$185 million in investor funds. During FY 2022, DOE looks forward to continued cooperation and coordination with enforcement counterparts on matters of mutual interest.

## Division of Market Oversight

**Resource Overview****Table 6: Market Oversight Request**

|               | <b>FY 2020<br/>Actual</b> | <b>FY 2021<br/>Spend Plan</b> | <b>FY 2022<br/>Request</b> | <b>Change</b> |
|---------------|---------------------------|-------------------------------|----------------------------|---------------|
| <b>BUDGET</b> | \$27,531,680              | \$26,577,387                  | \$29,824,773               | +\$3,247,386  |
| <b>FTE</b>    | 82                        | 81                            | 84                         | +3            |

Columns may not add due to rounding

**Organization Description**

The Division of Market Oversight (DMO) is responsible for the regulation and oversight of the futures, options on futures, and swaps marketplaces. Futures, options on futures, and swaps markets are highly innovative and global in scope. The mission of 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 designated contract markets (DCMs) and Swap Execution Facilities (SEFs), foreign boards of trade (FBOTs) and SDRs; 2) conducting examinations of exchange compliance programs, including system safeguards; 3) reviewing new and existing 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, guidance, interpretations, and policies to promote fair, efficient, and vibrant markets and a sound market structure.

**Justification of CFTC Request****Enhancing Commission Rules**

In FY 2022, the DMO will use resources to develop and implement regulations to promote fair, efficient, 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 DMO anticipates implementing rules on swaps trading and position limits, among others. As part of this effort, the DMO will be implementing regulations that codify and eliminate current no-action letters and guidance.

**Market Intelligence**

The DMO will continue to analyze and communicate current and emerging derivatives market dynamics, developments, and trends to assist the Commission in developing sound policy, together with assisting other Federal agencies, Congress, the Administration, and the public in making informed decisions. This initiative includes conducting high value-added analysis using both proprietary internal data and outside data to promote efficient and sound markets. Such market data is critical for proper market analysis, and its effective use is dependent on the ability to acquire large volumes of data and to utilize it through the development of sophisticated analytics to identify trends and/or outlying events that warrant further study. DMO will continue to work with internal and external stakeholders to ensure the Commission has complete, accurate, and high-quality futures and swaps data in order to fulfill its statutory responsibilities to safeguard the markets. DMO will continue to publish information and reports to the public regarding several market structure issues, such as market liquidity, trading technologies, and convergence.

The DMO has been organizing its special projects team to include staff with superior data science capabilities to strengthen its analytical capability with expanded access to various market data. DMO will seek to pair data across various reports received by the CFTC that provide: trade and position data across cleared and uncleared swaps, exchange-traded and over-the-counter options, and futures transactions and market information and data to analyze impacts to market structure across the various commodity, index, and financial markets the agency regulates.

**Compliance Examinations and Cybersecurity**

DMO will remain focused on fostering market integrity and security through robust oversight and reviews of DCMs, SEFs, and SDRs. To do so, DMO will continue to conduct RERs of DCMs' self-regulatory programs to ensure compliance with the Commission's core principles and other regulations. In addition, the Commission anticipates fully implementing its SEF RER program, which was recently significantly expanded to include SEFs. The SEF RER initiative requires resources beyond those currently allocated to perform RER activities.

In the face of extensive change and cyber-attacks on the markets, the Commission's resources for system safeguard oversight are increasingly crucial to the stability of the economy and are a critical element of these examinations. Effective cybersecurity protection of regulated entities requires increased vigilance for the scope of examinations conducted each year.

DMO currently utilizes a piecemeal approach along with manual processes to track, organize, and prioritize compliance issues. Accordingly, DMO anticipates investing in issue and project tracking software to improve the operational efficiencies of the examinations program.

**Virtual Currency, Swaps and other Product Reviews**

DMO will continue to be involved in virtual currency derivatives issues, including reviewing new virtual currency derivatives listed for trading on DCMs and SEFs. There is a need for additional resources to meet the challenges related to virtual currency derivatives and ensure that these contracts are not readily susceptible to manipulation. DMO 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 may be required by the CEA and Commission regulations. 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. Moreover, the swaps market has expanded exponentially in recent years, and CFTC seeks to augment its team to support product and rule review efforts, MIB's market analysis, and rulemaking.

**Registration and Compliance**

DMO anticipates that it will continue to receive, analyze, designate, and register new DCM, SEF, and FBOT applications. DMO anticipates that additional entities focused on virtual currency derivatives will seek registration as DCMs and SEFs, which may 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. As described above, the examination program is being significantly expanded to cover SEFs, requiring additional resources.

## Division of Clearing and Risk

**Resource Overview****Table 7: Clearing and Risk Request**

|               | <b>FY 2020<br/>Actual</b> | <b>FY 2021<br/>Spend Plan</b> | <b>FY 2022<br/>Request</b> | <b>Change</b> |
|---------------|---------------------------|-------------------------------|----------------------------|---------------|
| <b>BUDGET</b> | \$22,307,786              | \$28,973,750                  | \$32,976,336               | +\$4,002,586  |
| <b>FTE</b>    | 65                        | 86                            | 91                         | +5            |

Columns may not add due to rounding

**Organization Description**

The Division of Clearing and Risk (DCR) oversees DCOs and other participants in the clearing process 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 exemption from DCO registration and DCO rule submissions, and make recommendations to the Commission; 3) recommend which swaps should be required to be cleared; 4) evaluate 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 systemically important derivatives clearing organizations (SIDCOs) at least once a year; 6) review and assess compliance of DCO monthly and quarterly financial resource reporting and ad-hoc notifications regarding hardware or software malfunctions, cyber-security incidents, or other incidents that impact the DCO's liquidity or financial resources; 7) review changes to DCOs' margin models; 8) conduct quantitative 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 and financial impact posed by DCOs, clearing members, and market participants; and 9) participate in and lead in international bodies that establish standards which have important impacts on DCOs (including with respect to their ability to compete internationally).

**Justification of CFTC Request**

The CFTC's unique mission is to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation. Strong and resilient DCOs are essential to the efficiency and stability of derivatives markets, as they provide crucial risk management services and reduce counterparty risk. The CFTC is focused on promoting the strength and resilience of DCOs through regular examinations, stress testing, capital requirements, financial reporting obligations, and ongoing risk monitoring, among many other supervisory tools. This budget request supports the Commission's efforts to continue to enhance the activities of the Division.

**DCO Examinations**

Cybersecurity is one of the biggest threats facing the financial sector today. The automated systems of DCOs play a critical role in today's clearing environment, as do their corresponding business continuity and disaster recovery plans in ensuring DCO availability. The importance of the CFTC's system safeguards oversight is highlighted by the fact that it would present unacceptable risks to the U.S. financial system and the world economy should certain DCOs become inoperative—even for a relatively short period of time. Activity in 2020 reflects a dramatic increase in the number of cyber-security and threat incidents launched against the DCO community. This budget request increases the number of systems risk analysts available to assess cyber-security risks at DCOs continually. The increase in staffing would be used to complete additional examinations, review and assess notifications from DCOs concerning cybersecurity incidents, gather and assess existing and evolving threat vectors, and research

the latest vulnerabilities and exploits. The CFTC's Office of the Inspector General (OIG) has also independently identified the need for additional staffing resources.

DCR plans to gather and analyze the results of all CFTC mandated cyber-security tests, which will increase the quality of the results of our risk assessments used to determine the targets and scopes of our System Safeguards examinations. The IG has also identified the need to conduct additional work to ensure all DCOs are complying with Commission's cyber-security regulations. An additional increase in the number of systems risk analysts is requested in order to enhance our risk assessment process, and comply with the IG's recommendations.

The number of DCOs that are clearing products in digital assets and utilizing digital innovation is increasing. Many of these contracts include a component for physical delivery of the digital asset. The cryptocurrency risk and threat landscape are dominated by high profile bad actors using techniques such as brute force attacks, Distributed Denial of Service (DDoS) attacks launched from botnets and other compromised equipment, sophisticated social engineering efforts and various other malware efforts and exploits. All DCOs need to employ top notch data breach security solutions. However, those participating in the new digital innovation ecosystem are exposed to additional risks that must be assessed, mitigated, monitored; and then examined accordingly by the Division. Each new digital asset operates differently and with its own specialized set of threat vectors which each carry its own unique set of risks that need to be identified, assessed and then examined. The Division is requesting additional training resources in the area of loss prevention and resources to analyze and assess new digital assets.

Cloud technology provides large benefits for the DCOs in the form of elastic storage and computing, which reduces costs and facilitates large-scale availability and resiliency solutions. This just-in-time computing growth and migration comes at a cost – namely, increased computing complexity and an increased surface area of attack for hackers. As DCOs continue using this technology more broadly, appropriate expertise to identify areas of concern regarding the security of cloud providers, and the DCOs' implementation of this technology is required. Of particular concern is the security that surrounds the clearing applications and data in the cloud, the lack of information from the cloud providers, and the increased complexity that is inherent in distributing a new or existing clearing solution across a cloud environment.

Examinations of DCOs' compliance with the CEA and implementing regulations will necessitate use of new automated tools. Automated tools will be especially important in evaluating compliance in the areas of liquidity, default, back testing, and stress testing. These new tools will aid examiners in identifying potential areas of risk 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.

### **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 CFTC 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. In addition, DCR will continue to engage in work related to the development of alternative benchmark interest rates and the implications for the CFTC's swap clearing requirement.

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 2021. This will help ensure that the Commission has an appropriate understanding of risk within the swaps markets. The Commission will also 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 2022 budget request continues to support the Commission's registration and compliance activities for DCOs. The Commission will devote effort to reviewing any new applications for DCO registration, and petitions for exemption from DCO registration for the clearing of swaps. In addition to oversight of registered DCOs, these activities will continue to require regulatory coordination on both a domestic and cross-border basis. As additional DCOs are registered or exempted, these coordinated efforts will necessarily increase concurrently.

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. The request will also support the Commission's oversight of DCOs on a day-to-day basis, which includes a review of their rules, operations, and procedures. The CFTC 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 CFTC's regulatory workload. 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. DCR gathers and analyzes the results of the above activities, which are used in our risk assessments process, to determine the targets and scopes of our financial and risk management examinations.

### **DCO Risk Surveillance**

The Commission performs quantitative risk analysis of DCOs' margin models, which includes reviewing and analyzing changes to the models and related risk management practices. Initial margin requirements are seen as the first line of defense for a DCO and its clearing members.

CME is in the process of replacing its decades old margin model with a new, more sophisticated model. This change will impact over 90% of the US futures and options markets and participants. This is a multi-year transition, and as part of its rigorous review process, the Commission will be conducting quantitative risk analysis both pre and post implementation. This will require additional resources.

DCOs' margin models and associated methodologies are growing in sophistication. It is critically important for the CFTC to be appropriately staffed with risk analysts with state-of-the-art training and expertise in advanced quantitative risk and financial engineering. In addition, the Commission needs access to relevant statistical and financial tools and applications to conduct rigorous quantitative analysis on these margin models. The CFTC is seeking additional resources to hire risk analysts with advanced training and experience and to fund training to stay abreast of the latest advancements in the field.

Risk surveillance is a technology-intensive function, and in FY 2022, both the quantity and types of position data requiring review will continue to increase. The CFTC currently collects granular or entity-level position and exposure data, and anticipates investing additional resources into collecting and maintaining comprehensive, current financial information on DCOs, FCMs, and their clients. To enable the development of risk metrics, the Commission requires real-time and historical information on prices of derivatives and related underlying markets, as well as risk factor information. Internally developed applications and commercially available software are used to perform these functions. The ability to function effectively and advance this program is dependent upon the ability to process this data.

Enhancing financial analysis tools is critical, as the CFTC 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. Risk surveillance activities have been adjusted 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.

The Commission also is in the process of expanding its capability to conduct quantitative risk analysis on uncleared swaps exposures and integrating these exposures with cleared futures and cleared swaps exposures. In order to incorporate uncleared positions into the current risk surveillance program, the Commission will need to develop a number of valuation, risk analysis, and new stress testing tools and applications. This requires a substantial investment of resources, staff, and advanced analytics to improve data quality, tools, and analytical approaches.

The Commission has been a thought leader in the area of supervisory stress tests of DCOs. However, the ability to grow this program has been severely constrained by our analytical tools. For example, staff has been relying on specific risk metrics provided by DCOs that limit the types of stress scenarios that can be used. Additional investment in developing valuation tools will enable the CFTC to explore more realistic risk factors potentially influencing the clearing eco-system. Volatile market events from the recent past have highlighted potential vulnerabilities in the broader financial system from the complex interaction between DCOs' risk management practices and associated payment flows with the funding and trading decisions of FCMs and their clients. There is heightened awareness of the financial stability risks both to related markets and institutions. The Commission needs to invest additional resources to build capacity to gather the relevant information, construct appropriate models and metrics, and conduct quantitative risk analysis to study and assess these dynamics.

### **International Policy Support**

This budget request will fund continued participation in key international bodies setting standards for clearinghouses, with the aim of promoting appropriately rigorous standards. The Commission 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.



## Market Participants Division

**Resource Overview****Table 8: Market Participants Request**

|               | <b>FY 2020<br/>Actual</b> | <b>FY 2021<br/>Spend Plan</b> | <b>FY 2022<br/>Request</b> | <b>Change</b> |
|---------------|---------------------------|-------------------------------|----------------------------|---------------|
| <b>BUDGET</b> | \$23,756,087              | \$22,467,425                  | \$25,226,282               | +\$2,758,857  |
| <b>FTE</b>    | 72                        | 69                            | 73                         | +4            |

Columns may not add due to rounding

**Organization Description**

The Market Participants Division (MPD) oversees the registration and compliance activities of swap dealers, MSPs, FCMs, IBs, CPOs, CTAs, RFEDs, and other swap and futures market participants. Commission regulations and MPD's oversight program are designed to ensure that these registered market participants are financially sound, protect customer property, and meet standards for fitness and conduct as set forth in the CEA and the Commission's regulations. MPD assesses and monitors swap dealers, FCMs, RFEDs, and IBs for compliance with applicable capital, margin, customer asset segregation, and customer protection requirements; internal and external business conduct standards; and reporting, disclosure, and record keeping obligations. MPD staff develop regulations, orders, and interpretive statements on issues relating to swap dealers, FCMs, and other market participants; review registration applications; review financial and other business data of registrants; design audit modules and conduct 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 market participants; and assess the risk posed by swap dealers, FCMs and other market participants to the derivatives markets. MPD also oversees and examines the National Futures Association (NFA) and other SROs.

MPD also includes the Commission's Office of Consumer Education and Outreach, which was established following the passage of the Dodd-Frank Act to help customers protect themselves from fraud or other violations of the Commodity Exchange Act through research and the development of effective financial education materials and initiatives.

**Justification of CFTC Request****Registration and Compliance**

The CFTC's thousands of registered market participants play a vital role in the Nation's financial system by connecting customers to global derivatives markets. 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 SROs, including CME and 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, overseeing 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 2021 and continuing into FY 2022, the Commission is continuing to focus on improving the regulatory experience for market participants by pursuing a data-driven policy agenda. In FY 2020, the Commission finalized cross-border rules and capital requirements for swap dealers and an extension of the compliance deadline for uncleared margin, and worked with other federal financial regulators on amendments to the Volcker Rule. The CFTC will continue implementing refinements to its rules in a manner consistent with the Commission's mission and values.

The MPD provides legal analysis and regulatory support for registered market participant oversight activities such as:

- Providing draft rulemakings, interpretations, and opinions on questions of statutory and regulatory authority relevant to registrants and legal advice for substantive Commission actions relevant to such persons, including registration and futures association rule submission reviews, regulations, and exemptions;
- Drafting and administering the applicable capital, margin, segregation and financial reporting requirements for FCMs, swap dealers, MSPs, IBs, CPOs, and CTAs, as applicable, 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 FCMs, swap dealers, and MSPs; and
- Working closely with foreign regulators to reduce cross-border regulatory burdens by, for example, implementing agreements that 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.

## Office of the Chief Economist

**Resource Overview****Table 9: Chief Economist Request**

|               | <b>FY 2020<br/>Actual</b> | <b>FY 2021<br/>Spend Plan</b> | <b>FY 2022<br/>Request</b> | <b>Change</b> |
|---------------|---------------------------|-------------------------------|----------------------------|---------------|
| <b>BUDGET</b> | \$5,784,216               | \$6,199,869                   | \$6,772,993                | +\$573,124    |
| <b>FTE</b>    | 18                        | 20                            | 20                         | +0            |

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 CFTC policy-making 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 public about the 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 data imperfections and ambiguities; merging data sets with different structures to study particular markets or market participants holistically; and having sufficient, highly skilled staff to work through these issues. The Commission requires staff who can integrate and analyze disparate data sets comprised of tens of millions of rows of data. These and other highly technical skills are 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 the 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 the 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 continues its program of partnerships with academic experts 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 agency.

The FY 2022 budget request will enable the Commission to make continued progress in fulfilling its mission. With respect to research, this request will allow the CFTC to improve its understanding of how and why market participants use derivatives; study the risk profiles of market participants; assess the efficiency of trading platforms; evaluate how well derivatives products and markets serve end users;

and appraise the extent to which systemic risk might be generated by or might be transmitted through derivatives markets. The OCE will work to inform Commission policies and actions by disseminating its research findings, both within the Commission and to market participants and the public.

The FY 2022 budget request enables the Commission to improve the analytical and empirical foundations of its policy and rules, and 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.

## Legal Division

**Resource Overview****Table 10: Legal Request**

|               | <b>FY 2020<br/>Actual</b> | <b>FY 2021<br/>Spend Plan</b> | <b>FY 2022<br/>Request</b> | <b>Change</b> |
|---------------|---------------------------|-------------------------------|----------------------------|---------------|
| <b>BUDGET</b> | \$14,726,904              | \$22,001,324                  | \$23,972,215               | +\$1,970,891  |
| <b>FTE</b>    | 42                        | 55                            | 55                         | +0            |

Columns may not add due to rounding

**Organization Description**

By statute, the Legal Division (LD) 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; 7) providing advice on legislative, regulatory issues and FinTech innovation; and 8) maintaining compliance with the National Archives and Records Administration (NARA) requirements. The CFTC's Secretariat, Freedom of Information Act (FOIA) office, Records office, Privacy office, and E-Discovery Coordinator are also part of LD.

**Justification of CFTC Request**

The Commission ensures consistency in the interpretation and application of the CEA, 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 CFTC interprets and applies the requirements of a variety of government-wide statutes, including, but not limited to, the Federal Advisory Committee Act, the Federal Information Security Management Act (FISMA), FOIA, and the Administrative Procedure Act. As a Federal entity, the CFTC assures the legal sufficiency of Commission actions concerning personnel laws, procurement laws and regulations, Federal records requirements, and other applicable laws as applied.

To support Federal records management, the Commission is transitioning to electronic processes and systems to manage records, and where not feasible, to transition legacy permanent, paper records to electronic form, and send those records to NARA.

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.

## Office of International Affairs

**Resource Overview****Table 11: International Affairs Request**

|               | <b>FY 2020</b> | <b>FY 2021</b>    | <b>FY 2022</b> |               |
|---------------|----------------|-------------------|----------------|---------------|
|               | <b>Actual</b>  | <b>Spend Plan</b> | <b>Request</b> | <b>Change</b> |
| <b>BUDGET</b> | \$4,835,021    | \$5,422,009       | \$6,446,160    | +\$1,024,151  |
| <b>FTE</b>    | 15             | 14                | 17             | +3            |

Columns may not add due to rounding

**Organization Description**

The Office of International Affairs (OIA) performs a range of important functions that include the following: advocates for CFTC objectives in international policy development through multilateral and bilateral fora; advises the Commission regarding international regulatory initiatives and policies; provides guidance regarding international issues raised in Commission matters; represents the CFTC in international fora, such as IOSCO and FSB; coordinates agency policy as it relates to priorities, policies, and initiatives of key 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 authorities, by providing guidance regarding regulatory and supervisory matters and organizing 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 international policy development to enhance international cooperation and support the adoption, implementation, and enforcement of high-quality derivatives regulation. This request will allow the CFTC to: 1) advance the interests of the CFTC in bilateral and multilateral discussions with foreign counterparts and in international standard-setting and coordination fora; 2) facilitate information-sharing, cooperation and cross-border assistance; and 3) ensure international initiatives 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, recognition, and comparability determinations regarding central clearinghouses, trading platforms, and intermediary firms. Furthermore, the exit of the United Kingdom (UK) from the EU requires the Commission to increase engagement with UK and EU counterparts and stakeholders in concluding and implementing agreements and regulatory arrangements to respond to changing regulatory requirements that can affect U.S. markets and existing agreements and regulatory arrangements with the Commission.

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

The CFTC anticipates continuing engagement with the FSB and its working groups and committees that affect U.S. derivatives markets. The CFTC will continue its long-standing active engagement as a member of the Board of the IOSCO and assume or seek out leadership roles within important policy

committees, task forces, working groups, and networks that develop standards and policy guidance for the U.S. derivatives markets. The Commission intends to chair an IOSCO committee to coordinate IOSCO work on financial stability matters and engagement with the FSB. In addition, the Commission will continue to participate in official sector regulatory dialogues with the EU, the UK, and India. Given developments with other jurisdictions relating to international trade, the Commission also expects to engage in official sector regulatory dialogues with Canada, China, Japan, and Mexico.

The Commission continues to work to establish additional supervisory cooperation, and information-sharing arrangements with counterparts worldwide. The Commission also anticipates arrangements to encourage cross-border cooperation on FinTech and digital asset developments.

The Commission expects enhanced engagement with foreign stakeholders as a result of additional requests for technical assistance from regulatory and supervisory entities. Commission staff satisfies such requests by organizing and executing jurisdiction-specific training programs and multilateral symposia.

## Division of Data

**Resource Overview****Table 12: Data Request**

|               | <b>FY 2020<br/>Actual</b> | <b>FY 2021<br/>Spend Plan</b> | <b>FY 2022<br/>Request</b> | <b>Change</b> |
|---------------|---------------------------|-------------------------------|----------------------------|---------------|
| <b>BUDGET</b> | \$0                       | \$29,718,852                  | \$34,364,954               | +\$4,646,101  |
| <b>FTE</b>    | 0                         | 44                            | 49                         | +5            |

Columns may not add due to rounding

**Organization Description**

The Division of Data (DOD) was formed in October 2020 as part of an agency reorganization, incorporating data reporting and analysis functions previously housed in the Division of Market Oversight and the former Office of Data and Technology (ODT). The DOD provides the specialized technical, legal, and related services necessary for the Commission to acquire, analyze, and exploit mission critical market and industry data. As the Commission's designated authority on data issues, DOD provides CFTC regulatory and enforcement staff with the data and analytical capabilities needed to perform mission work, develops/oversees data sharing and protection agreements with external entities, and enables policy makers to make data-driven decisions for best overseeing the U.S. derivative markets. In accordance with this mission, the responsibilities of DOD include developing rules for data reporting, establishing the Commission's data strategy and data governance approach, and building/maintaining the agency's core data infrastructure. DOD evaluates registration applications and conducts oversight of SDRs in order to procure swaps data to inform Commission activities and facilitate market transparency for the public. DOD also collaborates with CFTC's policymaking divisions to improve data quality, expand data availability and provide effective and efficient analytics designed to meet both current and emerging mission needs.

**Justification of CFTC Request****Data Acquisition**

The Commission will continue to leverage cloud and other new technology to enhance and transform its ability to collect, analyze and draw informed conclusions from market/industry data to conduct effective enforcement actions, oversee rapidly evolving markets and formulate sound regulatory policy. Some key examples of these efforts are provided below:

**Futures and Options Order Book Data** In FY 2018, the CFTC began implementation of the Order Book on Demand initiative, which uses cloud technology to retrieve, store, and analyze the CME's order book data that, once fully implemented, will realize the following benefits:

- enhance analytical capabilities, through advanced, cloud-based tools, to more rapidly detect, identify market risks, trends, etc. and better target suspicious activity and behavior;
- reduce administrative burden on both the CME and CFTC;
- achieve greater investigative and regulatory oversight 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
- strengthen agency data governance capabilities



The Commission plans to incorporate ICE order book data to further strengthen the agency's vision and situational awareness within the market/trading space. Ultimately, these data initiatives will result in over 1 PB of data becoming available to CFTC regulatory and enforcement staff for analysis.

***Data Tools/Analysis*** As technology continues to reshape the 21<sup>st</sup> century markets, CFTC staff will require additional tools/capabilities to help make the large and complex data the Commission now receives more actionable and to improve the agency's ability to detect, assess and respond to market trends, threats, vulnerabilities, and other issues. As such, the FY 2022 request includes additional funds to acquire, develop and support more advanced data visualization tools to expand CFTC's ability to keep pace with mission requirements and provide users with the means to more optimally perform important regulatory and enforcement work. Visualization tools not only provide the capacity to review/assess large amounts of data – they allow individual CFTC divisions or users to create their own dashboards, metrics, and graphs tailored to their specific mission needs. This technology can also be used to disseminate data presented broadly across large groups of users and dynamically in ways that can speed a response to events or to reflect changing conditions.

### **Enhancing Commission Rules**

DOD will pursue the implementation of the Commission's improved suite of harmonized and streamlined swap data reporting rules by partnering with a wide range of registrants and other external stakeholders. This work will include assisting SDRs and reporting parties (such as Swap Dealers, Swap Execution Facilities, Derivatives Clearing Organizations, and end users) in updating their infrastructure, systems, and rule books in a compliant manner in time for the established compliance date.

DOD also plans to review the CFTC's regulations concerning data and reporting to determine where improvements can be made to drive efficiencies, support more robust, timely and efficient to drive informed decision making, and, where feasible, to reduce reporting impacts on registrants and/or market participants. This review would examine where current technology can be better applied to improve data quality and reporting and to further explore how new technology, such as FinTech applications like blockchain or machine learning, could be leveraged in the future.

### **Global Harmonization of Data Standards**

DOD will continue efforts to implement globally accepted identifiers, such as but not limited to, Legal Entity Identifiers, Unique Trade Identifiers, Unique Product Identifiers, and other Critical Data Elements, in order to facilitate more efficient multilateral collection, analysis, reporting and understanding of participants and products in derivatives markets. DOD will also participate in governance efforts overseeing the creation and dissemination of these identifiers by leading and/or participating in multilateral working groups and cooperating with both domestics and international regulators.

### **Data Management and Compliance**

DOD will create an enterprise-wide data inventory of the information collected by the CFTC, identify use-cases, access procedures, data protection, and privacy considerations, establish data ownership, create systematic data quality validations, and facilitate appropriate sharing throughout the organization.

In addition, DOD will apply the requirements of the Foundations for Evidence Based Policymaking Act and create policies and procedures for the agency to adopt the associated requirements.

## Division of Administration

**Resource Overview****Table 13: Administration Request**

|               | <b>FY 2020</b> | <b>FY 2021</b>    | <b>FY 2022</b> |               |
|---------------|----------------|-------------------|----------------|---------------|
|               | <b>Actual</b>  | <b>Spend Plan</b> | <b>Request</b> | <b>Change</b> |
| <b>BUDGET</b> | \$0            | \$85,654,169      | \$91,198,329   | +\$5,544,160  |
| <b>FTE</b>    | 0              | 133               | 134            | +1            |

Columns may not add due to rounding

**Organization Description**

The Commission's Division of Administration (DA) directs the agency's core internal management and operational support functions such as: overseeing the effective/efficient allocation and management of CFTC resources; planning, developing, and implementing management and administrative policies; continuing the development, operations and management of CFTC's IT infrastructure; ensuring the protection of CFTC systems and data from cyber-attack and related threats; providing dedicated technology support critical enforcement and agency support programs; and ensuring agency compliance with Federal laws, regulations, and directives impacting the Commission's administrative and core technology operations and programs. Specifically, the DA organization structure and mission purview includes the following: Business Operations (logistics/procurement/travel/business management); Financial Management; Human Resources; IT and Physical Security; Information Technology Infrastructure and Program Support; and other important programs essential to supporting the agency's mission.

**Justification of CFTC Request****Management and Administration Programs**

The FY 2022 budget request will fund the continuation of all essential management and operational support programs required to support the full range of CFTC mission activities and compliance with Federal administrative mandates. This budget request also includes resources to continue the Commission's progress to develop and strengthen an enterprise risk management (ERM) framework, as required by OMB Circular A-123. ERM programs serve a critical purpose by providing agencies with a dedicated capability to identify, assess and prepare for threats (both physical and figurative) that could hinder operations, the achievement of agency goals, or increase costs of operations. The Commission first established its ERM function in FY 2020, and in FY 2021, agency progress continued with the hiring of the CFTC's first Risk Management Officer. ERM program development and implementation efforts will continue in FY 2022.

**IT Security and Compliance**

These resources are devoted to the agency's cyber security program and business continuity IT capabilities. Key security objectives include:

- Protect all data and technology within the Commission with continuous assurance of confidentiality, integrity and availability;
- Strengthen staff vigilance across the agency by ensuring that authorized users understand, accept, and follow security and privacy responsibilities using a cloud-based approach that incorporates recurring security training, compliance testing and reporting;
- 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 Office of Management and Budget (OMB) and National Institute of Standards and Technology (NIST) mandates.

The FY 2022 request maintains the Commission's core IT security and compliance capabilities and provides additional resources to build a required CFTC Insider Threat Program to provide increased surveillance of high-risk users, systems, and data, and fully implement data leak prevention measures. Implementing an Insider Threat Program will improve the protection of CFTC-specific data beyond FOUO and PII while simultaneously enhancing focus on high value data (as defined by Section 8 of the CEA or as designated), user behavior analytics technology, and a framework that combines activities between personnel security & cybersecurity.<sup>12</sup>

### **IT Management, Infrastructure and Operations**

This investment area provides the critical technology and services necessary to operate and sustain CFTC's core IT infrastructure, provide end user and enterprise-wide platform services, and perform critical IT management and planning functions. A breakdown description of these activities is provided below.

*End User Services* - 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. Core components include end user software and personal IT equipment (e.g., workstations, network printers, employer-issued mobile devices, etc.); IT help desk services; fixed and mobile communications, and conference and audio-visual technology used to connect the Commission to its regional offices.

*Infrastructure Services* - 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 these capabilities using a combination of specialized, on premises equipment and, moving forward, an increasing level of off premises cloud-based services to sustain and enhance infrastructure capabilities and performance to best meet CFTC's mission.

*Enterprise-wide Services* – includes: 1) major platforms used across the agency in support of a variety of both operational and support missions (such as agency level organizational file management, cloud-based services platforms, etc.).

The FY 2022 request includes new resources for strengthening and centralizing the Commission's configuration management (CM), a foundational component of all IT programs. CM is important because it allows IT professionals to build/maintain robust and stable systems, servers, and software in a desired and consistent rate and to better manage system performance and assess the associated risks of implementing new software or software updates prior to final implementation. Centralizing control of the CFTC CM function (and the production environment used to test and evaluate software prior to final rollout) will improve agency controls and risk management capabilities over this critical phase of software deployment. The improved coordination and focused oversight that will be achieved through this initiative will benefit all IT programs (e.g., IT security, data management/analytics, etc.), enhance IT management/quality assurance capabilities and promote greater system reliability and resiliency.

### **IT Program Support**

DA provides IT program support to the following CFTC programs/activities:

<sup>12</sup> Section 8 (a) of the Commodity Exchange Act, 7 USC Section 12(a), prohibits the release of data or information which would disclose business transactions or market positions of any person and trade secrets or names of customers, and any data or information concerning or obtained in connection with any pending investigation of any person.

*Enforcement Support* leverages technology resources to perform and support a wide variety of mission critical enforcement and investigative support functions. Specifically, IT service contracts and business applications are used to: 1) support enforcement case management and development; 2) send, receive, manage and control case documents, evidence and data and, 3) serve as tools and platforms for developing new analytical capabilities and improving timeliness and efficiency. In addition, this portfolio investment includes the Commission's computer forensics program, which uses specialized tools and software to access, analyze, and evaluate data and evidence from a wide range of sources in direct support of agency enforcement actions.

*Internal Agency Services* covers the IT systems, services and applications to deliver mission critical tools and capabilities, many of which are provided by federal shared service providers, and operate as an independent agency. Examples include CFTC's financial and procurement systems, payroll and automated human resource services, logistics, physical security and asset management systems, and secretariat/records management support.

## CFTC Facility Relocation and Replication Request

**Resource Overview****Table 14: CFTC Facility Relocation and Replication Request**

|               | <b>FY 2020<br/>Actual<br/>(\$000)</b> | <b>FY 2021<br/>Spend Plan<br/>(\$000)</b> | <b>FY 2022<br/>Request<br/>(\$000)</b> | <b>Change<br/>(\$000)</b> |
|---------------|---------------------------------------|---|--|---------------------------|
| <b>BUDGET</b> | \$31,000                              | \$0                                       | \$62,000                               | \$62,000                  |
| <b>Total</b>  | \$31,000                              | \$0                                       | \$62,000                               | \$62,000                  |

**Justification of CFTC Request**

The Commission requests \$62.0 million as a separate no-year appropriation for resources required to relocate and replicate the current headquarters facility in Washington, D.C. The CFTC has agreements in place 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 a more cost-effective GSA controlled space. Acquiring facility space through GSA is expected to provide some financial relief and certainty to the Commission for the long term occupancy agreement period. The Commission will require funding for GSA to commence alterations and replication of the facility to the newly assigned space in FY 2022. The table below provides an overview and estimates for this request.

**Table 15: CFTC Facility Relocation and Replication Request - D.C.**

| <b>CFTC Facility Relocation and Replacement Estimates</b> |                             |                                  |                           |  |                            |
|---|-----------------------------|----------------------------------|---------------------------|--|----------------------------|
| <b>New GSA Facility Location</b>                          | <b>Lease<br/>Expiration</b> | <b>Est New<br/>Rentable Sqft</b> | <b>FY 2020<br/>Actual</b> | <b>FY 2021<br/>Budget<br/>Estimate</b> | <b>FY 2022<br/>Request</b> |
| <b>Washington, DC - Federal Facility</b>                  | <b>Sept, 2025</b>           | <b>144,000</b>                   | <i>\$ in thousands</i>    |  |                            |
| Construction/Alterations                                  |                             |                                  |                           |  | \$31,920                   |
| Replacement/Relocation                                    |                             |                                  |                           |  | \$30,080                   |
| <b>Total</b>  |                             |                                  |                           |  | <b>\$62,000</b>            |

In accordance with the GSA PBS National Policy Document and appropriation laws covering non-severable services requiring full upfront funding, the 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. This request includes items payable to GSA and other sources for alteration/construction, relocation and replication of the existing facilities to the new location such as IT infrastructure and telecommunications equipment, furniture, logistics support, and personal property. These resources are necessary to provide a complete, habitable, and operational space when the Commission assumes occupancy of the facility.

In FY 2025, the Commission will incur duplicate lease costs for its headquarters location as GSA completes the alterations of the new spaces and the Commission begins to transition to the new facility. These costs will be included in CFTC's annual Salaries and Expenses request under the Division of Administration. Annualized lease costs for all CFTC locations are included in CFTC's Salaries and Expense account under the Division of Administration request, and details of specific leasing cost estimates can be found in Appendix 2. The facility transition period to the new headquarters location

may take up to six months to ensure construction is complete, and that furniture, telecommunication, and computer equipment are installed and operational prior to occupancy. Funding requested under the Division of Administration 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 meet the 180 usable square footage requirements in locations with expiring leases. The Commission expects to achieve a 37 percent footprint reduction (51,149 rental square feet) of its regional office space with the conversion to GSA managed space. Footprint reduction efforts will continue as Commission and GSA begin review for the replacement of the Washington D.C. location.

## Office of the Chairman and Commissioners

**Resource Overview****Table 16: Chairman and Commissioners Request**

|               | <b>FY 2020<br/>Actual</b> | <b>FY 2021<br/>Spend Plan</b> | <b>FY 2022<br/>Request</b> | <b>Change</b> |
|---------------|---------------------------|-------------------------------|----------------------------|---------------|
| <b>BUDGET</b> | \$15,037,546              | \$14,310,604                  | \$15,328,572               | +\$1,017,968  |
| <b>FTE</b>    | 42                        | 38                            | 40                         | +2            |

Columns may not add due to rounding

**Organization Description**

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

**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:

**Rostin Behnam, Acting Chairman**

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. On January 21, 2021, Mr. Behnam was selected by his fellow Commissioner's to be the Acting Chairman of the Commodity Futures Trading Commission. His term expires in June 2021.

**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 a term expiring in April 2020.

**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.

**Dan M. Berkovitz, Commissioner**

Dan M. Berkovitz was nominated by President Trump as a Commissioner of the CFTC on April 24, 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 2022 budget request supports 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 Public Affairs, Legislative and Intergovernmental Affairs, Minority and Women Inclusion and

LabCFTC. This budget request assumes a full complement of Commissioners in FY 2022 and expects the Administration will nominate a replacement for any position that expires. The request also includes professional and administrative staff to support the four Commissioners and to assist each member 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 and for the Commission's Advisory Committees.



## Office of the Inspector General

### **Organization Description**

The Office of the Inspector General (OIG) is an independent organizational unit 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 2022 budget request as described below includes the OIG request of \$3,473,727 for estimated direct salary and benefit costs of 10 FTE, along with travel, training, and contracted audits (including the annual financial statement audit), including an estimated contribution of \$12,461 to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The request also includes overhead of approximately \$543,720. 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 the 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 17: Inspector General's Budget Request**

| Budget Year | Total Budget | OIG Requested Budget | Estimated Overhead | Training Budget Estimate | CIGIE    | FTE  |
|-------------|--------------|----------------------|--------------------|--------------------------|----------|------|
| FY 2022     | \$4,017,447  | \$3,473,727          | \$543,720          | \$27,000                 | \$12,461 | 10.5 |

**Inspector General's FY 2022 Budget Request**



**U.S. COMMODITY FUTURES TRADING COMMISSION  
OFFICE OF INSPECTOR GENERAL**

Three Lafayette Centre  
1155 21st Street, NW, Washington, DC 20581  
Telephone: (202) 418-5110  
Facsimile: (202) 418-5522

May 17, 2021

TO: Acting Chairman Rostin Behnam  
Commissioner Brian D. Quintenz  
Commissioner Dawn Stump  
Commissioner Dan Berkovitz

FROM: A. Roy Lavik *ARL/R*  
Inspector General

SUBJECT: FY 2022 Office of Inspector General (OIG) Budget

In accordance with the Inspector General Act of 1978, as amended (IG Act), I am requesting the Fiscal Year (FY) 2022 budget to operate my office. Through audits, investigations, reviews, inspections, and other projects, OIG assists in improving the economy, efficiency, and effectiveness of operations, as well as in detecting and preventing fraud, waste, and mismanagement. For FY 2022 I am requesting \$3,473,727, an increase of 14.8% over our FY 2021 operating budget request (\$3,025,708) by 14.80%. The increase will permit OIG to grow from nine to 10 full-time equivalents (FTEs). \$27,000 is budgeted for training purposes and will satisfy all training requirements. \$12,461 is budgeted for our required contribution to the Council of the Inspectors General on Integrity and Efficiency. Finally, anticipated or routine cost adjustments for salaries/benefits, contracts, and services are covered.

Our budget request includes funds generally under the control of and to be spent directly by the OIG, and does not include funds for Agency-wide overhead. CFTC will calculate and add overhead at a later date based on the number of FTEs we are requesting today. This presentation reserves to the Agency maximum flexibility to manage Agency-wide overhead, while ensuring compliance with the Inspector General Act. We respectfully request that appropriations language or commentary limits overhead to the amount set by Congress, and increases our budget request of \$3,473,727 by the overhead amount (and is not subtracted from it).

Attachment

**Attachment for CFTC Inspector General's Budget Request**

| <b>Direct Costs (\$)</b>                       | <b>OIG Request</b>  |
|--|---------------------|
| Salaries and Benefits                          | 3,018,426           |
| Travel   | 60,000              |
| Training                                       | 27,000              |
| Contract Audits                                | 215,840             |
| Contract Services                              | 140,000             |
| <b>Subtotal Direct Costs</b>                   | <b>\$ 3,461,266</b> |
| CIGIE Contribution (estimate of .26% of total) | \$12,461            |
| <b>Total Direct OIG Costs</b>                  | <b>\$ 3,473,727</b> |
| FTE  | 10                  |
| Positions                                      | 10.5                |

## APPENDIX 1

### Organizational Divisions and Offices

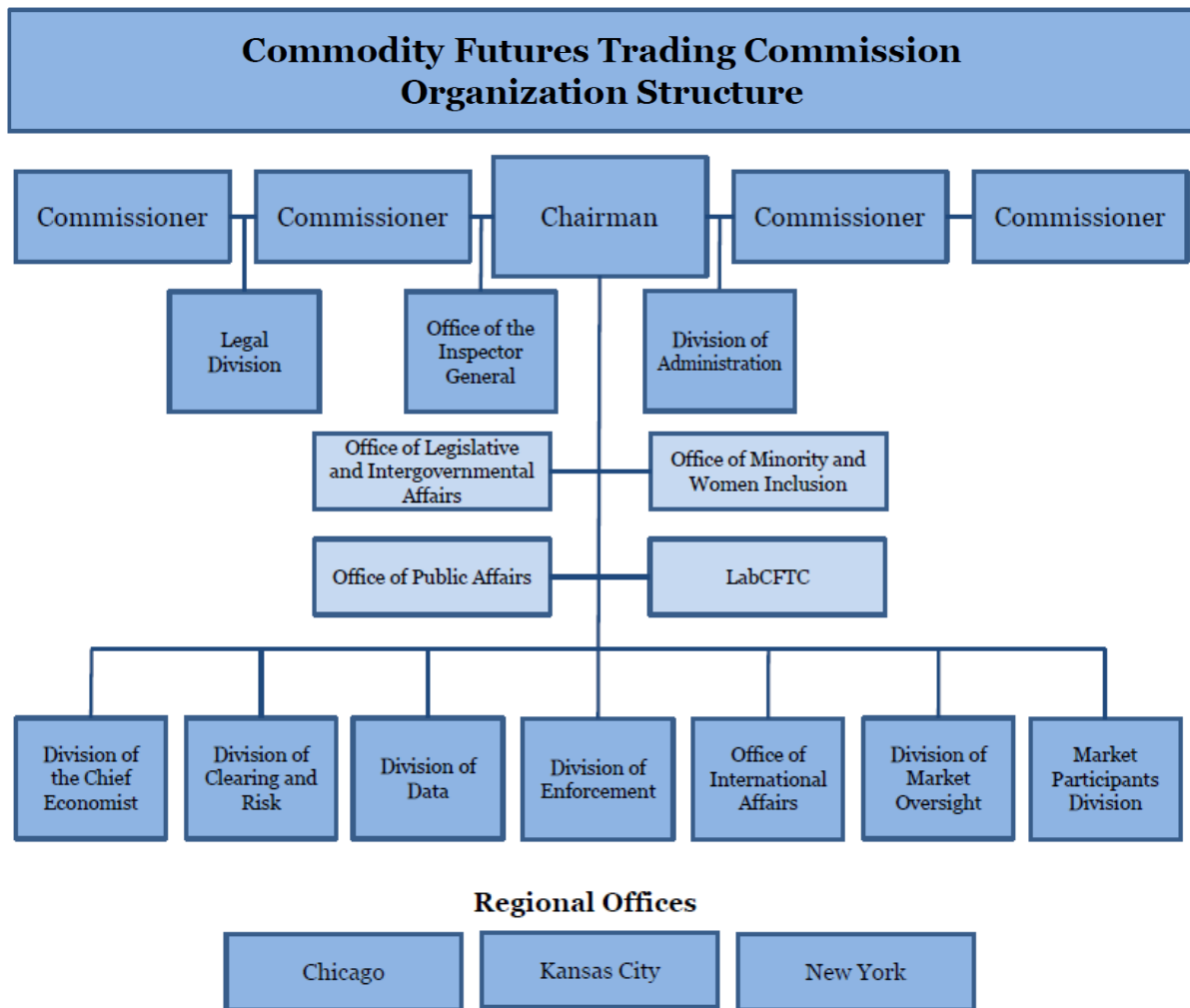
The Office of the Chairman oversees the Commission's principal divisions and offices that administer and enforce the CEA and the regulations, policies, and guidance thereunder. The four programmatic divisions—the Division of Clearing and Risk, Division of Enforcement, Division of Market Oversight, and the Market Participants Division—are supported by a number of offices and divisions, including the Office of the Chief Economist, Division of Data, Division of Administration, Legal Division, and the Office of International Affairs. The Office of the Inspector General is an independent office of the Commission. The CFTC's headquarters is located in Washington D.C., and the regional offices are located in Chicago, Kansas City, and New York.

The CFTC implemented a reorganization of critical agency functions in November 2020 to meet the challenges of an ever-changing and complex marketplace. The reorganization allows the Commission to improve in the areas of data management and protection, both internally and externally, and create efficiencies around certain oversight functions of regulated entities. The organizational changes position the CFTC well for the future.

The following key functions were realigned within the agency:

- A new Division of Data (DOD) was formed from the data-centric components in the Division of Market Oversight (DMO) and the Office of Data and Technology (ODT)
- Enhanced structural and operational efficiency by adding the operational functions from ODT into the Office of the Executive Director (OED), renamed and realigned as the Division of Administration
- Reassigned the Executive Secretariat Branch from OED to the Office of General Counsel (OGC) and renamed OGC the Legal Division (LD)
- Renamed and realigned the Division of Swap Dealer and Intermediary Oversight (DSIO) and the Office of Customer Education and Outreach (OCEO) to Market Participants Division (MPD)
- Realigned the Division of Clearing and Risk (DCR) and DSIO to provide a clearing examinations presence in the New York Regional Office
- Realigned the web services and audio-visual studio in ODT under the Office of Public Affairs (OPA)

Figure 1: Organization Structure



## APPENDIX 2

### CFTC Facility Leasing

CFTC maintains a facility lease portfolio that includes four locations: the Washington D.C. 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 <sup>13</sup> by Location

**Table 18: Leasing Expirations and Estimated Leasing Costs by Location**

|                | Lease<br>Expiration | FY 2020<br>Actual<br>(\$000) | FY 2021<br>Estimate<br>(\$000) | FY 2022<br>Estimate<br>(\$000) |
|----------------|---------------------|------------------------------|--------------------------------|--------------------------------|
| Washington, DC | FY 2025             | \$17,606                     | \$19,833                       | \$20,440                       |
| Chicago        | FY 2022             | 2,596                        | 2,695                          | 3,275                          |
| New York       | FY 2022             | 2,463                        | 2,779                          | 2,428                          |
| Kansas City    | FY 2021             | 423                          | 481                            | 293                            |
| COOP Site      |                     | 113                          | 170                            | 170                            |
| <b>Total</b>   |                     | <b>\$23,201</b>              | <b>\$25,958</b>                | <b>\$26,606</b>                |

Columns may not add due to rounding

<sup>13</sup> The actual and estimate columns of the leasing portfolio exclude the overhead distribution that is reflected in other charts in this budget presentation.

## APPENDIX 3

### Administration's Proposal on User Fees

**Table 19: FY 2022 Budgetary Resources and Offsetting Collections**

|                                       | FY 2022<br>Request<br>\$ (000) |
|---------------------------------------|--------------------------------|
| Salaries and Expenses                 | \$327,983                      |
| Office of the Inspector General       | \$4,017                        |
| <b>Total Annual Appropriation</b>     | <b>\$332,000</b>               |
| Facilities Replacement and Relocation | \$62,000                       |
| <b>Grand Total Request</b>            | <b>\$394,000</b>               |
| Offsetting Collections                | (\$116,000)                    |
| <b>Net Appropriation</b>              | <b>\$278,000</b>               |

### Proposal and Impact

This budget reflects the Administration's intention to propose authorizing legislation to collect user fees of \$116 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 2022 would be offset by the collections, resulting in a net FY 2022 appropriation from the general fund of approximately \$278 million. CFTC fees would be designed in a way that supports market access, liquidity, and the efficiency of the Nation's derivatives markets. The Commission oversees the most complex markets of any U.S. regulator, and supports whatever funding mechanism Congress deems appropriate that secures the CFTC the resources it needs.

### 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 may be appropriate for those participants to at least partially offset or contribute toward the cost of providing those programs. The Administration has historically proposed a user fee for the CFTC.

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

## APPENDIX 4

## Statement of Availability on Basis of Obligations

Table 20: FY 2020 to 2022 Statement of Availability on Basis of Obligations

|  | <b>FY 2020<br/>Actual<br/>\$ (000)</b> | <b>FY 2021<br/>Estimate<sup>14</sup><br/>\$ (000)</b> | <b>FY 2022<br/>Estimate<br/>\$ (000)</b> |
|--|--|---|--|
| <b>New Appropriations</b>  | \$315,000                              | \$304,000   | \$394,000                                |
| <b>Carryover from Prior Year</b>   | 239                                    | 23,733  | 12,600                                   |
| <b>Recoveries of Prior Year Obligations</b>  | 1,423                                  | 3,551   | 3,551                                    |
| <b>Total Available</b>   | 316,662                                | 331,284   | 410,151                                  |
| <b>Obligations</b>   | 268,597                                | 294,518   | 387,497                                  |
| <b>Lease-Related Amount Transferred to No-Year Account (amount reduces negative lease obligation)<sup>15</sup></b> | 23,088                                 | 23,566  | 22,054                                   |
| <b>Balance Available</b>   | 24,977                                 | 13,200  | 600                                      |
| <b>Lapsing Appropriations</b>  | (1,244)                                | (600)   |  |
| <b>Total Available or Estimate</b>   | <b>\$23,733</b>                        | <b>\$12,600</b>                                       |  |

Columns may not add due to rounding

<sup>14</sup> FY 2021 amounts provided in the Further Consolidated Appropriations Act, 2021, Public Law 116-260, Division E.<sup>15</sup> 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.



## APPENDIX 5

### Information Technology Resources

The tables below represent the budget request for IT by budget program and IT Portfolio Cost Type. IT expenses are funded from the Commission's primary PPA, Salaries and Expenses (S&E) and an Indirect Overhead allocation, which is a proportional share of estimated agency-wide operating costs such as the lease of space, utilities, supplies, equipment and other services used by or available to all CFTC organizations. CFTC allocates indirect overhead to all divisions and offices in this budget presentation based on a per FTE distribution.

**Table 21: Summary of IT Budget by Program and Cost Type**

| IT Budget by Program      | FY 2020 Actual<br>(\$000) | FY 2021 Estimate<br>(\$000) | FY 2022<br>(\$000)  |
|---------------------------|---------------------------|-----------------------------|---------------------|
| Personnel                 | \$20,531,790              | \$22,045,239                | \$23,858,809        |
| Operating                 | 58,072,587                | 62,944,122                  | 63,758,121          |
| Indirect Overhead         | 4,542,793                 | 4,571,977                   | 4,567,042           |
| <b>Total IT Portfolio</b> | <b>\$83,147,170</b>       | <b>\$89,561,337</b>         | <b>\$92,183,972</b> |

| IT Budget by Program                              | FY 2020 Actual<br>(\$000) | FY 2021 Estimate<br>(\$000) | FY 2022<br>(\$000)  |
|---|---------------------------|-----------------------------|---------------------|
| Development, Modernization, and Enhancement (DME) | \$9,829,538               | \$15,089,383                | \$12,761,170        |
| Operations and Maintenance (O&M)                  | 48,243,049                | 47,854,739                  | 50,996,951          |
| S&E (Non-DME/O&M)                                 | 20,531,790                | 22,045,239                  | 23,858,809          |
| Indirect Overhead                                 | 4,542,793                 | 4,571,977                   | 4,567,042           |
| <b>Total IT Portfolio</b>                         | <b>\$83,147,170</b>       | <b>\$89,561,337</b>         | <b>\$92,183,972</b> |

Columns may not add due to rounding

#### DEFINITION OF TERMS

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

**O&M:** Costs related to the operations and maintenance of technology, including personnel.

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

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

**Operating:** Costs related to the purchase of hardware, software, and data and technology services.

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

## APPENDIX 6

### The Commission and the Industry It Regulates

The mission of the CFTC is to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation. The CFTC is focused on resolving unfinished business and preparing for the future. The Commission works to support five strategic goals: 1) strengthen the resilience and integrity of our derivatives markets while fostering vibrancy, 2) regulate our derivatives markets to promote the interests of all Americans, 3) encourage innovation and enhance the regulatory experience for market participants at home and abroad, 4) be tough on those who break the law, and 5) focus on our unique mission and improve our operational effectiveness. As a key mechanism for performing its 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 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 requirements for market participants. As the CFTC seeks to strengthen and refine its regulatory framework, the Commission will continue to work closely with the SROs 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 "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 "CFTC/Federal Reserve." For SIDCOs, the CFTC shares regulatory authority with the Federal Reserve. For exempt DCOs, the CFTC shares 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 that 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  | Product   | Surveillance | Examinations | Enforcement | Economic & |
| 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     | CFTC/FBOT | FBOT         | FBOT         | FBOT        | FBOT       |
| Clearing Entities                 |         |               |           |              |              |             |            |
| Derivatives Clearing Organization | DCO     | CFTC          | CFTC      | CFTC         | CFTC         | CFTC        | CFTC       |
| Exempt Derivatives Clearing       | Exempt  | CFTC/DCO      | CFTC/DCO  | CFTC/DCO     | CFTC/DCO     | CFTC/DCO    | CFTC/DCO   |
| Systemically Important            | SIDCO   | CFTC          | CFTC      | CFTC         | CFTC/        | 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                       | SD      | 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                | IB      | NFA           | N/A       | NFA/CFTC     | NFA          | NFA/CFTC    | CFTC       |
| Floor Broker                      | FB      | NFA           | N/A       | CFTC         | N/A          | SRO/CFTC    | CFTC       |
| Floor Trader                      | FT      | NFA           | N/A       | CFTC         | N/A          | SRO/CFTC    | CFTC       |
| Associated Person (Sales)         | AP      | 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 is similarly impacted by these drivers, and as such, their number will fluctuate over time. The numbers as of FY 2020 are provided below.

**Table 23: Number of Regulated Entities/Registrants**

| Entity  | Acronym    | As of FY 2020 |
|---|------------|---------------|
| Trading Entities                                |            |               |
| Designated Contract Market                      | DCM        | 15            |
| Foreign Board of Trade <sup>16</sup>            | FBOT       | 21            |
| Swap Execution Facility                         | SEF        | 19            |
| Clearing Entities                               |            |               |
| Derivatives Clearing Organization <sup>17</sup> | DCO        | 15            |
| Exempt Derivatives Clearing Organization        | Exempt DCO | 4             |
| Systemically Important DCO                      | SIDCO      | 2             |
| Data Repositories                               |            |               |
| Swap Data Repository <sup>18</sup>              | SDR        | 3             |
| Registrants—Intermediaries <sup>19</sup>        |            |               |
| Futures Commission Merchant <sup>20</sup>       | FCM        | 61            |
| Major Swap Participant                          | MSP        | 0             |
| Retail Foreign Exchange Dealer                  | RFED       | 4             |
| Swap Dealer                                     | SD         | 109           |
| Registrants—Managed Funds                       |            |               |
| Commodity Pool Operator                         | CPO        | 1,308         |
| Commodity Trading Advisor                       | CTA        | 1,834         |
| Other Registrants                               |            |               |
| Associated Person                               | AP         | 45,591        |
| Introducing Broker                              | IB         | 1,093         |
| Floor Broker                                    | FB         | 2,651         |
| Floor Trader                                    | FT         | 480           |

<sup>16</sup> 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.

<sup>17</sup> The number of DCOs includes the two SIDCOs.

<sup>18</sup> The three SDRs are provisionally registered with the CFTC.

<sup>19</sup> 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.

<sup>20</sup> 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.

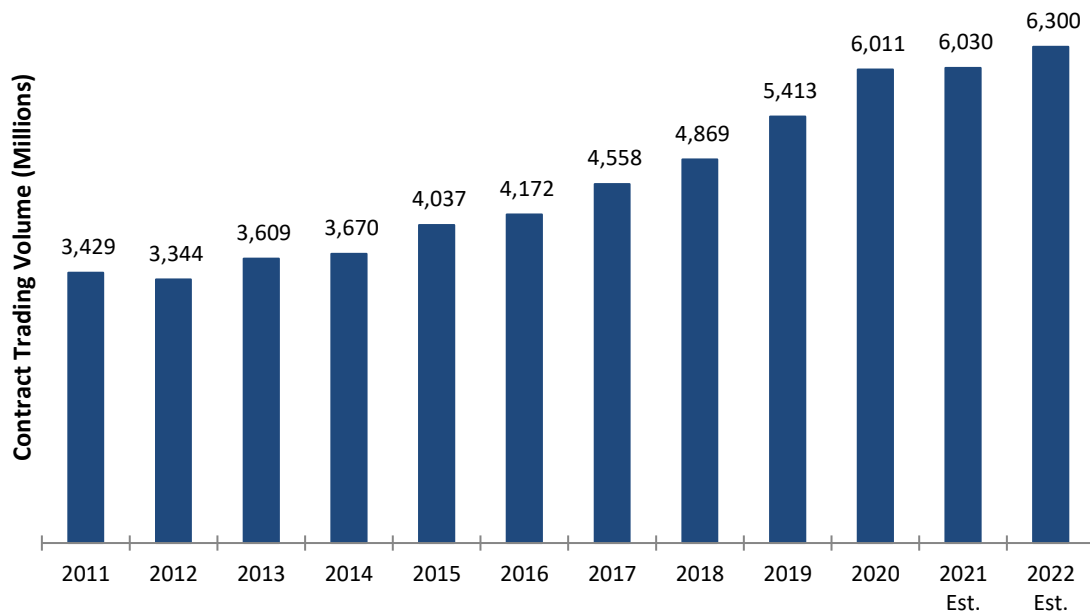
### Data Repositories:

- SDRs provisionally registered with the CFTC.

## Volume of Futures and Option Contracts Traded<sup>21</sup>

Trading volume for CFTC-regulated contracts has 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 Commission must conduct trade practice and market surveillance for a larger number of transactions.

**Figure 2: Growth of Volume of Contracts Traded**

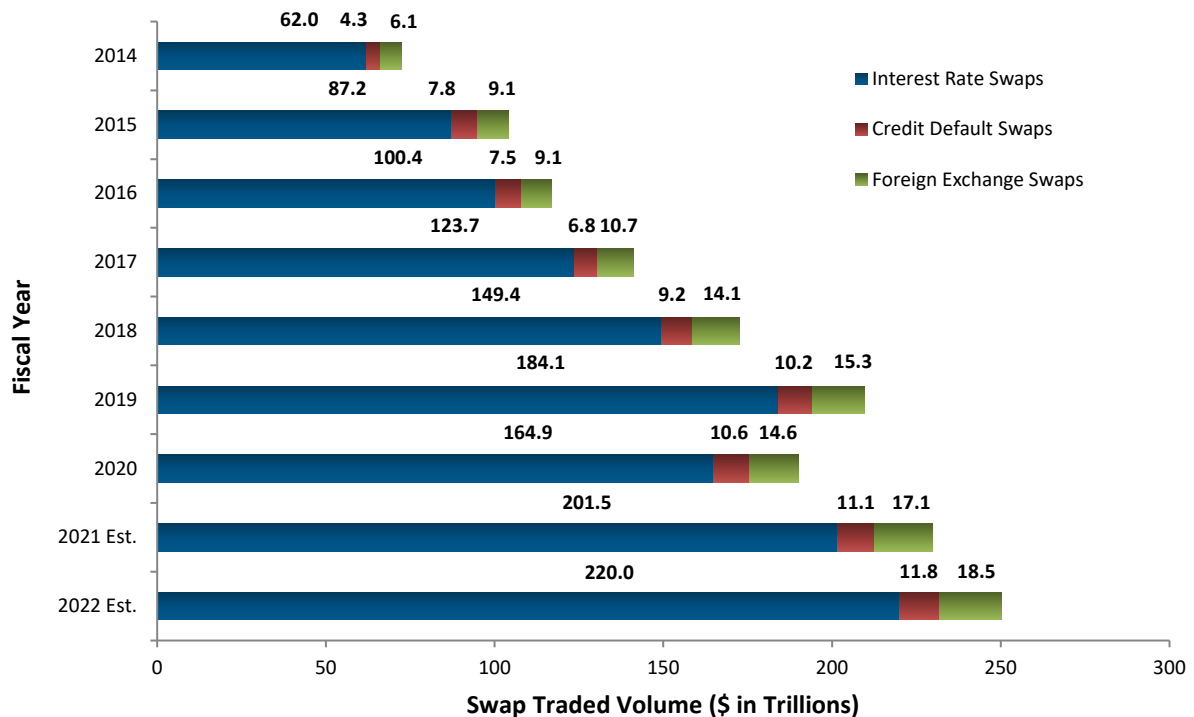


<sup>21</sup> Data Source: Futures Industry Association, CFTC estimates.

## Volume of Swaps Traded on Swap Execution Facilities<sup>22</sup>

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 as well, largely due to growth in the amount of data received and increased trade practice surveillance and market surveillance activities, and the resulting increase in requirements.

**Figure 3: Volume of Swaps Traded on Swap Execution Facilities**



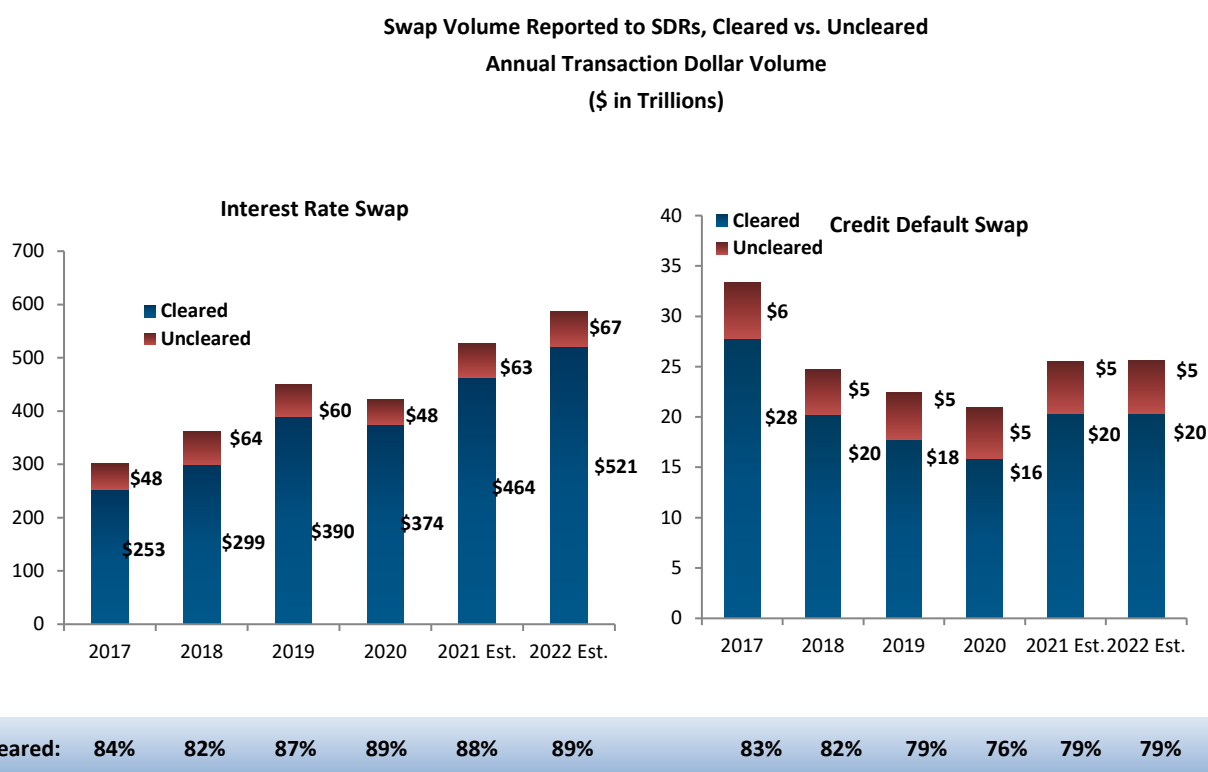
<sup>22</sup> Data Source: Futures Industry Association, CFTC estimates.

## Swap Volume Reported to Swap Data Repositories, Cleared versus Uncleared<sup>23</sup>

Based on data reported to SDRs, as shown in the chart below, 89 percent of total interest rate swap transactions in FY 2020 were cleared. This is compared to estimates by the International Swaps and Derivatives Association that only 16 percent by notional value of outstanding interest rate swaps were cleared in December 2007. With regard to index credit default swaps, 76 percent of transactions were cleared in FY 2020. During 2019, the methodology to calculate the percent cleared was refined. This resulted in a decrease in clearing rate reported for credit default swaps.

Since 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.

**Figure 4: Swaps Volume, Cleared vs. Uncleared**



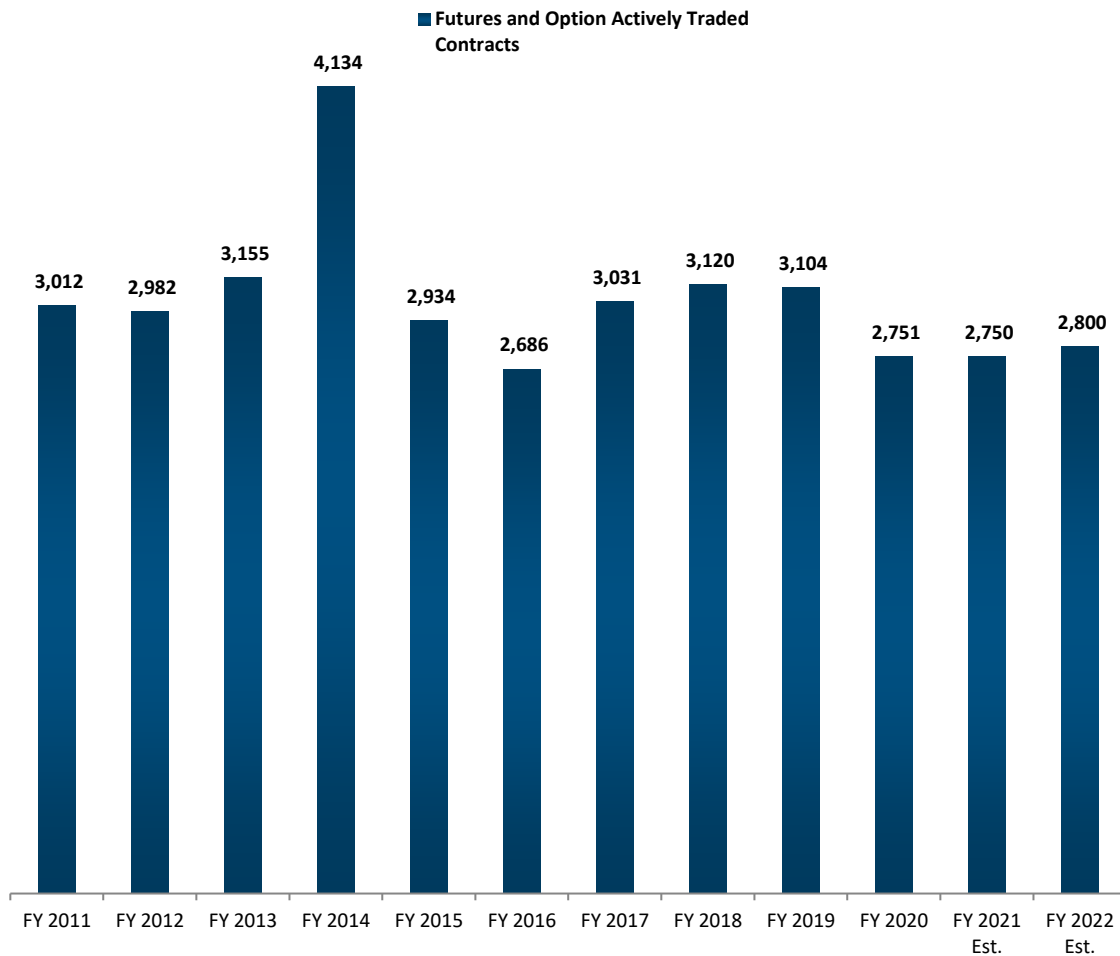
<sup>23</sup> Data Source: CFTC Weekly Swaps Report located at <http://www.cftc.gov/MarketReports/SwapsReports/index.htm>.



## Actively Traded Futures and Option Contracts<sup>24</sup>

The number of actively traded contracts on U.S. exchanges (contracts that trade at least ten contracts on at least one day in the year) has stabilized at very high levels (over 2,500 contracts) over the last decade. A large number of actively traded contracts increases the CFTC workload since the CFTC has to conduct market surveillance for a larger number of products.

**Figure 5: Number of Actively Traded Futures and Option Contracts**



<sup>24</sup> Data Source: CFTC Integrated Surveillance System, CFTC Estimates

## Notional Value of Futures and Swaps Contracts<sup>25</sup>

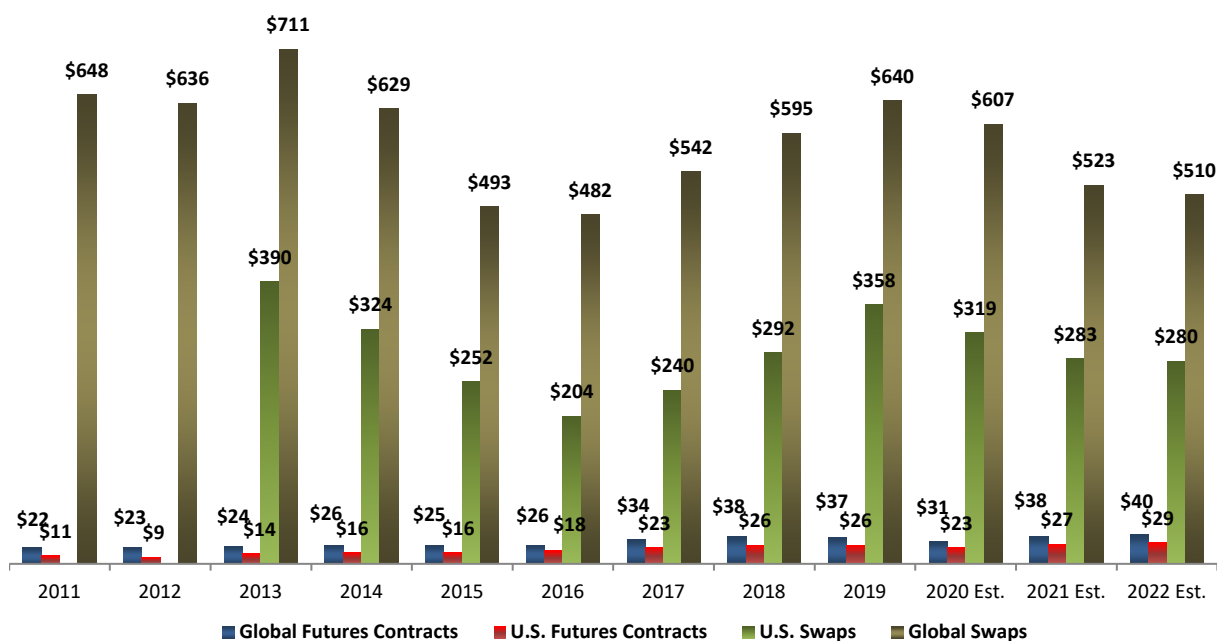
The notional value of the U.S. swaps markets, as reported in the CFTC weekly swaps report, is a significant portion of the global over-the-counter (OTC) market. U.S. swaps market data currently include data from three SDRs and reflects data relating to interest rates and credit default swaps and foreign exchange swaps. The foreign exchange (FX) asset class was added to the CFTC's Weekly Swaps report in 2018. 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 into a more useable form so that it can be used for economic analyses and to conduct market surveillance. In that regard, the CFTC finalized rules in September 2020 intended to improve swap data reporting.

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

(Dollars in Trillions)



<sup>25</sup> Global Swaps reflect notional outstanding for interest rate, foreign exchange, credit, equity and commodity swap contracts globally, as reported by the Bank of International Settlements. U.S. Swaps reflect contracts reported from three SDRs as reported by the CFTC Weekly Swaps Report. Beginning in 2017, U.S. Swaps include notional outstanding for interest rate, foreign exchange, and credit default swaps. Prior to 2017, U.S. swaps include interest rate and credit default swaps only. U.S. Futures Contracts reflect statistics from the Bank of International Settlements. Global Futures Contracts reflect interest rate and foreign exchange contracts globally, as reported by the Bank of International Settlements. 2020 global swaps actuals are based on June 2020 data; all other 2020 data are based on September 2020 data.

## Entity-Netted Notionals

The CFTC has introduced a new metric aimed at measuring the size of swaps markets, the 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 table 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 Table 24.

ENNs metrics for credit default swaps (CDS) on corporate and sovereign credits are expressed in terms of the risk of a 5-year CDS on a corporate or sovereign that trades at a spread of 100 basis points. Long and short CDS positions net if all swaps are on the same name, i.e., the same underlying corporate or sovereign credit, and are between the same two legal counterparties.

For FX ENNs, the rules are as in the case of IRS swaps. Long and short FX swaps net if they are between the same pair of legal counterparties and denominated in the same currency. The only risk adjustment to the notional amounts of FX swaps is to express the notional amount of FX options in delta equivalents.

ENNs methodology for interest rate futures is very similar to that for interest rate swaps. All positions are adjusted to five-year notional equivalents, and then these five-year equivalents are netted within a given counterparty pair. Because all futures trading is cleared, offsetting futures contracts are automatically netted by the CCP, so the difference between gross positions and net positions is often smaller than for swaps.

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 Sector  
as of September, 2020<sup>26</sup>**

**Table 24: IRS Sector – Notional Amounts by Sector**

(Dollars in Trillions)

| Sector                           | Notional Amounts |              |              |              | Notional Amounts in 5-Year Equivalents |             |            |
|----------------------------------|------------------|--------------|--------------|--------------|--|-------------|------------|
|                                  | Long             | Short        | Long         | Short        | ENNs Long                              | ENNs Short  | ENNs Net   |
| Swap Dealer                      | 158.7            | 158.8        | 100.6        | 98.9         | 9.3                                    | 7.6         | 1.7        |
| Hedge Fund                       | 19.5             | 16.8         | 6.3          | 6.2          | 0.9                                    | 0.7         | 0.1        |
| Bank                             | 18.2             | 19.5         | 15.2         | 17.2         | 1.3                                    | 3.2         | -1.9       |
| Other Financial                  | 6.3              | 6.2          | 5.4          | 5.2          | 0.8                                    | 0.6         | 0.2        |
| Asset Manager                    | 2.6              | 2.8          | 1.9          | 2.2          | 0.7                                    | 1.0         | -0.2       |
| Pension                          | 1.6              | 1.2          | 3.0          | 2.1          | 1.2                                    | 0.3         | 0.9        |
| Government /<br>Quasi-Government | 1.6              | 1.7          | 1.4          | 1.7          | 0.4                                    | 0.7         | -0.3       |
| Nonfinancial                     | 0.3              | 1.4          | 0.2          | 1.0          | 0.2                                    | 1.0         | -0.8       |
| Insurance                        | 1.1              | 0.9          | 2.4          | 1.7          | 1.0                                    | 0.3         | 0.7        |
| Unclassified                     | 0.6              | 1.3          | 0.5          | 1.0          | 0.2                                    | 0.7         | -0.5       |
| CCP Adj                          | 0.3              | 0.1          | 0.3          | 0.1          | 0.3                                    | 0.1         | 0.1        |
| <b>Total</b>                     | <b>210.7</b>     | <b>210.7</b> | <b>137.1</b> | <b>137.1</b> | <b>16.1</b>                            | <b>16.1</b> | <b>0.0</b> |

**Interest Rate Futures ENNs by Participant Type  
as of September, 2020<sup>27</sup>**

**Table 25: Interest Rate Futures ENNs by Participant Type**

(Dollars in Trillions)

| Participants Type    | Notional Amounts |              | Notional Amounts in 5-Year Equivalents |             |             |             |
|----------------------|------------------|--------------|--|-------------|-------------|-------------|
|                      | Long             | Short        | Long                                   | Short       | ENNs Long   | ENNs Short  |
| Asset Manager        | 158.7            | 158.8        | 100.6                                  | 98.9        | 9.3         | 7.6         |
| Intermediary         | 19.5             | 16.8         | 6.3                                    | 6.2         | 0.9         | 0.7         |
| Leveraged Speculator | 18.2             | 19.5         | 15.2                                   | 17.2        | 1.3         | 3.2         |
| Other Financial      | 6.3              | 6.2          | 5.4                                    | 5.2         | 0.8         | 0.6         |
| Non-Financial        | 2.6              | 2.8          | 1.9                                    | 2.2         | 0.7         | 1.0         |
| <b>Total</b>         | <b>46.54</b>     | <b>46.57</b> | <b>2.83</b>                            | <b>2.85</b> | <b>1.32</b> | <b>1.33</b> |

<sup>26</sup> Data Source: Swap Data Repositories and Office of the Chief Economist, CFTC.

<sup>27</sup> Data Source: Swap Data Repositories and Office of the Chief Economist, CFTC.

**FX Notional Amounts and ENNs for U.S. reporting Entities by Sector  
as of March, 2020<sup>28</sup>**

**Table 26: FX Notional Amounts and ENNs by Sector**

(Dollars in Trillions)

| Sector                      | Notional     | Delta-Adjusted Notional | Doubled-ENNs | ENNS (%) |
|-----------------------------|--------------|-------------------------|--------------|----------|
| Swap Dealer                 | 83.5         | 76.8                    | 21.6         | 64.5%    |
| Asset Manager               | 6.6          | 6.3                     | 3.1          | 9.3%     |
| Bank                        | 4.8          | 4.6                     | 1.5          | 4.6%     |
| Hedge Fund                  | 8.6          | 7.7                     | 1.7          | 5.1%     |
| Non-Financial               | 2.6          | 2.5                     | 1.7          | 5.0%     |
| Pension                     | 1.6          | 1.5                     | 0.8          | 2.5%     |
| Other Financial             | 1.6          | 1.5                     | 0.7          | 2.1%     |
| Government/Quasi-Government | 1.0          | 1.0                     | 0.6          | 1.7%     |
| Insurance                   | 0.8          | 0.8                     | 0.5          | 1.5%     |
| Unclassified                | 2.3          | 2.2                     | 1.3          | 3.8%     |
| <b>Total</b>                | <b>113.5</b> | <b>104.9</b>            | <b>33.5</b>  |          |
| <b>½ Notionals/ENNs</b>     | <b>56.8</b>  | <b>52.4</b>             | <b>16.8</b>  |          |

**CDS Notional Amounts and ENNs for U.S. Reporting Entities by Sector  
as of December, 2019<sup>29</sup>**

**Table 27: CDS Notional Amounts and ENNs by Sector**

(Dollars in Trillions)

| Sector               | Short      | Long       | Risk Adjusted Short | Risk Adjusted Long | ENNs Short | ENNs Long  |
|----------------------|------------|------------|---------------------|--------------------|------------|------------|
| Swap Dealer          | 4.3        | 4.3        | 2.3                 | 2.3                | 1.0        | 1.0        |
| Bank                 | 0.3        | 0.4        | 0.2                 | 0.2                | 0.1        | 0.1        |
| Other                | 1.1        | 1.2        | 0.8                 | 0.9                | 0.6        | 0.7        |
| <b>Total CCP Adj</b> | <b>5.9</b> | <b>5.9</b> | <b>3.5</b>          | <b>3.5</b>         | <b>1.9</b> | <b>1.9</b> |

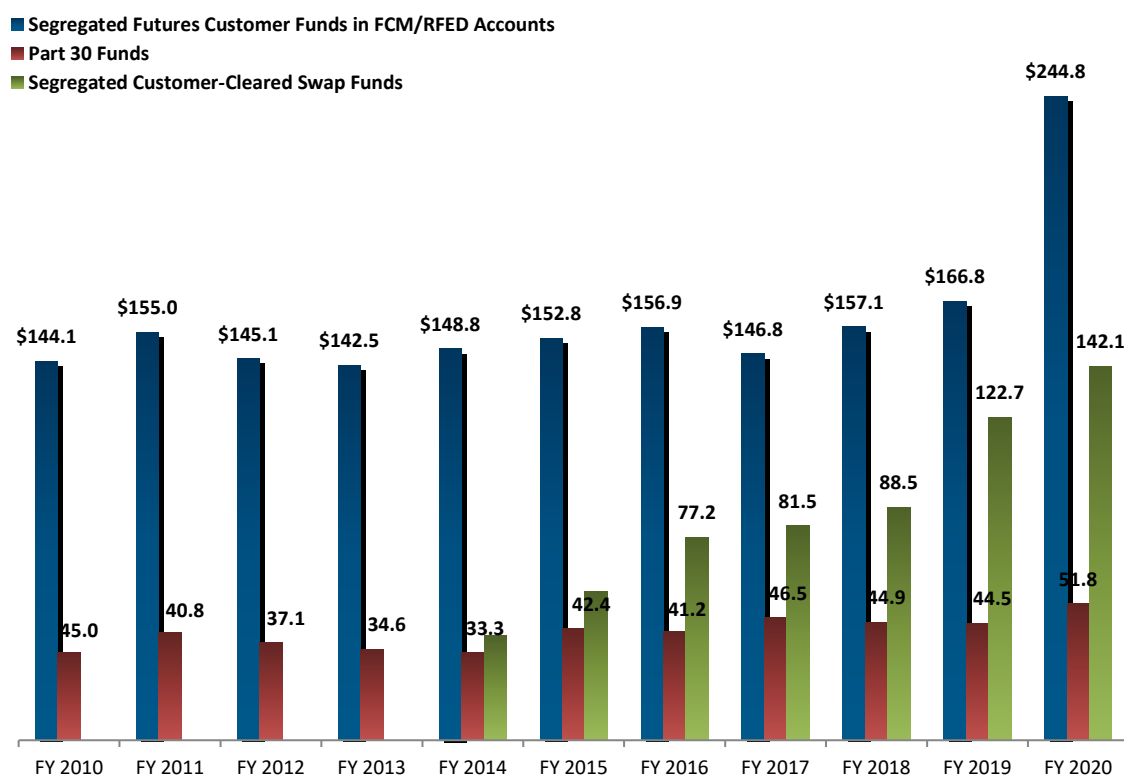
<sup>28</sup> Data Source: Swap Data Repositories and Office of the Chief Economist, CFTC.<sup>29</sup> Data Source: Swap Data Repositories and Office of the Chief Economist, CFTC.

## Customer Funds in Futures Commission Merchants Accounts<sup>30</sup>

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 7: Customer Funds in FCM Accounts**

(Dollars in Billions)



<sup>30</sup> Data Source: CFTC Monthly, FCMs Financial Reporting

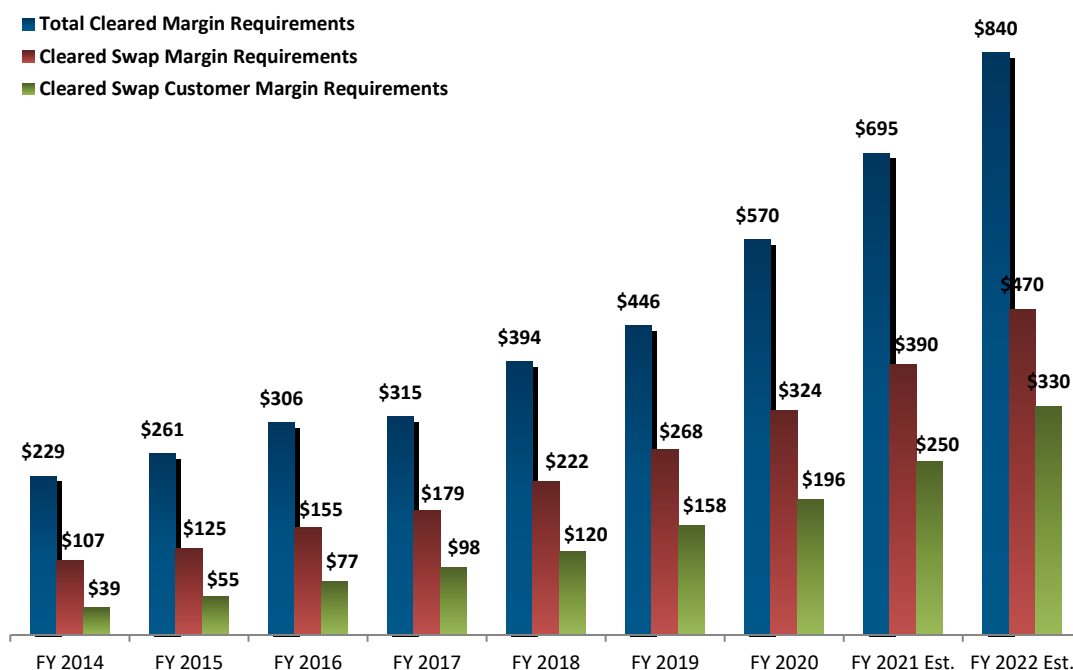
## Margin Requirements<sup>31</sup>

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 \$309 billion, or 118 percent from 2015 to 2020. 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 \$141 billion or 256 percent from 2015 to 2020.

**Figure 8: Margin Requirements**

(Dollars in Billions)

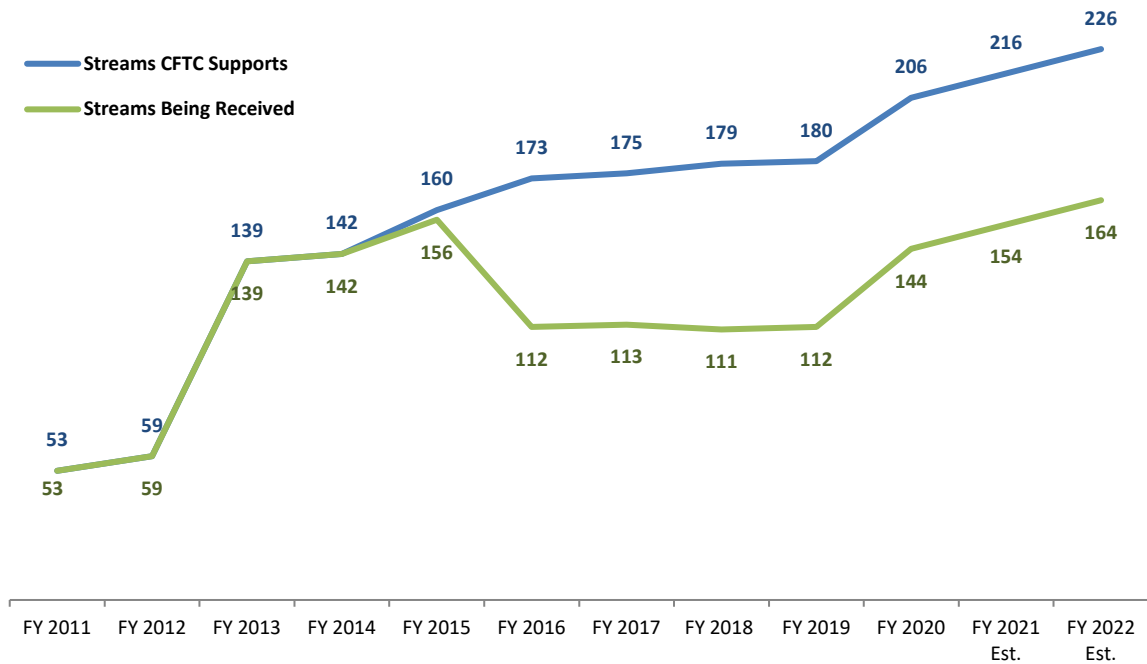


<sup>31</sup> Data Source: Part 39 data filings provided daily by DCOs.

## Data Streams Supported and Being Received<sup>32</sup>

The chart is a historical depiction of the number of CFTC-supported data streams received from 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 144 types of files) will rise in FY 2021 and FY 2022 as the Commission ingests Order Data from Futures and Options exchanges.

**Figure 9: CFTC-Supported Data Streams Received from Industry**



<sup>32</sup> CFTC Office of Data and Technology, CFTC estimates

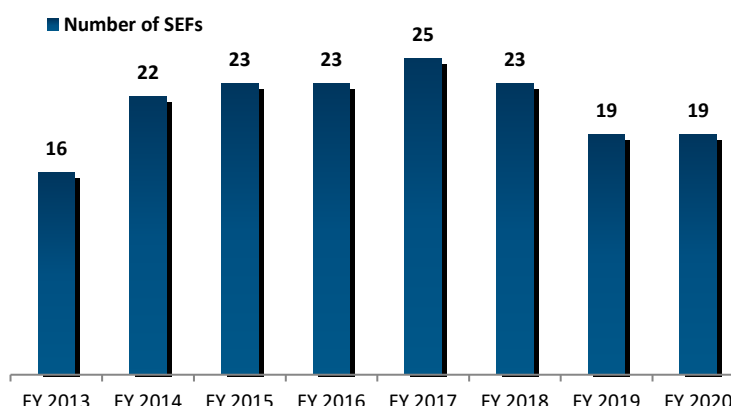


## Swap Execution Facilities Registered with the CFTC

The CFTC finalized its rules for SEFs in FY 2013. At the end of FY 2020, 19 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 10: Number of SEFs Registered with the CFTC**



**Table 28: FY 2020 List of SEFs**

|    |                                   |    |                                      |
|----|-----------------------------------|----|--------------------------------------|
| 1  | 360 Trading Networks, Inc.        | 11 | LedgerX LLC                          |
| 2  | BGC Derivatives Markets, L.P.     | 12 | MarketAxess SEF Corporation          |
| 3  | Bloomberg SEF LLC                 | 13 | NEX SEF Limited                      |
| 4  | Cboe SEF, LLC                     | 14 | Refinitiv US SEF LLC                 |
| 5  | Clear Markets North America, Inc. | 15 | SwapEx LLC                           |
| 6  | DW SEF LLC                        | 16 | Tassat Derivatives LLC <sup>33</sup> |
| 7  | GFI Swaps Exchange LLC            | 17 | tpSEF Inc.                           |
| 8  | ICAP Global Derivatives Limited   | 18 | Tradition SEF, Inc.                  |
| 9  | ICE Swap Trade LLC                | 19 | TW SEF LLC                           |
| 10 | LatAm SEF, LLC                    |    |                                      |

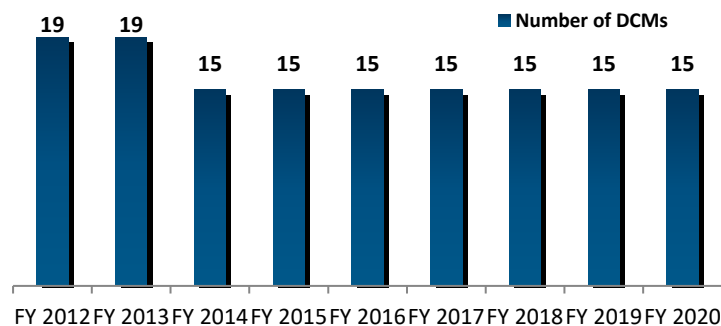
<sup>33</sup> Formerly, trueEX LLC: <https://www.cftc.gov/PressRoom/PressReleases/8076-19>

## 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 two 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 11: Number of Contract Markets Designated by the CFTC**



**Table 29: FY 2020 List of DCMs**

|   |                                   |    |   |
|---|-----------------------------------|----|---|
| 1 | Cantor Futures Exchange, L.P.     | 9  | Minneapolis Grain Exchange, Inc.          |
| 2 | Cboe Futures Exchange, Inc.       | 10 | NASDAQ Futures, Inc.                      |
| 3 | Chicago Board of Trade            | 11 | New York Mercantile Exchange, Inc.        |
| 4 | Chicago Mercantile Exchange, Inc. | 12 | Nodal Exchange, LLC                       |
| 5 | Commodity Exchange Inc.           | 13 | North American Derivatives Exchange, Inc. |
| 6 | Eris Exchange, LLC                | 14 | OneChicago LLC                            |
| 7 | ICE Futures U.S., Inc.            | 15 | trueEX LLC                                |
| 8 | LedgerX, LLC                      |    |   |

## Derivatives Clearing Organizations Registered with the CFTC

A clearinghouse that seeks to provide clearing services with respect to futures contracts, options on futures contracts, or swaps must register with the CFTC as a DCO. As of the end of FY 2020, 15 DCOs were registered with the CFTC. This does not include foreign clearinghouses that have received from the Commission an exemption from 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 reflects 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 requirements, for interest rate swaps and credit default swaps, were issued in late 2012 and expanded in September 2016. The movement of swaps to a cleared environment has created greater transparency in the market, but has also shifted significant new levels of counterparty risk to DCOs, and some DCOs have expanded their product offerings and increased their memberships. As more swap activity migrates to clearing, the DCOs are holding substantial amounts of collateral that have been deposited by clearing members and the customers of those clearing members.

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

The number of DCOs also reflects the increasing interest in clearing products related to digital assets. In FY 2017, the CFTC registered the first DCO devoted solely to clearing options on bitcoin. In FY 2019, the Commission approved the registration of a second DCO devoted solely to clearing products related to digital assets. The CFTC expects to receive additional applications from other entities that wish to clear bitcoin products or products related to other digital assets.

Several DCOs clear physically-settled bitcoin contracts. The Commission also has requests for clearing other digital assets. Each digital asset has different risk characteristics. This requires the Commission to research and identify areas of risk in each new digital asset, and update the examination program to outline the methodology to be used when performing examination activities surrounding each digital asset. One risk of physically delivered digital assets contracts relates to custodian risk. Digital assets are targets for hackers and as a result, any custodian must have resilient systems to curtail theft of the currencies. The Commission is requiring the DCOs to obtain audit reports (SOC 1- Type I or Type II) of any third-party service provider used in the custody or storage of any digital asset held on behalf of clearing members. A second new risk involves the proper accounting treatment related to digital assets. 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 digital assets on the balance sheet or income statement, and as a result, the Commission is requiring DCOs to hire an independent certified public accountant to audit virtual currency balances and issue an opinion on the accounting of virtual currencies on an annual basis. Finally, the DCO must employ strong 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 digital assets that DCOs would like to clear, the accounting treatment for digital currencies as well as new technologies used to defend against an intrusion.

New advancements such as cloud computing will drastically change the way clearinghouses manage and protect their data. As a result, the examinations staff will need resources for training purposes to

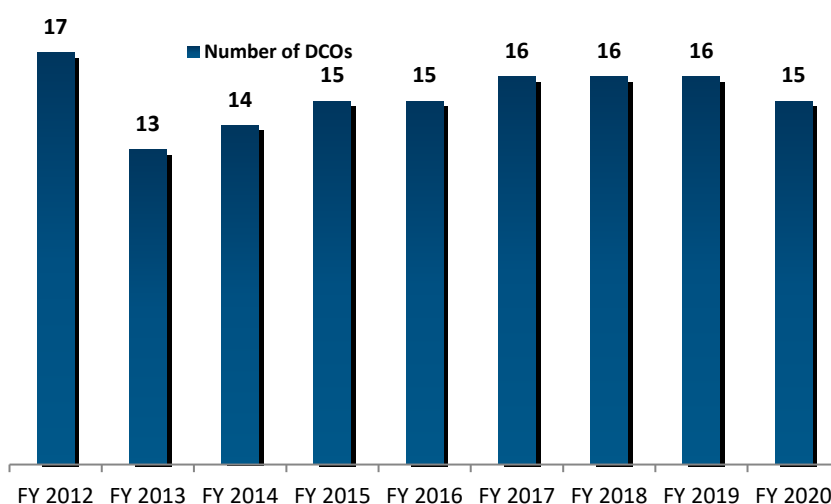
enhance skill sets, create and update the examination program for measuring compliance with this new advancement, and make recommendations if any changes are needed to enhance the Commission's regulations.

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<sup>34</sup>, FBI Flash Alerts, FS-ISAC<sup>35</sup>, and ChicagoFIRST<sup>36</sup> 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.

The Commission must review a number of quarterly financial resource reports, certified financial statements, chief compliance officer reports, and other event-driven notifications that are filed by DCOs with the Commission as required under CFTC Regulation 39.19. The Commission must also perform risk assessments 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 resilient 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 clearinghouse. 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.

**Figure 12: Number of DCOs Registered with the CFTC**



<sup>34</sup> CVE repository is a database of vulnerabilities that NIST members have experienced.

<sup>35</sup> 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.

<sup>36</sup> ChicagoFIRST is a gathering of critical financial firms located in Chicago who collaborate with each other and governmental officials to promote resiliency.

**Table 30: FY 2020 List of DCOs Registered with the CFTC**

|   |                                   |    |   |
|---|-----------------------------------|----|---|
| 1 | Chicago Mercantile Exchange, Inc. | 9  | LCH. Ltd                                  |
| 2 | CX Clearinghouse, L.P.            | 10 | LCH. SA                                   |
| 3 | Eris Clearing, LLC                | 11 | LedgerX LLC                               |
| 4 | Eurex Clearing AG                 | 12 | Minneapolis Grain Exchange, Inc.          |
| 5 | ICE Clear Credit, LLC             | 13 | Nodal Clear, LLC                          |
| 6 | ICE Clear Europe Ltd              | 14 | North American Derivatives Exchange, Inc. |
| 7 | ICE Clear US, Inc.                | 15 | Options Clearing Corporation              |
| 8 | ICE NGX Canada Inc.               |    |   |

## Systemically Important Derivatives Clearing Organizations<sup>37</sup>

CFTC regulations define a systemically important derivatives clearing organization (SIDCO) as a financial market utility (FMU) that is a DCO registered with the Commission, which has been designated as systemically important by the Financial Stability Oversight Council (FSOC) and for which the Commission acts as the Supervisory Agency. The designation of an FMU 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.<sup>38</sup> The FSOC was granted the authority under Title VIII of the Dodd-Frank Act to designate FMUs 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 two DCOs that were designated in 2012.<sup>39</sup> The two SIDCOs are listed in the table below:

**Table 31: FY 2020 List of SIDCOs**

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

Section 806(e) of the Dodd-Frank Act requires a DFMU to provide notice to its Supervisory Agency 60 days in advance of any proposed change to its rules, procedures, or operations that could materially affect the nature or level of risks presented by the DFMU. The DFMU may implement the change if it has not received an objection from the Supervisory Agency before the review period expires. The Supervisory Agency must consult with the Federal Reserve Board in reviewing the change.

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<sup>40</sup>. The SIDCOs listed in Table 31 are DFMUs 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 2021 budget seeks additional staffing resources for examination purposes.

The CFTC has developed an examination program to assess the SIDCOs' compliance with Title VIII and CFTC regulations. The Commission will continue to review remediation plans for any area of non-compliance that was identified during the examination process in 2020.

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 current threat landscape reflects that number of cyber-attacks are increasing and continue to test the cyber resilience of all financial services companies. As a result, the CFTC continues to assess compliance with the enhanced regulations. In addition, CFTC staff must stay

<sup>37</sup> 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 the FSOC. They are LCH Limited. and ICE Clear Europe Limited.

<sup>38</sup> See Section 807(d) of the Dodd-Frank Act.

<sup>39</sup> A third DCO, Options Clearing Corporation, was also designated, but the SEC is its Supervisory Agency.

<sup>40</sup> See Section 807(d) of the Dodd-Frank Act.

abreast of changing technologies and threats in order to effectively measure compliance and desperately needs funds for training purposes.

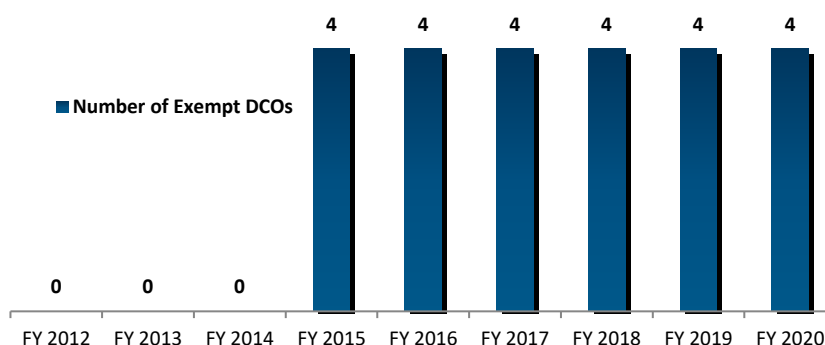
## Exempt Derivatives Clearing Organizations

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.

Exempt DCOs are limited to clearing proprietary swap transactions for U.S. persons. In order to receive an exemption from DCO registration, a clearing organization must observe the Committee on Payments and Market Infrastructures-IOSCO Principles for Financial Market infrastructures (PFMIs) in all material aspects and after receiving an exemption must submit an annual certification of its continued observance of the PFMI. On an annual basis, the home country regulator for each exempt DCO must submit to the Commission a written representation that the exempt DCO is in good regulatory standing.

In FY 2019, the Commission proposed regulations that would codify the procedures and requirements for obtaining an exemption from DCO registration and permit exempt DCOs to clear customer swap transactions through foreign intermediaries. The Commission expects to adopt final regulations in FY 2021. As of the end of FY 2020, the Commission has four exempt DCOs and two pending petitions for exemption.

**Figure 13: Number of Exempt DCOs**



**Table 32: FY 2020 List of Exempt DCOs**

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



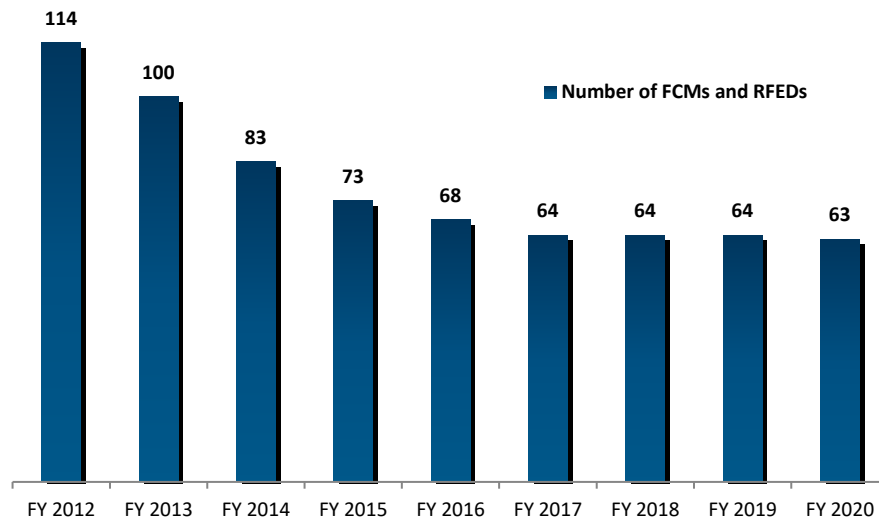
## Futures Commission Merchants and Retail Foreign Exchange Dealers Registered with the CFTC

In FY 2020, there were 61 total entities registered as FCMs and two entities registered as RFEDs. Two of the 61 FCMs were also dually-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 on futures, 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 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 14: Number of FCMs and RFED Registered with the CFTC**



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

Table 33: FY 2020 List of FCMs and RFEDs

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

<sup>41</sup> GAIN Capital Group, LLC is an FCM that is also registered as an RFED.<sup>42</sup> OANDA Corporation is an FCM that is also registered as an RFED.

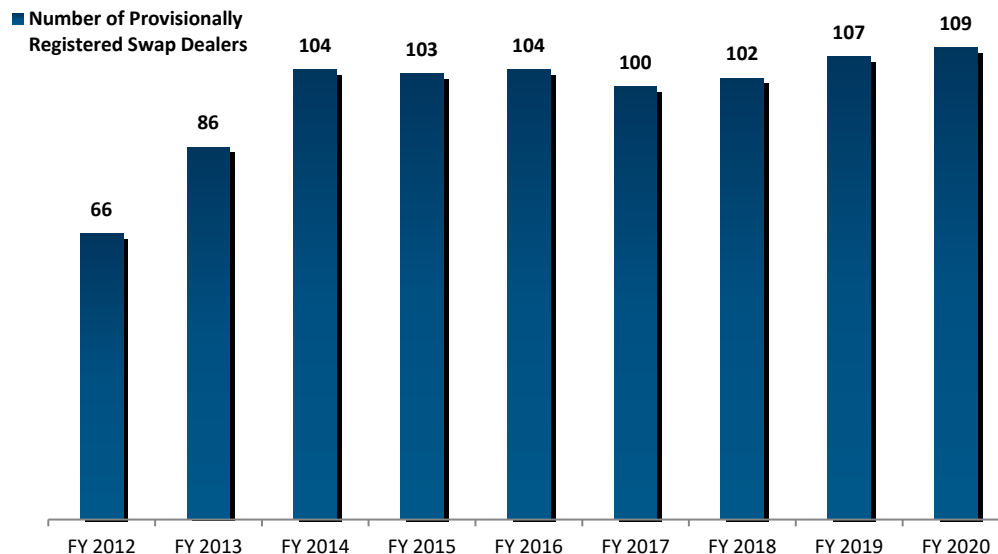
## Swap Dealers Provisionally Registered with the CFTC

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 two years, the number of swap dealers increased over 50% as more swap dealers exceeded the *de minimis* threshold until the number exceeded 100. Over the next six years, the total number of provisionally registered swap dealers has 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 aggregate gross notional dealing activity in any preceding 12 month period.

**Figure 15: Number of SD Provisionally Registered with the CFTC**



The next page contains a listing of Swap Dealers as of September 30, 2020<sup>43</sup>.

<sup>43</sup> Data in the figure and table were obtained from the NFA swap dealer registry.

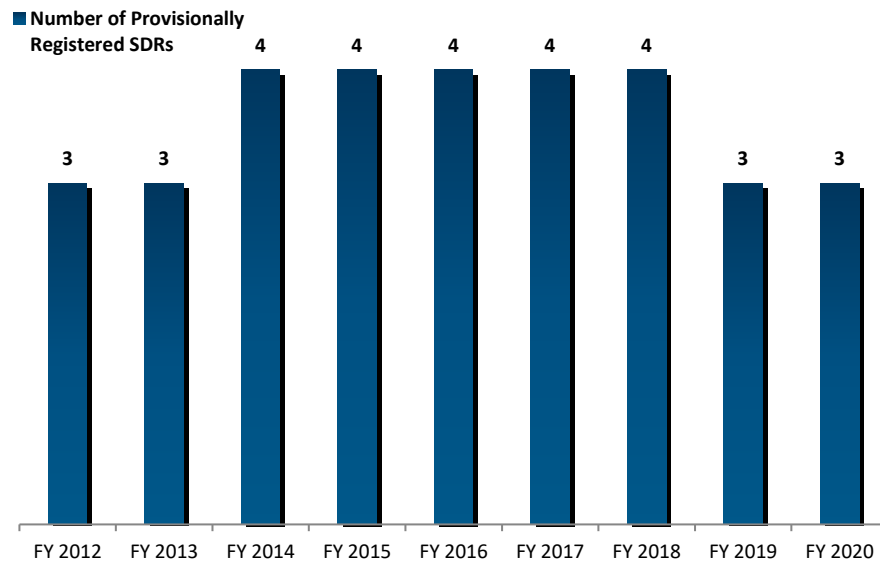
Table 34: FY 2020 List of Provisionally Registered SDs

|    |   |    |  |    |  |     |  |
|----|---|----|--|----|--|-----|--|
| 1  | AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD   | 29 | CREDIT SUISSE CAPITAL LLC                          | 57 | JB DRAX HONORE UK LTD                        | 85  | NATIXIS                                |
| 2  | BANCO BILBAO VIZCAYA ARGENTARIA SA            | 30 | CREDIT SUISSE INTERNATIONAL                        | 58 | JEFFERIES FINANCIAL PRODUCTS LLC             | 86  | NATWEST MARKETS PLC                    |
| 3  | BANCO SANTANDER SA                            | 31 | CREDIT SUISSE SECURITIES EUROPE LTD                | 59 | JEFFERIES FINANCIAL SERVICES INC             | 87  | NOMURA DERIVATIVE PRODUCTS INC         |
| 4  | BANK OF AMERICA EUROPE DAC                    | 32 | DANSKE BANK AS                                     | 60 | JP MORGAN SECURITIES LLC                     | 88  | NOMURA GLOBAL FINANCIAL PRODUCTS INC   |
| 5  | BANK OF AMERICA NA                            | 33 | DARBY SWAP TRADING LLC                             | 61 | JP MORGAN SECURITIES PLC                     | 89  | NOMURA INTERNATIONAL PLC               |
| 6  | BANK OF MONTREAL                              | 34 | DEUTSCHE BANK AG                                   | 62 | JPMORGAN CHASE BANK NATIONAL ASSOCIATION     | 90  | NORDEA BANK ABP                        |
| 7  | THE BANK OF NEW YORK MELLON                   | 35 | ED&F MAN CAPITAL MARKETS LTD                       | 63 | KEYBANK NATIONAL ASSOCIATION                 | 91  | NORTHERN TRUST COMPANY THE             |
| 8  | THE BANK OF NOVA SCOTIA                       | 36 | ED&F MAN DERIVATIVE PRODUCTS INC                   | 64 | LLOYDS BANK CORPORATE MARKETS PLC            | 92  | PNC BANK NATIONAL ASSOCIATION          |
| 9  | BARCLAYS BANK PLC                             | 37 | FIFTH THIRD BANK                                   | 65 | MACQUARIE BANK LTD                           | 93  | ROYAL BANK OF CANADA                   |
| 10 | BNP PARIBAS SA                                | 38 | GAIN GTX LLC                                       | 66 | MACQUARIE ENERGY LLC                         | 94  | SHELL TRADING RISK MANAGEMENT LLC      |
| 11 | BOFA SECURITIES EUROPE SA                     | 39 | GOLDMAN SACHS & CO LLC                             | 67 | MERRILL LYNCH CAPITAL SERVICES INC           | 95  | SKANDINAVISKA ENSKILDA BANKEN AB PUBL  |
| 12 | BOFA SECURITIES JAPAN CO LTD                  | 40 | GOLDMAN SACHS BANK EUROPE SE                       | 68 | MERRILL LYNCH COMMODITIES INC                | 96  | SMBC CAPITAL MARKETS INC               |
| 13 | BP ENERGY COMPANY                             | 41 | GOLDMAN SACHS BANK USA                             | 69 | MERRILL LYNCH INTERNATIONAL                  | 97  | SOCIETE GENERALE INTERNATIONAL LIMITED |
| 14 | BTIG LLC                                      | 42 | GOLDMAN SACHS EUROPE SE                            | 70 | MIZUHO CAPITAL MARKETS LLC                   | 98  | SOCIETE GENERALE S A                   |
| 15 | CANADIAN IMPERIAL BANK OF COMMERCE            | 43 | GOLDMAN SACHS FINANCIAL MARKETS LP                 | 71 | MORGAN STANLEY & CO INTERNATIONAL PLC        | 99  | STANDARD CHARTERED BANK                |
| 16 | CANTOR FITZGERALD SECURITIES                  | 44 | GOLDMAN SACHS FINANCIAL MARKETS PTY LTD            | 72 | MORGAN STANLEY & CO LLC                      | 100 | STATE STREET BANK AND TRUST COMPANY    |
| 17 | CAPITAL ONE NATIONAL ASSOCIATION              | 45 | GOLDMAN SACHS INTERNATIONAL                        | 73 | MORGAN STANLEY BANK INTERNATIONAL LTD        | 101 | STONEX MARKETS LLC                     |
| 18 | CARGILL INCORPORATED                          | 46 | GOLDMAN SACHS JAPAN CO LTD                         | 74 | MORGAN STANLEY BANK NA                       | 102 | THE TORONTO DOMINION BANK              |
| 19 | CITADEL SECURITIES SWAP DEALER LLC            | 47 | GOLDMAN SACHS MEXICO CASA DE BOLSA SA DE CV        | 75 | MORGAN STANLEY CAPITAL GROUP INC             | 103 | TRUIST BANK                            |
| 20 | CITIBANK N A                                  | 48 | GOLDMAN SACHS MITSUI MARINE DERIVATIVE PRODUCTS LP | 76 | MORGAN STANLEY CAPITAL GROUP SINGAPORE PTE   | 104 | TULLETT PREBON SECURITIES LIMITED      |
| 21 | CITIGROUP ENERGY INC                          | 49 | GOLDMAN SACHS PARIS INC ET CIE                     | 77 | MORGAN STANLEY CAPITAL PRODUCTS LLC          | 105 | UBS AG                                 |
| 22 | CITIGROUP GLOBAL MARKETS EUROPE AG            | 50 | HSBC BANK PLC                                      | 78 | MORGAN STANLEY CAPITAL SERVICES LLC          | 106 | UNICREDIT BANK AG                      |
| 23 | CITIGROUP GLOBAL MARKETS INC                  | 51 | HSBC BANK USA NA                                   | 79 | MORGAN STANLEY EUROPE SE                     | 107 | US BANK NA                             |
| 24 | CITIGROUP GLOBAL MARKETS LTD                  | 52 | ICBC STANDARD BANK PLC                             | 80 | MORGAN STANLEY MEXICO CASA DE BOLSA SA DE CV | 108 | WELLS FARGO BANK NA                    |
| 25 | COMMERZBANK AG                                | 53 | ING CAPITAL MARKETS LLC                            | 81 | MORGAN STANLEY MUFG SECURITIES CO LTD        | 109 | WESTPAC BANKING CORPORATION            |
| 26 | COMMONWEALTH BANK OF AUSTRALIA                | 54 | INTESA SANPAOLO SPA                                | 82 | MUFG BANK LTD                                |     |  |
| 27 | COOPERATIEVE RABOBANK UA                      | 55 | J ARON & COMPANY LLC                               | 83 | MUFG SECURITIES EMEA PLC                     |     |  |
| 28 | CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK | 56 | J ARON & COMPANY SINGAPORE PTE                     | 84 | NATIONAL AUSTRALIA BANK LTD                  |     |  |

## 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, which established registration requirements and core duties and responsibilities for SDRs. The Commission, in turn, created Part 49 of the Commission's regulations to implement Section 21. SDRs are required to register with the Commission and comply with the Commission's regulations. These regulations include requirements for public reporting of swap transaction and pricing data and for providing swap data to the Commission.

**Figure 16: Number of Provisionally Registered SDRs**



**Table 35: FY 2020 List of SDRs**

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

# APPENDIX 7

## 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 three 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 that 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 2020, the CFTC issued eleven orders granting awards, the highest number of awards in a single year, to whistleblowers for providing valuable information about violations of the CEA— totaling approximately \$20 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 2022, the Commission will continue its communications with market participants and voluntary whistleblowers about the protections and incentives afforded by the Whistleblower Program. WBO will also continue processing whistleblower submissions and award claims with the goals of continued efficiency.

## 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 utilizes an alliance-based outreach strategy utilizing partnerships with Federal and state agencies as well as nonprofit and industry groups. 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.

In FY 2020, OCEO focused on CFTC's customer education response to the COVID-19 pandemic; updating fraud prevention content, adding fraud prevention messages to its social media posts and working with Federal international, and private sector partners to improve customer protection education for investors and traders.

In FY 2021 and beyond, the OCEO looks forward to continuing its efforts to add fraud prevention content to CFTC.gov, as well as highlight and share information with customers on social media and in the press. The OCEO plans to further develop its efforts focused on agricultural customers, and to explore additional programming that focuses on retail speculators, specifically in the areas of digital assets, other-the-counter foreign exchange trading, and precious metals investing. The OCEO further plans to explore engagement with certain institutional investors that may need guidance to help them identify and avoid unregistered entities, fraud, or abusive practices. And, the OCEO will continue to build its relationships with public and private sector financial educators and organizations.

## 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 2022, the CFTC estimates that it will use up to \$32.8 million:

- Up to \$4.3 million will be used to finance customer education initiatives, administrative expenses, and 10 FTE, an increase of \$0.1 million over the estimated FY 2021 level.
- Whistleblower award payouts are estimated at \$25 million.
- Up to \$3.5 million will be used for the WBO to fund administrative expenses and 11 FTE, which is an increase of \$0.1 million over the estimated FY 2021 level.

**Table 36: Customer Protection Fund**

|                                      | <b>FY 2020<br/>Actual<br/>\$ (000)</b> | <b>FY 2021<br/>Estimate<br/>\$ (000)</b> | <b>FY 2022<br/>Estimate<br/>\$ (000)</b> |
|--------------------------------------|--|--|--|
| <b>Budget Authority – Prior Year</b> | \$141,436                              | \$118,341                                | \$86,175                                 |
| <b>Budget Authority – New Year</b>   | 1,083                                  | 102                                      | 48,000                                   |
| <b>Prior Year Recoveries</b>         | 2,137                                  | 359                                      | 120                                      |
| <b>Sequestration</b>                 | (64)                                   | (6)                                      | (6)                                      |
| <b>Total Budget Authority</b>        | 144,592                                | 118,796                                  | 134,290                                  |
| <b>Whistleblower Program</b>         | 3,859                                  | 4,185                                    | 4,269                                    |
| <b>Whistleblower Awards</b>          | 20,676                                 | 25,000                                   | 25,000                                   |
| <b>Customer Education Program</b>    | 1,716                                  | 3,436                                    | 3,505                                    |
| <b>Total Planned Expenditures</b>    | 26,251                                 | 32,621                                   | 32,774                                   |
| <b>Total Available or Estimate</b>   | <b>\$118,341</b>                       | <b>\$86,175</b>                          | <b>\$101,516</b>                         |



# APPENDIX 8

## 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

|      |   |
|------|---|
| DA   | Division of Administration                |
| DCR  | Division of Clearing and Risk             |
| DMO  | Division of Market Oversight              |
| DOD  | Division of Data                          |
| DOE  | Division of Enforcement                   |
| LD   | Legal Division                            |
| MPD  | Market Participants Division              |
| OCE  | Office of the Chief Economist             |
| OCEO | Office of Customer Education and Outreach |
| 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        |
| 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     | Customer Protection Fund                                      |
| CPO     | Commodity Pool Operator                                       |
| CTA     | Commodity Trading Advisor                                     |
| 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  |

|       |  |
|-------|--|
| FSB   | Financial Stability Board                                |
| FSOC  | Financial Stability Oversight Council                    |
| FTE   | Full-time Equivalent                                     |
| FX    | Foreign Exchange   |
| FY    | Fiscal Year  |
| ICE   | Intercontinental Exchange                                |
| IOSCO | International Organization of Securities Commissions     |
| IRS   | Interest Rate Swaps                                      |
| IT    | Information Technology                                   |
| MSP   | Major Swap Participant                                   |
| NIST  | National Institute of Standards and Technology           |
| NFA   | National Futures Association                             |
| OTC   | Over-the-Counter   |
| PPA   | Program, Project, and Activity                           |
| RER   | Rule Enforcement Review                                  |
| RFED  | Retail Foreign Exchange Dealer                           |
| S&E   | Salaries and Expenses                                    |
| SDR   | Swap Data Repository                                     |
| SEF   | Swap Execution Facility                                  |
| SIDCO | Systemically Important Derivatives Clearing Organization |
| SRO   | Self-Regulatory Organization                             |
| UK    | United Kingdom   |