

COMMODITY FUTURES TRADING COMMISSION



PRESIDENT'S BUDGET

Fiscal Year 2023

March 2022



U.S. Commodity Futures Trading Commission
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Chairman's Transmittal Letter

March 21, 2022

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) 2023. The Commission requests \$365 million and 759 full-time equivalents (FTE) to operate the Commission effectively and advance priority initiatives in FY 2023. This request is an increase of \$33 million, or 9.9%, above the FY 2022 President's Budget and includes an additional 16 FTE, or 2.2%, above the FY 2022 President's Budget.

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 and supports the Administration's priorities and executive orders. The CFTC is committed to ensuring that the derivatives markets are responsive to emerging technologies, trends, and issues through supporting legislation, promulgating rules, issuing guidance, and establishing policies that promote innovation while protecting market participants and users, as well as the economy at large. The Commission's investments in FY 2023 will prioritize efforts to deliver results for all Americans by advancing equity through the federal government, information technology modernization and cybersecurity, and modernizing and digitizing Commission records.

It may be helpful to provide examples of priority initiatives that would be funded through this proposed budget. While the proposed budget will allow for modest hiring and initiatives agencywide, it focuses on keeping our consumed markets data and Commission systems protected from emerging risks and cyber threats, modernizing our computing environment to improve performance in support of our mission oversight, and enhancing our data programs, tools, and analytical capabilities. These initiatives are vital to our oversight of market utilities and participants, such as swap execution facilities, market intermediaries, and commodity pool operators. The focus also facilitates our enforcement efforts, including investigating and prosecuting fraud and manipulation in digital assets.

In conclusion, the proposed budget would help the CFTC build capacity to fulfill its mission as the derivatives markets evolve. Thank you for your consideration.

Sincerely,



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 Andy Harris
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 2023 Budget Request

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Executive Summary

The Commission is requesting a total of \$365.0 million and 759 FTE for FY 2023. The request for its operational budget for FY 2023 is a 9.9 percent increase above the FY 2022 President's 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 2023 Budget

Division of Enforcement

The Commission requests \$66.7 million and 172 FTE to protect the public and preserve market integrity by detecting, investigating, and prosecuting violations of the CEA and CFTC regulations.

The Commission's enforcement program works to ensure that U.S. derivatives markets operate free from fraud, manipulation, and other trading abuses to maintain public and market participant confidence (including retail customers), who depend on the futures and swaps marketplace. As part of those efforts, Commission staff develop and utilize sophisticated systems to analyze trade data, respond to outlying events, and help identify trading or positions that warrant further enforcement inquiry prosecute cases if individuals, markets, firms, and others subject to the Commission's oversight do not meet their obligations.

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

- *Anti-Manipulation and Disruptive Trading.* 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 protects customers from both illegal contracts and fraud. The Commission diligently ensures that retail customers are not offered illegal contracts, which can involve transactions in margined and leveraged products or binary options. With respect to fraud, the CFTC aggressively prosecutes misconduct across the spectrum of markets under its enforcement jurisdiction, such as physical commodities, including digital assets, forex, and precious metals.
- *Misconduct Involving Managed Accounts.* The CFTC seeks to ensure high standards in those who engage in trading in our markets on behalf of others. To that end, the CFTC takes action against those intermediaries that fail in their regulatory obligations regarding customer disclosures and representations regarding, for example, profitability and investment strategy. Similarly, 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.
- *Reporting, Risk Management and Adequate Compliance Programs.* The Commission seeks to ensure that registrants comply with their recordkeeping and reporting obligations, adopt and implement proper risk management processes, and maintain an adequate compliance program.

The Commission bolsters the accomplishment of its enforcement mission through the efforts of specialized units and programs that include:

- *Market Surveillance and Forensic Economists Units.* 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 CFTC 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.
- *Cooperative Enforcement.* The CFTC 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 CEA.
 - *Whistleblower Program.* 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. Note: this is an activity funded by the CPF.
 - *Task Forces.* The CFTC's Division of Enforcement utilizes specialized task forces in complex and developing program areas to ensure consistency, identify best practices, and develop new approaches and ideas based on lessons learned. These task forces focused on six substantive areas: 1) Spoofing and Manipulative Trading; 2) Digital Assets; 3) Insider Trading and Protection of Confidential Information; 4) Bank Secrecy Act; 5) Swaps, and; 6) Corruption.

Division of Market Oversight

The Commission requests \$32.5 million and 86 FTE for the Division of Market Oversight (DMO) to continue its commitment to maintaining the integrity of the markets.

In FY 2023, the Division expects to register and oversee a growing number of derivatives exchanges offering novel and complex products. In FY 2021, the Division registered four new exchanges and additional growth is expected in FYs 2022 and 2023 given the growing interest in offering innovative products, including in areas related to virtual currencies and economic events. In terms of resources, each registration application requires both intra-divisional and inter-divisional teams of staff to review the application, as well as the applicant's planned operations, for compliance with the CEA and Commission regulations. The Division will need to dedicate additional staff to registrations as the number of applicants continues to grow.

With an increase in the number of registered and designated exchanges, the Division expects a related increase for FY 2023 in: (i) the number of exchange examinations, (ii) rule and product filings for the Division to review, and; (iii) potential rulemakings if the innovative nature of the exchanges necessitates changes to Commission regulations.

With respect to examinations, in FY 2022, the Division is moving from establishing a baseline examination program for registered SEFs to conducting risk-based examinations tailored to the entities. This effort required additional resources to ensure the appropriate execution of the examination program across dozens of DCMs and SEFs. With more exchanges registering, the Commission will need to continue investing resources in the Division's examination program. In FY 2023, the Commission's 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. In addition, effective cybersecurity and system safeguards protection of regulated entities requires increased vigilance for the scope of examinations conducted each year.

With respect to rule and product filings, in FY 2021, the Commission experienced increases due to the growing interest in offering innovative products, especially related to virtual currencies and economic events. The rising number of filings requires additional resources to ensure Division staff can not only complete their reviews, but also stay abreast of market developments and the technological advancements underlying these new products and rules.

With respect to rulemakings, in FY 2022, the Division continues to plan and undertake rulemakings to change or update Commission rules, as appropriate, to accommodate changes in the constantly growing and innovating derivatives markets. The Division expects efforts in proposing, adopting, and implementing rules to ensure the Commission's regulatory framework keeps pace with recent market innovations to continue in FY 2023.

Finally, in FY 2023, DMO will continue to produce staff analytical reports for agency, inter-agency, and public use on sharp price movements in the markets, including those relating to virtual currencies, agricultural block trades, and other valuable policy and regulatory issues. The Division 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. Finally, DMO will continue to connect with a broad range of market participants by communicating its insight on these developments through presentations and reports.

Division of Clearing and Risk

The Commission requests \$33.8 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 single critical 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. It 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 \$27.3 million and 73 FTE to maintain effective oversight of registered market participants using current delegated authorities and improved 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 more than \$456 billion in customer funds held by FCMs, and thousands of registered IBs, swap dealers, CPOs, 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 112 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. Upcoming examination priorities include the performance of horizontal reviews and, the performance of annual and interim reviews of SRO Surveillance Programs through the Major Review Section.

Office of the Chief Economist

The Commission requests \$7.1 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 2023 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. Enhanced 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 \$7.1 million and 18 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 the 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 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. OIA will continue coordinating 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 2023 Budget Request

FY 2023 Budget Request by Program^{1 2 3 4}

Table 1: Summary of FY 2021 to 2023 by Program

	FY 2021	FY 2022	FY 2022	FY 2023	
	Actual	President's	Continuing	Request	Change
	\$ (000)	Budget	Resolution	\$ (000)	\$ (000)
Salaries and Expenses	\$302,352	\$327,983	\$300,308	\$360,433	\$60,125
Office of the Inspector General	\$3,387	\$4,017	\$3,692	\$4,567	\$875
Total Annual Request	\$305,739	\$332,000	\$304,000	\$365,000	\$61,000
Facilities Relocation and Replication ⁵	\$0	\$62,000	\$0	\$0	\$0
Grand Total Request	\$305,739	\$394,000	\$304,000	\$365,000	\$61,000

Columns may not add due to rounding

¹ FY 2022 Continuing Resolution amounts provided in the Further Additional Extending Government Funding Act, 2022 (Division A of P.L. 117-86).

² 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.

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

⁴ 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.

⁵ Facilities Relocation and Replication resources are a separate no-year account from the Commission's other PPAs included in the FY 2022 President's Budget request.

FY 2023 Budget Request by Division^{6 7}

Table 2: Summary of FY 2021 to 2023 by Division

	FY 2021		FY 2022		FY 2022		FY 2023		Change	
	FTE	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE	\$ (000)
Enforcement	160	\$57,679	170	\$61,872	161	\$60,322	172	\$66,724	11	\$6,401
Market Oversight	78	\$25,813	84	\$29,825	75	\$26,962	86	\$32,498	11	\$5,536
Clearing and Risk	78	\$25,933	91	\$32,976	79	\$29,172	91	\$33,838	12	\$4,667
Market Participants	65	\$21,912	73	\$25,226	62	\$22,522	73	\$27,318	11	\$4,796
Office of the Chief Economist	19	\$6,000	20	\$6,773	18	\$6,161	20	\$7,052	2	\$892
Legal	54	\$22,984	55	\$23,972	56	\$23,284	59	\$25,993	3	\$2,709
Office of International Affairs	15	\$5,086	17	\$6,446	12	\$4,601	18	\$7,132	6	\$2,531
Data	39	\$28,892	49	\$34,365	38	\$25,939	50	\$42,588	12	\$16,650
Administration	123	\$95,572	134	\$91,198	127	\$89,861	136	\$101,217	9	\$11,357
Office of the Chairman & Commissioners	34	\$12,481	40	\$15,329	29	\$11,486	43	\$16,071	14	\$4,585
Office of the Inspector General	8	\$3,387	10	\$4,017	9	\$3,692	11	\$4,567	2	\$876
Total	673	\$305,739	743	\$332,000	666	\$304,000	759	\$365,000	93	\$61,000

Columns may not add due to rounding

⁶ 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.

⁷ FY 2022 Continuing Resolution amounts provided in the Further Additional Extending Government Funding Act, 2022 (Division A of P.L. 117-86).

FY 2023 Budget Request by Object Class⁸

Table 3: Summary of FY 2021 to 2023 by Object Class

Annual Baseline Request	FY 2021	FY 2022	FY 2022	FY 2023	Change \$ (000)
	Actual \$ (000)	President's Budget \$ (000)	Continuing Resolution \$ (000)	Request \$ (000)	
11.0 Personnel Compensation	\$138,174	\$158,427	\$144,838	\$169,862	\$25,024
12.0 Personnel Benefits	\$48,791	\$52,610	\$51,196	\$61,224	\$10,027
13.0 Former Personnel Benefits	\$14	\$0	\$0	\$0	\$0
21.0 Travel and Transportation of Persons	\$5	\$2,108	\$60	\$2,149	\$2,089
22.0 Transportation of Things	\$46	\$51	\$51	\$52	\$1
23.1 Rental Payments to GSA	\$199	\$231	\$2,064	\$3,336	\$1,272
23.2 Rental Payments to Others	\$26,831	\$27,786	\$27,760	\$25,241	(\$2,519)
23.3 Communication, Utilities, & Misc.	\$2,597	\$3,106	\$3,106	\$3,168	\$62
24.0 Printing and Reproduction	\$679	\$644	\$644	\$657	\$13
25.0 Other Services	\$81,708	\$81,868	\$69,612	\$90,922	\$21,311
26.0 Supplies and Materials	\$3,690	\$2,459	\$1,959	\$2,609	\$650
31.0 Equipment	\$3,005	\$2,694	\$2,694	\$5,763	\$3,070
32.0 Building and Fixed Equipment	\$0	\$16	\$16	\$16	\$0
42.0 Litigation Fees and Awards	\$0	\$0	\$0	\$0	\$0
Total	\$305,739	\$332,000	\$304,000	\$365,000	\$61,000
Facilities Relocation and Replication Request⁹					
21.0 Travel and Transportation of Persons		\$97			
22.0 Transportation of Things		\$1,095			
23.1 Rental Payments to GSA		\$31,920			
24.0 Printing and Reproduction		\$10			
25.0 Other Services		\$6,254			
25.4 Operation and Maintenance - Facilities		\$248			
25.7 Operation and Maintenance - Equipment		\$675			
26.0 Supplies and Materials		\$75			
31.0 Equipment Purchase		\$15,526			
32.0 Land and Structures – Building Alterations		\$6,100			
Total		\$62,000			
Grand Total	\$305,759	\$394,000	\$304,000	\$365,000	\$61,000

Columns may not add due to rounding

⁸ FY 2022 Continuing Resolution amounts provided in the Further Additional Extending Government Funding Act, 2022 (Division A of P.L. 117-86).

⁹ Facilities Relocation and Replication resources are a separate no-year account from the Commission's other PPAs included in the FY 2022 President's Budget request.

Crosswalk from FY 2022 to FY 2023

Table 4: Crosswalk from FY 2022 to FY 2023

	FY 2022 President's Budget	FY 2022 Continuing Resolution ¹⁰	FY 2023 Request	Change
Base S&E Budget Authority (\$000)	\$332,000	\$304,000	\$365,000	\$61,000
Full-Time Equivalents (FTE)	743	666	759	+93
Explanation of Change				
			FTE	Dollars (\$000)
Agency Approved Increases included in the FY 2022 President's Budget(PB) Request			+25	\$28,000
FY 2022 Continuing Resolution FTE Adjustments			+52	
Current Services Increases: (Adjustments to FY 2022 PB)				
To provide for changes in personnel compensation & benefits:				\$15,178
To provide for the following changes in non-personnel costs:				\$2,418
--Space Rental/Communications/Utilities (\$560)				
--Travel/Transportation (\$42)				
--Other Services (\$1,816)				
Program Increase: (Adjustments to FY 2022 PB)			+16	\$14,404
--Addition of FTE (\$4,871)				
--Other Services (\$10,533)				
Total Change			+93	\$61,000

Columns may not add due to rounding

¹⁰ FY 2022 Continuing Resolution amounts provided in the Further Additional Extending Government Funding Act, 2022 (Division A of P.L. 117-86).

Justification of the FY 2023 Budget by Division

Division of Enforcement

Resource Overview

Table 5: Enforcement Request

	FY 2021 Actual	FY 2022 President's Budget	FY 2022 Continuing Resolution	FY 2023 Request	Change
BUDGET	\$57,678,980	\$61,871,939	\$60,322,368	\$66,723,649	+\$6,401,281
FTE	160	170	161	172	+11

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 agency's 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 CPF funded Whistleblower Office within DOE receives tips, complaints, and referrals of potential violations, allowing 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

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 2023, are anticipated to include the following, among others.

Anti-Manipulation and Disruptive Trading. Healthy commodity and derivatives 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. During FY 2021, the Commission's cases in this program area included: a case against an energy and commodities trading firm, finding that the firm engaged in manipulative and deceptive conduct relating to physical and derivatives trading in the U.S. and global oil markets, including attempted manipulation of physical oil benchmarks; charges against a trader who manipulated and attempted to manipulate a physical fuel oil products benchmark, in part while employed by the U.S. affiliate of a multinational commodity trading company; and charges brought against a global investment bank swaps trader for engaging in a scheme to deceive and to manipulate the price of a U.S. dollar interest rate swap between a bond issuer and the bank. The Commission anticipates this focus will continue in FY 2022 and FY 2023.

Protecting Customers. Since its inception, the Commission has focused on protecting customers in commodity and derivatives markets from fraud and other abuse. DOE aggressively prosecutes fraud in some of the historical areas of focus, like precious metals, forex, and binary options. DOE 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 2021, the CFTC filed over 20 enforcement actions that included digital asset-related allegations of misconduct, including: a multiple case sweep charging several entities who took advantage of the trading public by acting as unregistered FCMs that encouraged customers to transfer money or assets to them in exchange for the opportunity to purchase binary options based on the value of commodities like foreign currency and cryptocurrencies, including bitcoin; numerous cases charging retail fraud involving digital assets; and cases charging platforms with illegally offering off-exchange trading in digital assets. The CFTC also brought charges against registered CPOs and related persons for fraud and failure to supervise regarding their representations to participants concerning worst-case scenarios for the CPOs' short trading strategy involving options on S&P 500 futures contracts and the CPOs' risk management tools. The Commission anticipates that additional resources will be required in FY 2023 to aggressively prosecute these cases.

Reporting, Risk Management and Adequate Compliance Programs. The Commission's enforcement program seeks to ensure that registrants comply with the recordkeeping and reporting requirements, 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. In FY 2021, the DOE issued new guidance for enforcement staff when recommending the recognition of a respondent's cooperation, self-reporting, or remediation in CFTC enforcement orders. This guidance furthered the CFTC's goal of fostering a culture of compliance within the marketplaces we regulate by ensuring the public understands the levels of recognition the CFTC may provide in its enforcement orders. Also, in FY 2021, the CFTC brought: the first case against a registered swap execution facility (SEF) for failing to report certain categories of swap data; cases brought against swap dealers who failed in their regulatory reporting obligations, including charges against a swap dealer that violated the terms of a prior Commission Speaking Order issued against it for similar reporting violations; and charges against a swap dealer for violating business conduct standards. Further, the Commission brought failure to supervise charges against registrants, including an enforcement action against an FCM whose customers suffered trading losses due to its failure to diligently supervise customer account handling by not adequately preparing and configuring its electronic trading system to receive negative prices and calculate margin on April 20, 2020. In FY 2022 and FY 2023, 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 2021, the Commission brought charges against a former IB and its owner for participating in a scheme to misappropriate the confidential block trade order information of their brokerage customers and facilitate fictitious trades. The CFTC also found that the respondents defrauded these brokerage customers by paying kickbacks to certain individual traders of these customers, committed supervision violations, and made false statements to ICE Futures US. The Commission also won judgment against a former energy broker for aiding and abetting illegal disclosures, which concluded the enforcement action against an exchange (here, NYMEX) charging violations of the CEA and CFTC regulations' proscriptions against disclosures of material nonpublic information by exchange employees. During FY 2022 and FY 2023, the Commission will work to ensure market participants are not unlawfully misappropriating confidential information for their own gain.

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 2023, 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 the 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 the CFTC's 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 trading misconduct that the agency might otherwise have been unable to detect. The Commission anticipates that demand for data analytics tools and support will continue in FY 2023.

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. In FY 2021, the CFTC filed 13 public enforcement actions in parallel with other authorities. During this time, all of the Division's fraud and manipulation cases involved a parallel criminal proceeding. Further, the CFTC worked cooperatively with other law enforcement and regulatory authorities in over 130 investigations. During FY 2022 and FY 2023, 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

	FY 2021 Actual	FY 2022 President's Budget	FY 2022 Continuing Resolution	FY 2023 Request	Change
BUDGET	\$25,812,815	\$29,824,773	\$26,962,215	\$32,498,499	+\$5,536,284
FTE	78	84	75	86	+11

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. DMO seeks to be the world's foremost authority on the rapidly evolving derivative markets. DMO's principal functions are: 1) registering designated contract markets (DCMs) and swap execution facilities (SEFs), and foreign boards of trade (FBOTs); 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) analyzing current and emerging derivatives market dynamics, developments, and trends to assist the Commission in developing sound policy; and 5) developing rules, guidance, interpretations, and policies to promote fair, efficient, and vibrant markets and a sound market structure.

Justification of CFTC Request

Registration of New Exchanges

DMO anticipates that it will continue receiving, analyzing, designating, and registering new DCM, SEF, and FBOT applications. DMO also expects 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. DMO's examination program will need to keep pace with an increasing number of registered exchanges, requiring additional resources.

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 SEF RER program will continue to grow, even though it was recently significantly expanded to include SEFs.

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.

Reviewing Exchange Rules and New Product Filings

DMO will continue to be involved in complex derivatives product issues, including reviewing new virtual currency derivatives listed for trading on DCMs and SEFs and contracts relating to economic events. In addition, DMO will need to ensure it has adequate resources to review exchange rule filings as the number of registered exchanges grows.

Additional resources are needed to meet the challenges related to novel and complex derivatives products and exchange rule filings. DMO reviews product filings for futures, options, and swaps 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. In addition, virtual currency derivatives require novel exchange rules that DMO reviews for compliance with the CEA and Commission regulations.

Enhancing Commission Rules

In FY 2023, the Division plans to develop and implement regulations to promote fair, efficient, vibrant markets, and a sound market structure. In FY 2022, the Division is planning and undertaking rulemakings, as appropriate, to change or update Commission rules to accommodate changes in the constantly growing and innovating derivatives markets. The Division expects these efforts would continue in FY 2023, in the proposing, adopting, and implementing of these rules to ensure the Commission's regulatory framework keeps pace with recent market innovations. Any Division rulemakings will be designed to encourage innovation, streamline regulations, improve market structure, increase trading liquidity, remove barriers for new entrants and unburden the U.S. economy.

Market Intelligence

The Division 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 and outside data to promote efficient and sound markets. Such market data is critical for proper market analysis. Its effective use is dependent on the ability to acquire large volumes of data and 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.

DMO has organized 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.

Division of Clearing and Risk

Resource Overview

Table 7: Clearing and Risk Request

	FY 2021	FY 2022	FY 2022	FY 2023	
	Actual	President's Budget	Continuing Resolution	Request	Change
BUDGET	\$25,932,928	\$32,976,336	\$29,171,629	\$33,838,444	+\$4,666,816
FTE	78	91	79	91	+12

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 critical given the 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 reflected a dramatic increase in the number of cyber-security and threat incidents launched against the DCO community.

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 CFTC's Office of Inspector General (OIG)¹¹ has identified the need to conduct additional work to ensure all DCOs are complying with Commission's cyber-security regulations. DCR will utilize its resources to enhance our risk assessment process and comply with OIG'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 the 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 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 the use of new automated tools. Automated tools will be especially important in evaluating compliance in the areas of liquidity, default, backtesting, 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. This will help ensure that the Commission has an appropriate understanding of risk within the swaps markets. The Commission will

¹¹ Performance Audit: CFTC's Policies and Procedures Regarding Oversight of Cybersecurity Safeguards by Registered Entities, September 8, 2020 (CFTC OIG, page 3)

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 2023 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 analyses 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 2023, 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 an 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 ecosystem. 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

	FY 2021 Actual	FY 2022 President's Budget	FY 2022 Continuing Resolution	FY 2023 Request	Change
BUDGET	\$21,911,513	\$25,226,282	\$22,521,532	\$27,318,023	+\$4,796,492
FTE	65	73	62	73	+11

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 oversees 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 CEA through research and the development of effective financial education materials and initiatives. This program is funded separately by the Customer Protection Fund.

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 the CFTC's 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 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 policymakers 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, 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 late FY 2020, the Commission finalized cross-border rules and capital requirements for swap dealers, an extension of the compliance deadline for uncleared margin, and worked with other federal financial regulators on amendments to the Volcker Rule. In FY 2021, the Commission focused on working with the SROs and market participants to ensure the smooth and effective implementation of these rules. Now, in FY 2022 and forward, the Commission will continue to focus on refining its rules and improving the regulatory experience for market participants by pursuing a data-driven policy agenda consistent with the Commission's mission and values.

In line with this work, 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

	FY 2021	FY 2022	FY 2022	FY 2023	
	Actual	President's Budget	Continuing Resolution	Request	Change
BUDGET	\$6,000,278	\$6,772,993	\$6,160,509	\$7,052,401	+\$891,892
FTE	19	20	18	20	+2

Columns may not add due to rounding

Organization Description

The Office of the Chief Economist (OCE) conducts rigorous economic and econometric analyses 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 reflecting activity in derivatives markets. Determinations are required on data issues such as: understanding data imperfections and ambiguities; merging regulatory and commercial 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 that possess the ability to 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 2023 budget 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 within the Commission and to market participants and the general public.

The FY 2023 budget request enables the Commission to improve the analytical and empirical foundations of its policy and rules, as well as the cost-benefit considerations of its policy and rulemaking.

Legal Division

Resource Overview

Table 10: Legal Request

	FY 2021	FY 2022	FY 2022	FY 2023	
	Actual	President's Budget	Continuing Resolution	Request	Change
BUDGET	\$22,984,461	\$23,972,215	\$23,284,061	\$25,992,799	+\$2,708,738
FTE	54	55	56	59	+3

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

	FY 2021 Actual	FY 2022 President's Budget	FY 2022 Continuing Resolution	FY 2023 Request	Change
BUDGET	\$5,085,904	\$6,446,160	\$4,600,650	\$7,132,148	+\$2,531,498
FTE	15	17	12	18	+6

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 increased its efforts to respond to attempts by European authorities, particularly the European Securities and Markets Authority (ESMA), to expand their supervision of U.S. firms or apply their rules and requirements to U.S. firms and markets. Having successfully negotiated an enhanced mode of cooperation with ESMA, the CFTC is engaged in streamlining the implementation of the new arrangement. 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, clearing members, and intermediaries.

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 co-chairs IOSCO's Financial Stability Engagement Group, the premier committee that coordinates 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 CFTC 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

	FY 2021	FY 2022	FY 2022	FY 2023	
	Actual	President's Budget	Continuing Resolution	Request	Change
BUDGET	\$28,892,011	\$34,364,954	\$25,938,561	\$42,588,445	+\$16,649,884
FTE	39	49	38	50	+12

Columns may not add due to rounding

Organization Description

The Division of Data (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 agency'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 policymakers to make data-driven decisions for 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, data standards, data architecture and governance, 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/support effective enforcement actions, oversee rapidly evolving markets and formulate sound regulatory policy. Some key examples of these efforts are provided below:

Streamlining Data Storage and Enabling Best in Class Analytics In 2021, CFTC began the process of retiring legacy high performance data environments, and the data will instead be hosted in the AWS Cloud. This initiative will reduce maintenance costs while simultaneously allowing CFTC analysts to use a wider array of tools to analyze data. The process of migrating the data and user experience to AWS will continue through 2022.

In 2023, the CFTC will begin the process of expanding the AWS Cloud environment to include all market and financial data that is relied on by staff for their mission-facing analytics. CFTC staff 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 and costs on the 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

Data Tools/Analysis As technology continues to reshape the 21st 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 2023 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 continues its 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 also participates in governance efforts overseeing the creation and dissemination of these identifiers by leading and/or participating in multilateral working groups and cooperating with both domestic and international regulators. These efforts support the G20's goals, after the 2009 financial crisis, of improving transparency, mitigating systemic risk, and preventing market abuse in over-the-counter derivatives by enabling data consistency across jurisdictions globally.

Data Management and Compliance

DOD will create an enterprise-wide data inventory of the information collected by the CFTC, along with metadata related to privacy, security, data protection, and dissemination. Implementation of proper governance mechanisms will facilitate data management by establishing data ownership, stewardship, and information sharing across the agency. DOD will also work to create systematic data quality validations that can be applied to all the data sets within the Commission.

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

	FY 2021	FY 2022	FY 2022	FY 2023	
	Actual	President's Budget	Continuing Resolution	Request	Change
BUDGET	\$95,572,302	\$91,198,329	\$89,860,553	\$101,217,096	+\$11,356,543
FTE	123	134	127	136	+9

Columns may not add due to rounding

Organization Description

The Division of Administration (DA) directs the CFTC's core operational support and administration activities to include continuity of operations, the effective and efficient allocation of CFTC resources, management and administrative policy-making, and agency-wide program performance measurement and reporting. DA includes the following branch offices: Business Operations Branch (including logistics operations, procurement, travel, and business operations), Financial Management (including budget, strategic and operational planning, accounting, and risk management), Human Resources (including talent management, workforce relations, performance management and compensation, and health and wellness programs), Information Security (including cyber security, and security emergency management) and Information Technology offices (including infrastructure, systems and program management), Enterprise Risk Management (ERM) (including risk office), and the Office of Proceedings (including administrative settlements, statutory disqualifications, and wage garnishment cases). The Enterprise Risk Management office was established in FY 2021 to manage executive accountability to enable efficient and effective governance of significant risks and related opportunities for CFTC. The Office of Proceedings has a dual function to provide a cost-effective, impartial, and expeditious forum for handling customer complaints against persons or firms registered under the CEA and administering enforcement actions.

Justification of CFTC Request

Management and Administration Programs

The Commission continues to promote excellence through executive direction and leadership, organizational and individual performance management, and effective management of resources. Efforts to achieve these objectives will result in better-informed decision-making regarding the management and investment of the Commission's resources. The FY 2023 budget request will strengthen the Commission's fiduciary posture by executing and evaluating the remaining agency corporate reform efforts while making careful investments to continue efficiency, innovation, and effectiveness. To that end, DA will continue to provide essential day-to-day financial management, human resources, building management, enterprise risk, proceeding, information technology, and information security functions, as well as maintain the centralized services model that supports the various CFTC divisions and offices in compliance with Federal administrative mandates.

This budget request also includes resources to provide a robust risk management structure by building out an ERM framework, as required by OMB Circular A-123. The ERM program provides an enterprise-wide, strategically-aligned view of organization risks that promotes improved planning and decision-making through a structured understanding of opportunities and threats. Effective ERM also helps the CFTC implement strategies to ensure effective use of resources, enable an optimized approach to identifying and remediating compliance issues, and provide reliable reporting and monitoring across business units. ERM efforts will continue to mature in FY 2023.

IT Security and Compliance

As the Commission looks forward to meeting the challenges of the increasingly digitized financial markets, the importance and role of technology resources and the need to integrate technology into the way the CFTC conducts business and performs mission work will continue to grow. Technology capacity plays an important role in the Commission's efforts to adopt and implement new FinTech tools, swap data reforms, and digital reporting to strengthen CFTC market oversight activities. In order to continue to safeguard and secure Commission and industry data and its enterprise technology infrastructure, the CFTC will pursue a range of important cyber initiatives to include those discussed below.

In accordance with Executive Order 14028, Improving the Nation's Cyber Security, the CFTC's Division of Administration is continuing to modernize and address security vulnerabilities in the Commission's IT infrastructure. CFTC is planning on implementing three programs to support the cybersecurity focus areas outlined in the executive order;

1. Zero Trust Architecture to provide network-level protections against attackers pivoting from a compromised system.
2. Data Protection Program to establish data loss prevention technologies and processes to manage access to sensitive data to ensure it is tightly controlled and monitored.
3. Endpoint Detection & Response (EDR) capability to improve protections at the endpoints, the most likely entry point for a breach attempt.

The Commission will invest in additional IT security tools to establish a dedicated and secure cloud-based tunnel with the Federal Reserve, a project to update outdated applications by rewriting them with a modern backbone, and projects to modernize and apply security enhancements to aging infrastructure, and to monitor and log activities on all our endpoints. In addition, the Commission will continue to improve the Federal Information Security Management Act (FISMA) and related Office of Management and Budget (OMB) security mandates and ensuring the protection of sensitive market participant data.

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, vulnerability mitigation, and planning functions. A breakdown description of these activities is provided below.

End User Services - provides the primary mechanisms for CFTC users to connect and access the Commission's computer network and 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, as well as Federally directed vulnerability mitigation and risk mitigation activities. In order to operate effectively, the Commission must maintain these capabilities using a combination of specialized, on-premise equipment and, moving forward, an increasing level of off-premise 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, collaboration platforms such as SharePoint etc.).

The FY 2023 request includes new resources for strengthening and centralizing the Commission's configuration management (CM), a foundational component of all IT programs. CM is critically important because it allows IT professionals to build/maintain stable systems, servers, and software in a desired and consistent state, optimize system performance and safely assess new software or software update risks prior to final implementation on the network. Centralizing control of the CFTC CM function, and the controlled production environment used to test and evaluate software prior to final

rollout, will significantly improve agency IT quality assurance and risk management to benefit all IT programs and promote greater system reliability and resiliency.

IT Program Support

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

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.

Office of the Chairman and Commissioners

Resource Overview

Table 14: Chairman and Commissioners Request

	FY 2021 Actual	FY 2022 President's Budget	FY 2022 Continuing Resolution	FY 2023 Request	Change
BUDGET	\$12,480,719	\$15,328,572	\$11,486,010	\$16,071,188	+\$4,585,179
FTE	34	40	29	43	+14

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 represents the current CFTC Commissioners:

Rostin Behnam, Chairman

Rostin Behnam was unanimously confirmed as the Chairman of the CFTC by the U.S. Senate on December 15, 2021, and sworn into office on January 4, 2022. Prior to becoming Chairman, Mr. Behnam was designated Acting Chairman by his fellow Commissioner's on January 21, 2021, and was nominated by President Biden to serve as the Chairman on September 13, 2021. Mr. Behnam had served as a CFTC Commissioner since he was sworn in to serve as a Commissioner on September 6, 2017, after unanimous consent by the U.S. Senate on August 3, 2017. President Trump nominated him on July 13, 2017.

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.

Justification of CFTC Request

The FY 2023 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 2023 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 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 2023 budget request as described below includes the OIG request of \$3,960,480 for estimated direct salary and benefit costs of 11 FTE, along with travel, training, and contracted audits (including the annual financial statement audit), including an estimated contribution of \$14,480 to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The request also includes overhead of approximately \$606,827. 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 15: Inspector General's Budget Request

Budget Year	Total Budget	OIG Requested Budget	Estimated Overhead	Training Budget Estimate	CIGIE	FTE
FY 2023	\$4,567,307	\$3,960,480	\$606,827	\$30,000	\$14,480	11

Inspector General's FY 2023 Budget Request



U.S. COMMODITY FUTURES TRADING COMMISSION

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

March 8, 2022

TO: Chairman Rostin Behnam
Commissioner Dawn Stump

FROM: A. Roy Lavik
Inspector General

ARL/r

SUBJECT: FY 2023 Office of Inspector General (OIG) Budget

My Office has no update or amendment to our proposed FY 2023 budget request and accompanying memorandum previously submitted in December 2021 (attached). Thank you for the opportunity to update our request, and thank you for your continuing support of the Office of the Inspector General.

Attachment



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

ATTACHMENT PAGE 1

December 13, 2021

TO: Acting Chairman Rostin Behnam
 Commissioner Dawn Stump

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

SUBJECT: FY 2023 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) 2023 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 2023 I am requesting \$3,960,480, which increases our FY 2022 operating budget request (\$3,473,727) by 14%. The increase will increase staff from 10 to 11, support existing staff journeyman promotions, and cover anticipated routine cost adjustments for salaries/benefits, contracts, and services. Of this amount, \$30,000 is budgeted for training purposes and will satisfy all training requirements. Finally, we include the OIG contribution to the Council of the Inspectors General on Integrity and Efficiency (CIGIE), as the IG Act requires.

This 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, based on this request, prior to transmittal to OMB. We believe this avoids confusion and 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 **CFTC overhead to the amount determined by Congress, and increases the OIG FY 2023 total budget request reported here in that amount** (and is not subtracted from it).

Attachment



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

ATTACHMENT PAGE 2

Attachment for CFTC Inspector General's Budget Request:

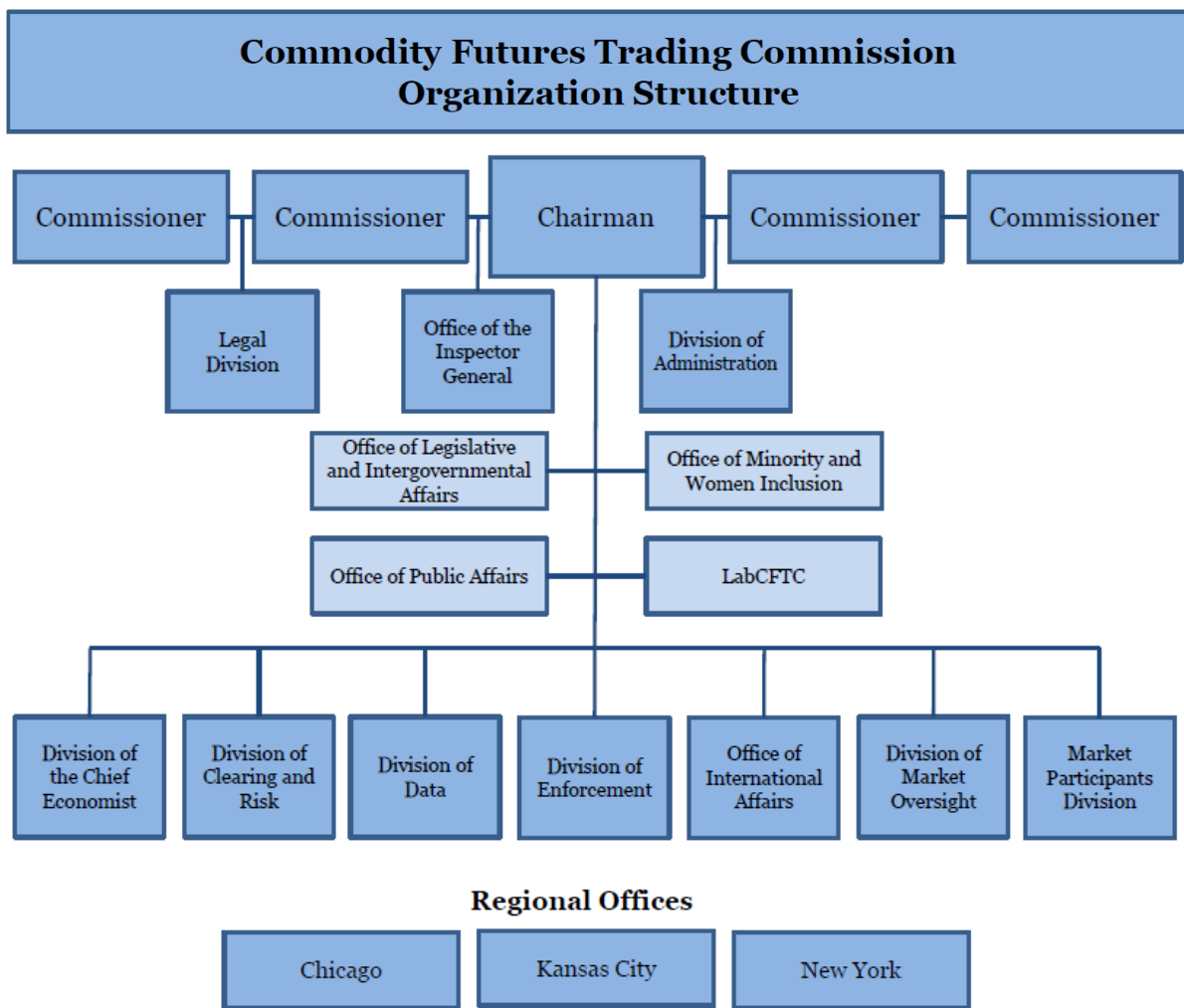
Direct Costs (\$)	OIG Request
Salaries and Benefits	3,450,000
Travel	60,000
Training	30,000
Contract Audits	246,000
Contract Services	160,000
Subtotal Direct Costs	\$ 3,946,000
CIGIE Contribution (estimate of .36% of total)	\$ 14,480
Total Direct OIG Costs	\$ 3,960,480
FTE	11

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.

Figure 1: Organization Structure



APPENDIX 2

CFTC Facility Leasing and Rent

CFTC maintains a facility 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 facility site with the Federal Reserve Board, which supports the Continuity of Operations (COOP). The chart below depicts CFTC's annualized rent costs and associated lease expiration dates for the locations.

Facility Leasing Expirations and Estimated Rent Costs¹² by Location

Table 16: CFTC Facility Rent Costs by Location

CFTC Facility Rent Costs by Location ¹³				
		FY 2021	FY 2022	FY 2023
Facility Location	Lease Expiration	Actual	Estimate	Estimate
		\$(000)		
Kansas City				
Legacy CFTC Lease	April 2021	\$255	\$0	\$0
GSA Assignment		\$199	\$300	\$303
Total		\$454	\$300	\$303
Chicago				
Legacy CFTC Lease	June 2022	\$2,754	\$2,070	\$0
GSA Assignment		\$0	\$725	\$1,248
Total		\$2,754	\$2,795	\$1,248
New York				
Legacy CFTC Lease	March 2022	\$2,691	\$1,320	\$0
GSA Assignment		\$0	\$1,039	\$1,786
Total		\$2,691	\$2,359	\$1,786
Washington, D.C.				
Legacy CFTC Lease	September 2025	\$19,117	\$20,440	\$21,033
GSA Assignment		\$0	\$0	\$0
Total		\$19,117	\$20,440	\$21,033
COOP Site¹⁴		\$170		
Grand Total		\$25,186	\$25,894	\$24,370

Columns may not add due to rounding

¹² The actual and estimate columns of the facility portfolio exclude the overhead distribution that is reflected in other charts in this budget presentation.

¹³ FY 2021, FY 2022 and FY 2025 require a duplicate lease payment during the relocation phase of the projects.

¹⁴ Memorandum of Understanding with Federal Reserve requires lease termination funding in the first year of the two-year agreement.

APPENDIX 3

Administration's Proposal on User Fees

Table 17: FY 2023 Budgetary Resources and Offsetting Collections

	FY 2023 Request \$ (000)
Salaries and Expenses	\$360,433
Office of the Inspector General	\$4,567
Total Appropriation	\$365,000
Offsetting Collections	(\$116,000)
Net Appropriation	\$249,000

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 2023 would be offset by the collections, resulting in a net FY 2023 appropriation from the general fund of approximately \$249 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 18: FY 2021 to 2023 Statement of Availability on Basis of Obligations

	FY 2021 Actual	FY 2022 Continuing Resolution ¹⁵	FY 2023 Estimate
	\$ (000)	\$ (000)	\$ (000)
New Appropriations	\$304,000	\$304,000	\$365,000
Carryover from Prior Year	23,733	11,121	200
Recoveries of Prior Year Obligations	1,036	3,281	1,000
Total Available	328,769	318,402	366,200
Obligations	293,261	295,748	346,647
Lease-Related Amount Transferred to No-Year Account (amount reduces negative lease obligation)¹⁶	23,566	22,054	18,953
Balance Available	11,942	600	600
Lapsing Appropriations	(822)	(400)	(600)
Total Available or Estimate	\$11,121	\$200	\$0

Columns may not add due to rounding

¹⁵ FY 2022 Continuing Resolution amounts provided in the Further Additional Extending Government Funding Act, 2022 (Division A of P.L. 117-86).

¹⁶ 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 19: Summary of IT Budget by Program and Cost Type

IT Budget by Program	FY 2021 Actual (\$000)	FY 2022 President's Budget (\$000)	FY 2022 Continuing Resolution (\$000)	FY 2023 Estimate (\$000)
Personnel	\$24,896,307	\$23,858,809	\$24,989,225	\$30,842,140
Operating	72,090,056	63,758,121	61,446,634	79,760,729
Indirect Overhead	5,152,431	4,567,042	6,242,108	5,847,607
Total IT Portfolio	\$102,138,794	\$92,183,972	\$92,677,967	\$116,450,476

IT Portfolio by Cost Type	FY 2021 Actual (\$000)	FY 2022 President's Budget (\$000)	FY 2022 Continuing Resolution (\$000)	FY 2023 Estimate (\$000)
Development, Modernization, and Enhancement (DME)	\$7,655,947	\$12,761,170	\$6,525,618	\$14,488,817
Operations and Maintenance (O&M)	64,434,109	50,996,951	54,921,016	65,271,912
S&E (Non-DME/O&M)	24,896,307	23,858,809	24,989,225	30,842,140
Indirect Overhead	5,152,431	4,567,042	6,242,108	5,847,607
Total IT Portfolio	\$102,138,794	\$92,183,972	\$92,677,967	\$116,450,476

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 20, 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 20. 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 20 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 20 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 20: U.S. Regulated Entities and Registrants by CFTC Function

Entity	Acronym	CFTC Function					
		Registration & Compliance	Product Reviews	Surveillance	Examinations	Enforcement	Economic & Legal Analysis
Trading Entities							
Designated Contract Market	DCM	CFTC	CFTC	CFTC	CFTC	CFTC	CFTC
Swap Execution Facility	SEF	CFTC	CFTC	CFTC	CFTC	CFTC	CFTC
Foreign Board of Trade	FBOT	CFTC/FBOT Regulator	CFTC/FBOT Regulator	FBOT Regulator	FBOT Regulator	FBOT Regulator	FBOT Regulator
Clearing Entities							
Derivatives Clearing Organization	DCO	CFTC	CFTC	CFTC	CFTC	CFTC	CFTC
Exempt Derivatives Clearing Organizations	Exempt DCO	CFTC/DCO Regulator	CFTC/DCO Regulator	CFTC/DCO Regulator	CFTC/DCO Regulator	CFTC/DCO Regulator	CFTC/DCO Regulator
Systemically Important Derivatives Clearing Organization	SIDCO	CFTC	CFTC	CFTC	CFTC/ Federal Reserve	CFTC	CFTC
Data Repositories							
Swap Data Repository	SDR	CFTC	N/A	N/A	CFTC	CFTC	CFTC
Registered Futures Association							
National Futures Association	NFA	CFTC	N/A	N/A	CFTC	CFTC	CFTC
Intermediaries							
Futures Commission Merchant	FCM	NFA/CFTC	N/A	DSRO/CFTC	DSRO/CFTC	DSRO/CFTC	CFTC
Swap Dealer	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 2021 are provided below.

Table 21: Number of Regulated Entities/Registrants

Entity	Acronym	As of FY 2021
Trading Entities		
Designated Contract Market	DCM	16
Foreign Board of Trade ¹⁷	FBOT	23
Swap Execution Facility	SEF	20
Clearing Entities		
Derivatives Clearing Organization ¹⁸	DCO	15
Exempt Derivatives Clearing Organization	Exempt DCO	4
Systemically Important DCO	SIDCO	2
Data Repositories		
Swap Data Repository ¹⁹	SDR	3
Registrants—Intermediaries ²⁰		
Futures Commission Merchant ²¹	FCM	61
Major Swap Participant	MSP	0
Retail Foreign Exchange Dealer	RFED	4
Swap Dealer	SD	112
Registrants—Managed Funds		
Commodity Pool Operator	CPO	1,261
Commodity Trading Advisor	CTA	1,751
Other Registrants		
Associated Person	AP	44,151
Introducing Broker	IB	1,045
Floor Broker	FB	2,574
Floor Trader	FT	461

¹⁷ 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.

¹⁸ The number of DCOs includes the two SIDCOs.

¹⁹ The three SDRs are provisionally registered with the CFTC.

²⁰ 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.

²¹ 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.

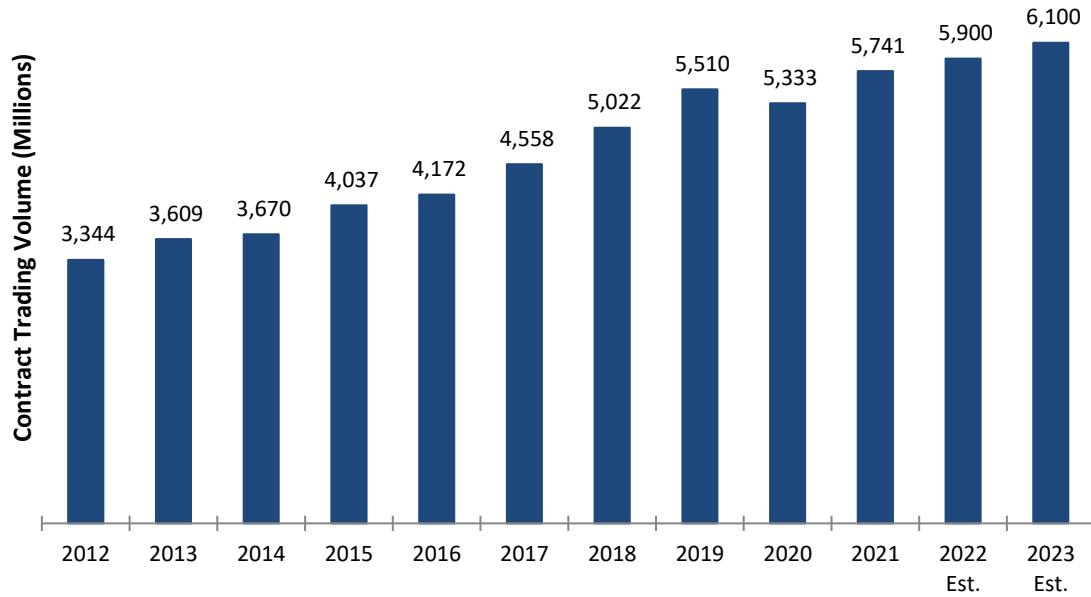
Data Repositories:

- SDRs provisionally registered with the CFTC.

Volume of Futures and Option Contracts Traded^{22,23}

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



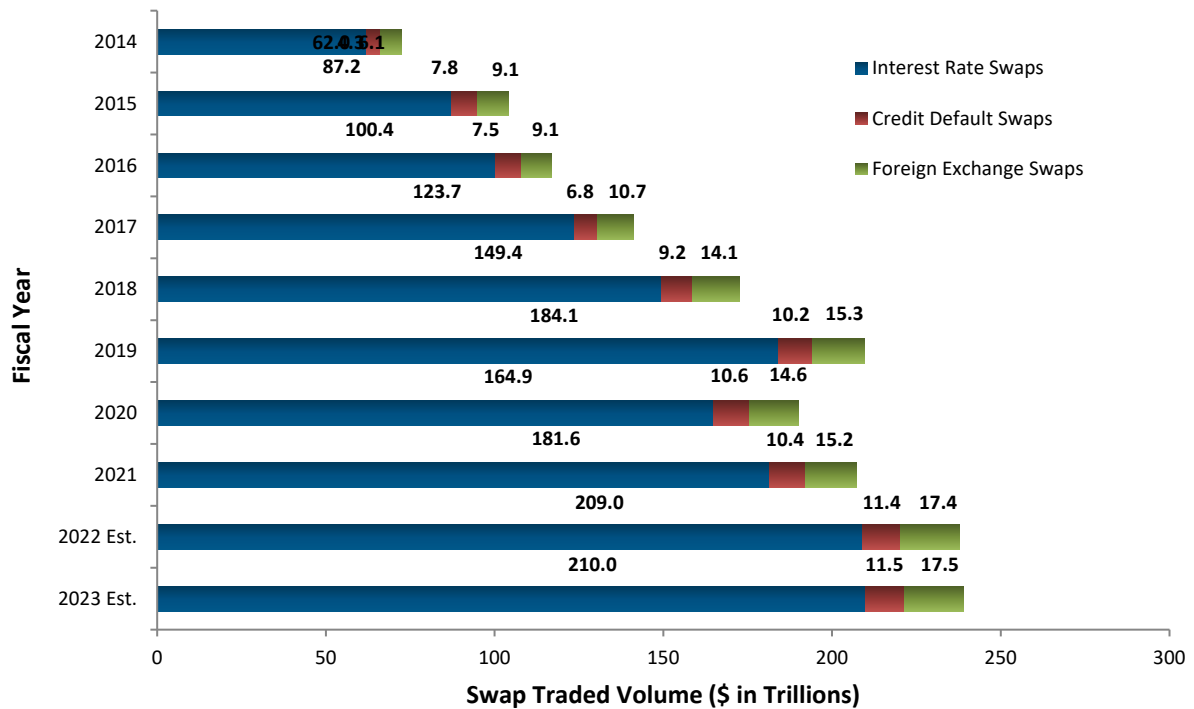
²² Data Source: Futures Industry Association, CFTC estimates.

²³ Volume for prior year may have changed due to data revisions.

Volume of Swaps Traded on Swap Execution Facilities²⁴

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



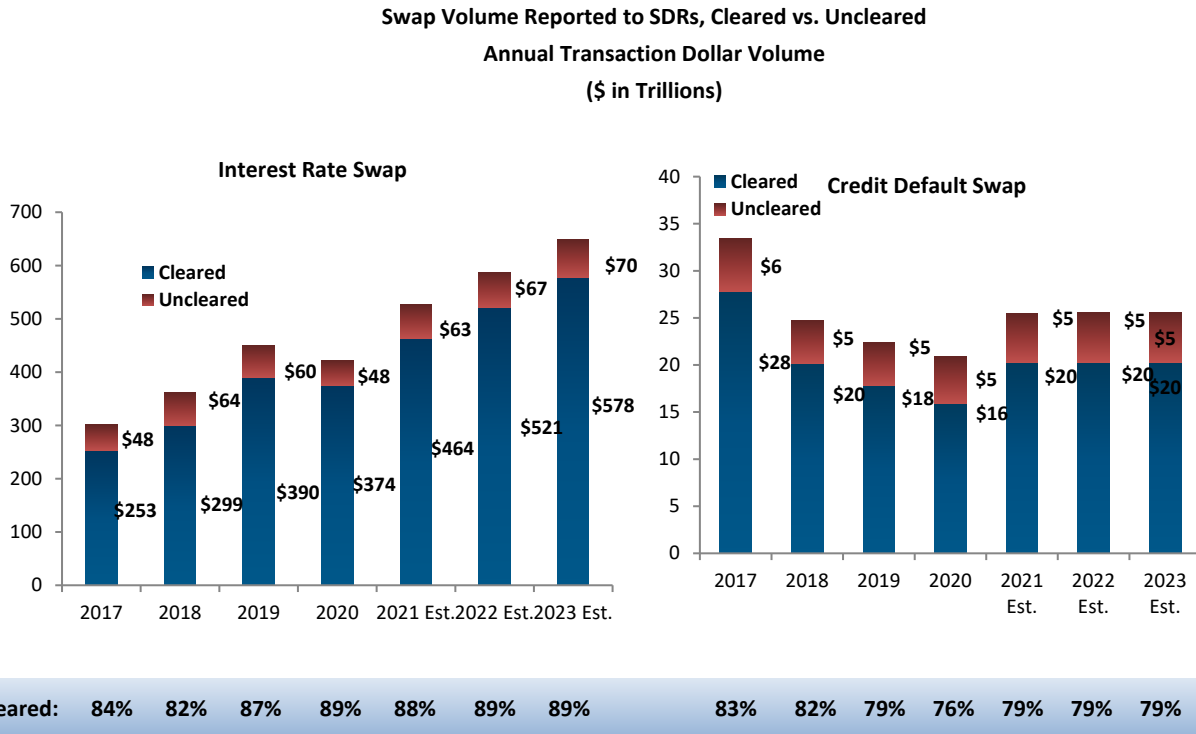
²⁴ Data Source: Futures Industry Association, CFTC estimates.

Swap Volume Reported to Swap Data Repositories, Cleared versus Uncleared²⁵

Based on data reported to SDRs, as shown in the chart below, 89 percent of total interest rate swap transactions in FY 2021 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, 79 percent of transactions were cleared in FY 2021. During 2019, the methodology to calculate the percent cleared was refined. This resulted in a decrease in clearing rate reported for credit default swaps. The FY 2021 volumes are based on estimates, as the actual numbers could not be calculated due to changes in the SDR input data formats.

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

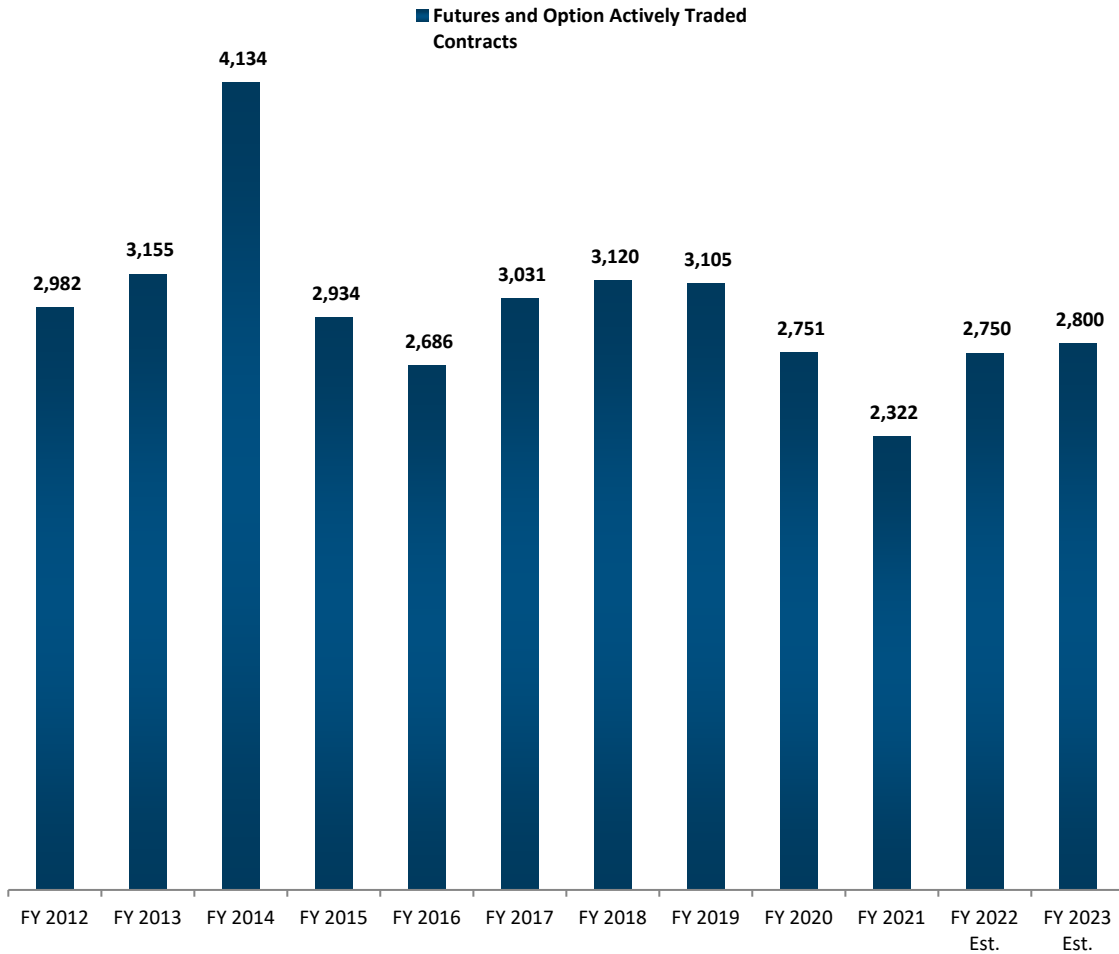


²⁵ Data Source: CFTC Weekly Swaps Report located at <http://www.cftc.gov/MarketReports/SwapsReports/index.htm>.

Actively Traded Futures and Option Contracts²⁶

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



²⁶ Data Source: CFTC Integrated Surveillance System, CFTC Estimates

Notional Value of Futures and Swaps Contracts²⁷

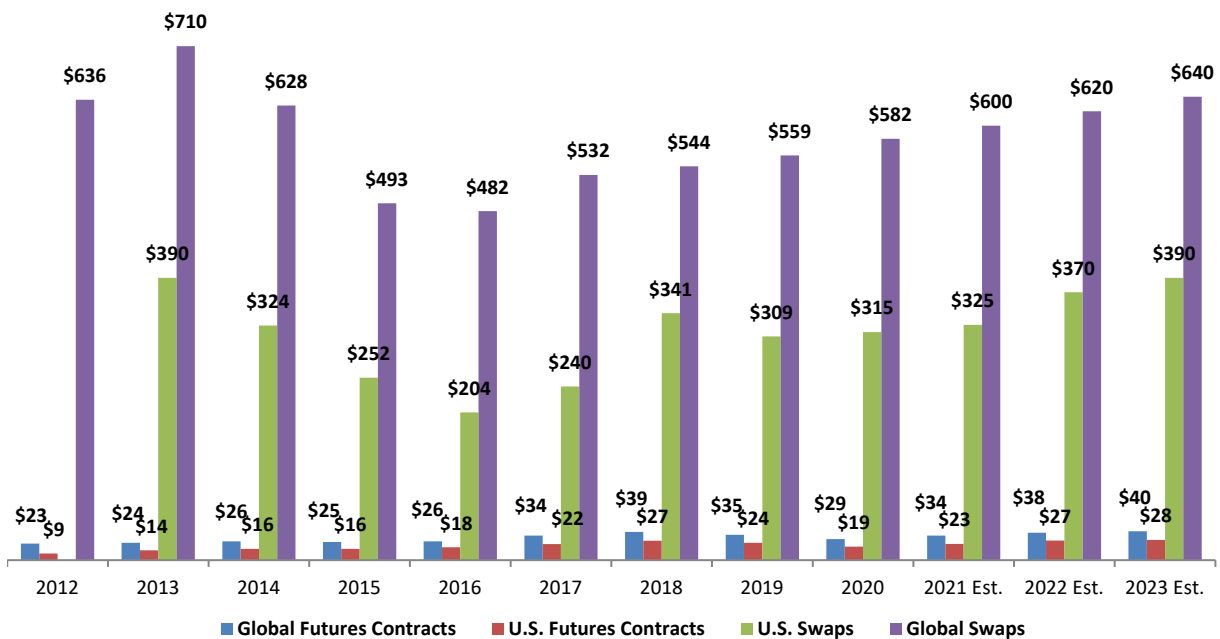
The notional value of the U.S. swaps markets, as reported in the CFTC weekly swaps report, is a significant portion of the global over-the-counter (OTC) market. U.S. swaps market data currently include data from all SDRs and reflects data relating to interest rates, credit default swaps and foreign exchange swaps. The Commission expects to include additional asset classes in the future.

Notional values do not solely reflect risk. 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.

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.

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

(Dollars in Trillions)



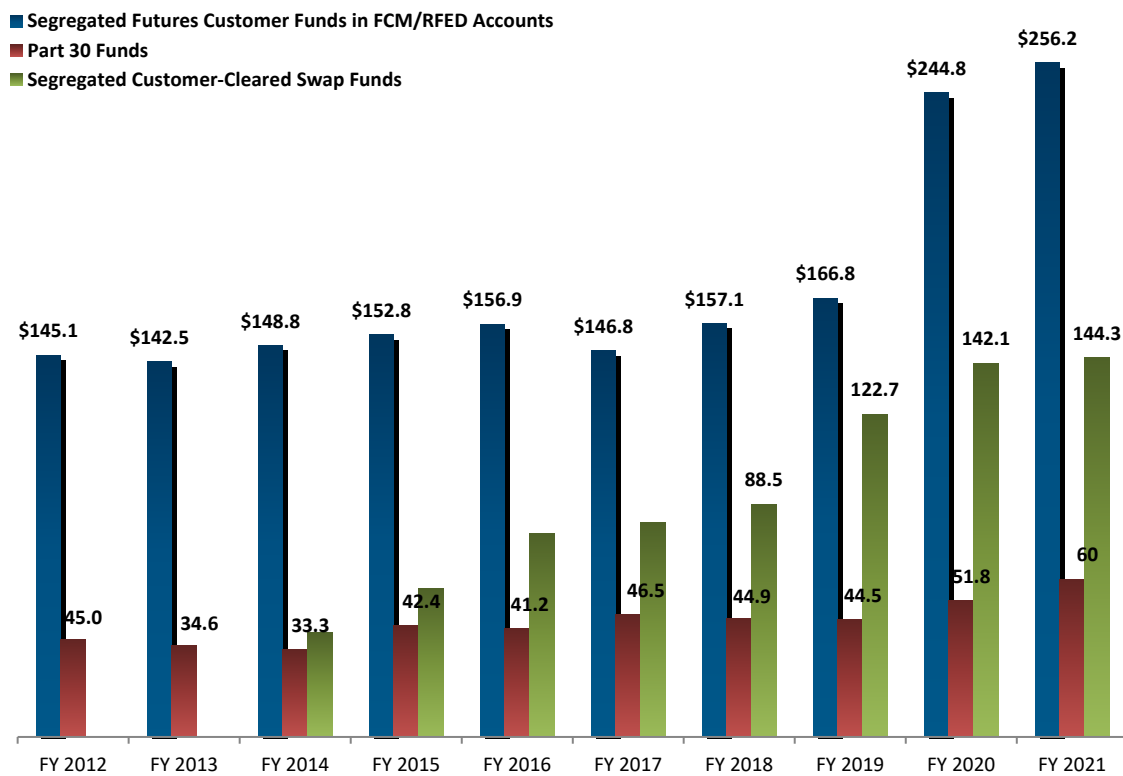
²⁷ Global Swaps reflect notional outstanding for all swap contracts globally, as reported by the Bank of International Settlements. U.S. Swaps reflect contracts reported from three SDRs as reported by the CFTC Weekly Swaps Report. From 2017 onwards U.S. Swaps include notional outstanding for interest 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 interest rate and foreign exchange contracts for North America, as reported by the Bank of International Settlements. Global Futures Contracts reflect interest rate and foreign exchange contracts globally, as report by the Bank of International Settlements. 2021 estimates are based on June 2021 data.

Customer Funds in Futures Commission Merchants Accounts²⁸

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)



²⁸ Data Source: CFTC Monthly, FCMs Financial Reporting

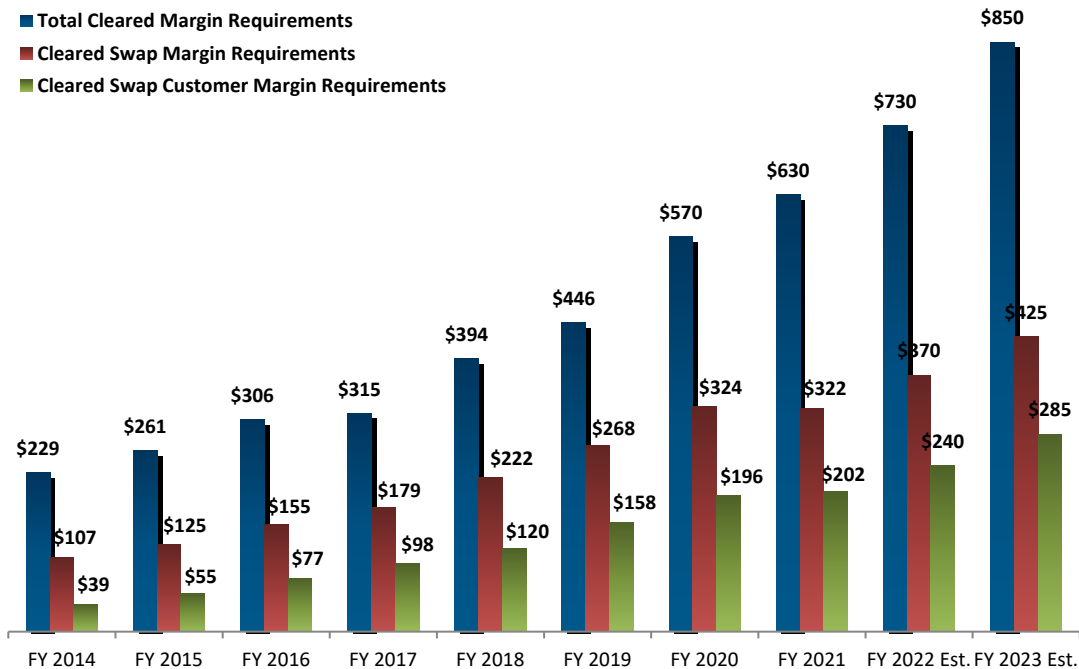
Margin Requirements²⁹

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 \$369 billion, or 141 percent, from 2015 to 2021. 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 continued to grow rapidly, increasing \$147 billion or 267 percent from 2015 to 2021.

Figure 8: Margin Requirements

(Dollars in Billions)

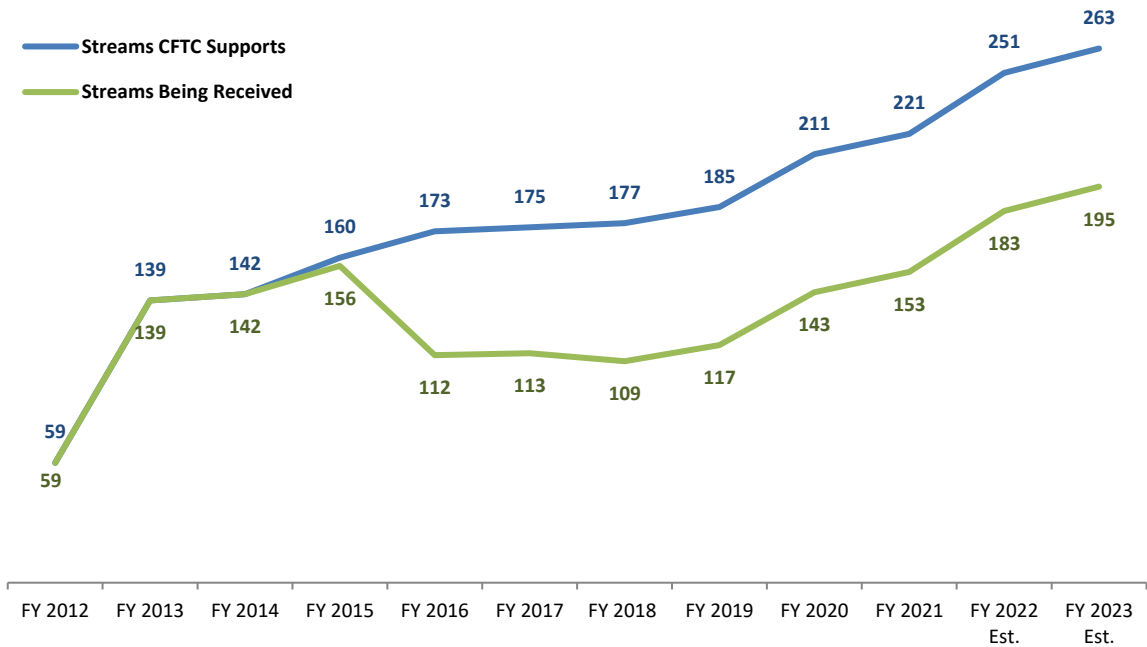


²⁹ Data Source: Part 39 data filings provided daily by DCOs.

Data Streams Supported and Being Received³⁰

The chart is a historical depiction of the number of CFTC-supported data streams received from industry. Working with industry to add values to certain files reduced the number of reporting requirements 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 2022 and FY 2023 as the Commission receives and processes additional data related to the OTC Swaps market.

Figure 9: CFTC-Supported Data Streams Received from Industry



³⁰ 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 2021, 20 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.

Each SEF electronically submits several data sets to the Commission every business day. 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 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

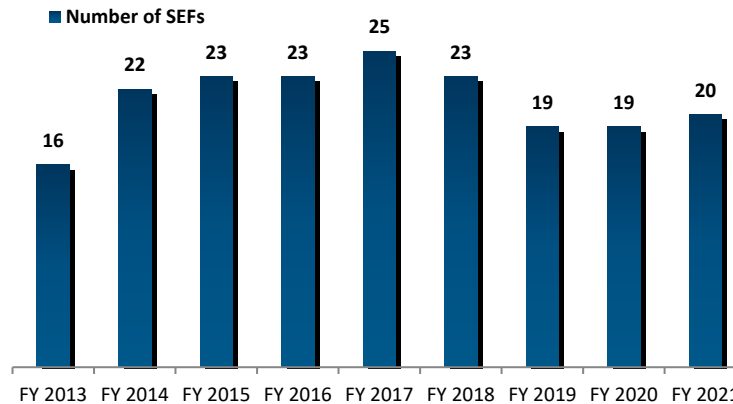


Table 22: FY 2021 List of SEFs

1	360 Trading Networks, Inc.	11	LatAm SEF, LLC
2	BGC Derivatives Markets, L.P.	12	LedgerX LLC
3	Bloomberg SEF LLC	13	MarketAxess SEF Corporation
4	Cboe SEF, LLC	14	NEX SEF Limited
5	Clear Markets North America, Inc.	15	Refinitiv US SEF LLC
6	DW SEF LLC	16	SwapEx LLC
7	GFI Swaps Exchange LLC	17	Tassat Derivatives LLC ³¹
8	ICAP Global Derivatives Limited	18	tpSEF Inc.
9	ICE Swap Trade LLC	19	Tradition SEF, Inc.
10	iSwap Euro BV	20	TW SEF LLC

³¹ 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, 16 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 for multiple 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 a complete 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

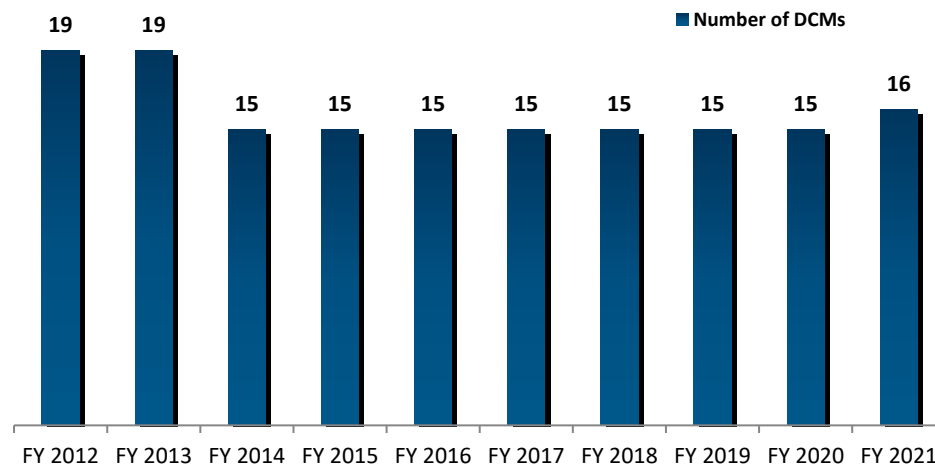


Table 23: FY 2021 List of DCMs

1	Bitnomial Exchange, LLC	9	KalshiEx, LLC
2	Cantor Futures Exchange, L.P.	10	LedgerX, LLC
3	Cboe Futures Exchange, Inc.	11	LMX Labs, LLC
4	Chicago Board of Trade	12	Minneapolis Grain Exchange, Inc.
5	Chicago Mercantile Exchange, Inc.	13	New York Mercantile Exchange, Inc.
6	Commodity Exchange Inc.	14	Nodal Exchange, LLC
7	Eris Exchange, LLC	15	North American Derivatives Exchange, Inc.
8	ICE Futures U.S., Inc.	16	Small Exchange, Inc.

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 2021, 15 DCOs were registered with the CFTC. This does not include foreign clearinghouses that have received an exemption from DCO registration from the Commission. 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 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. Additionally, since 2017, traditional DCOs (CME, ICE Clear US, MGEX) have begun clearing digital asset products. 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 requires 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. As a result, the Commission requires 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, and 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 repository³², FBI Flash Alerts, FS-ISAC³³, and ChicagoFIRST³⁴ 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 are 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, particularly 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

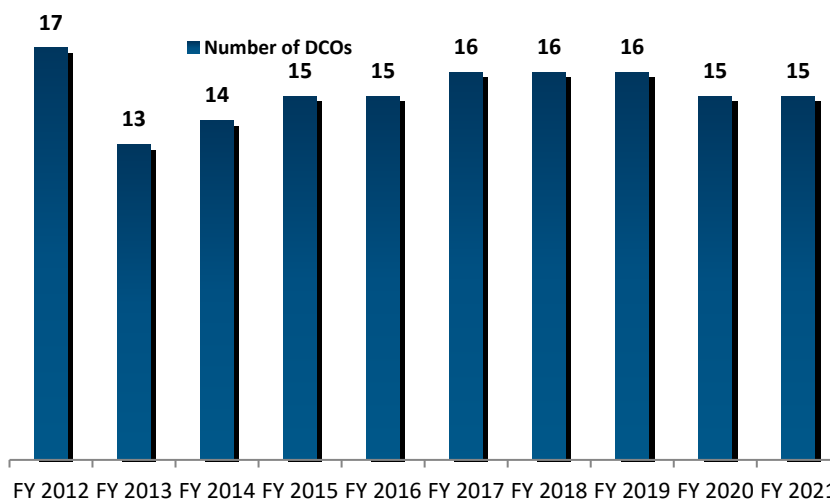


Table 24: FY 2021 List of DCOs Registered with the CFTC

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.		

³² CVE repository is a database of vulnerabilities that NIST members have experienced.

³³ 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.

³⁴ ChicagoFIRST is a gathering of critical financial firms located in Chicago who collaborate with each other and governmental officials to promote resiliency.

Systemically Important Derivatives Clearing Organizations³⁵

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 US financial system.³⁶ 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 2012.³⁷ The two SIDCOs are listed in the table below:

Table 25: FY 2021 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.³⁸ The SIDCOs listed in Table 29 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 2021.

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

³⁵ 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.

³⁶ See Section 807(d) of the Dodd-Frank Act.

³⁷ A third DCO, Options Clearing Corporation, was also designated, but the SEC is its Supervisory Agency.

³⁸ 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 US 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 PFMIs. 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. As of the end of FY 2021, the Commission has four exempt DCOs and two pending petitions for exemption.

Figure 13: Number of Exempt DCOs

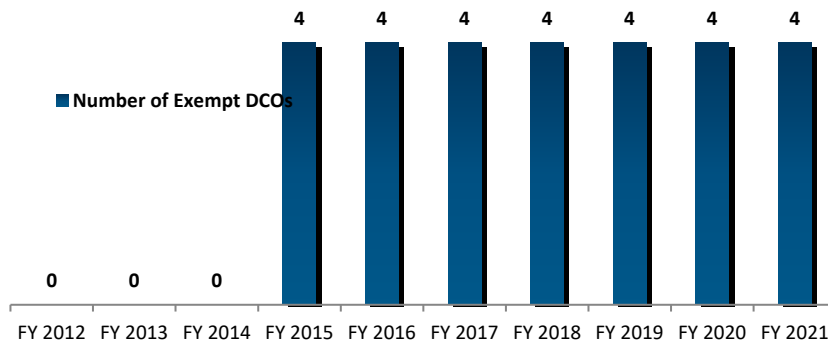


Table 26: FY 2021 List of Exempt DCOs

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

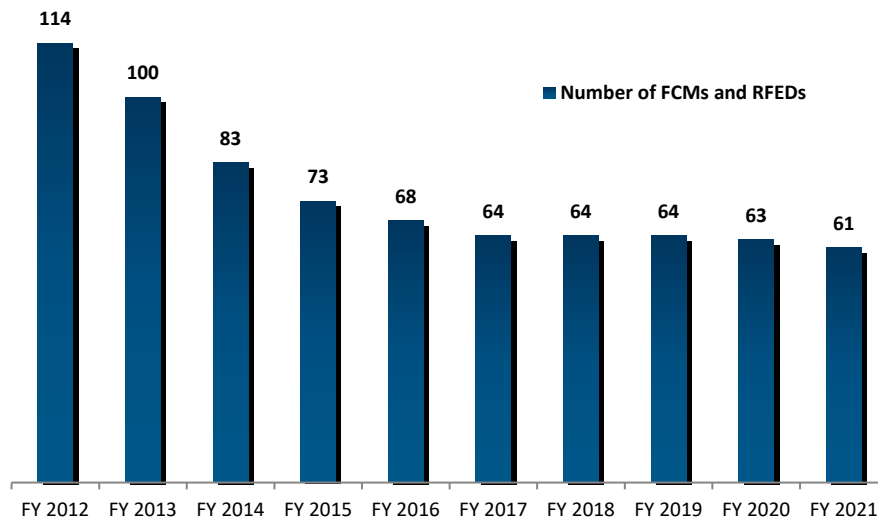
Futures Commission Merchants and Retail Foreign Exchange Dealers Registered with the CFTC

In FY 2021, 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, the 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 27: FY 2021 List of FCMs and RFEDs

1	ABN AMRO Clearing Chicago,	23	Futu Futures Inc	45	Nomura Securities
2	ADM Investor Services, Inc.	24	GAIN Capital Group, LLC ³⁹	46	OANDA Corporation ⁴⁰
3	Advantage Futures LLC	25	G.H. Financials, LLC	47	Phillip Capital Inc.
4	AMP Global Clearing LLC	26	Goldman Sachs & Co. LLC	48	Pictet Overseas Inc.
5	Apex Clearing Corporation	27	Hidden Road Partners CIV US LLC	49	RBC Capital Markets LLC
6	Bakkt Clearing, LLC	28	HSBC Securities (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	Score Priority Corp
9	BOFA Securities, Inc	31	Ironbeam Inc.	53	Scotia Capital (USA) Inc.
10	Cantor Fitzgerald & Co.	32	Jefferies LLC	54	SG Americas Securities, LLC
11	Charles Schwab & Co, Inc	33	J.P. Morgan Securities LLC	55	StoneX Financial Inc
12	Charles Schwab Futures & Forex LLC	34	Macquarie Futures USA LLC	56	Straits Financial LLC
13	CHS Hedging, LLC	35	Marex North America LLC	57	TradeStation Securities Inc
14	Citigroup Global Markets Inc.	36	McVean Trading & Investments, LLC	58	Trading.com Markets Inc
15	Credit Suisse Securities (USA) LLC	37	Merrill Lynch Professional Clearing Corp.	59	UBS Financial Services Inc.
16	Cunningham Commodities LLC	38	MID-CO Commodities, Inc.	60	UBS Securities LLC
17	Daiwa Capital Markets America Inc.	39	Mint Brokers	61	Wells Fargo Securities, LLC
18	Deutsche Bank Securities Inc.	40	Mizuho Securities USA 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	NinjaTrader Clearing LLC		

³⁹ GAIN Capital Group, LLC is an FCM that is also registered as an RFED.

⁴⁰ OANDA Corporation is an FCM that is also registered as an RFED.

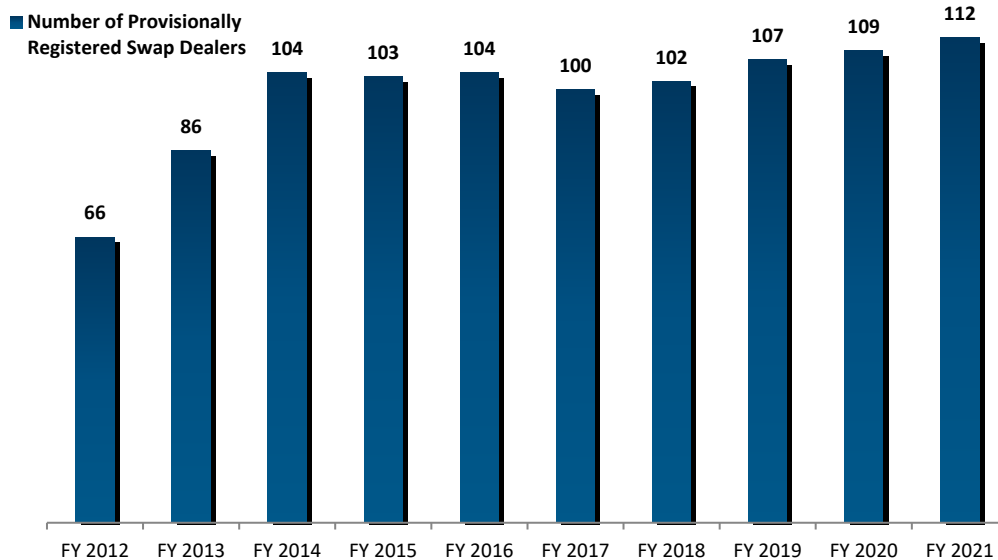
Swap Dealers Provisionally Registered with the CFTC

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, 2021⁴¹.

⁴¹ Data in the figure and table were obtained from the NFA swap dealer registry.

Table 28: FY 2021 List of Provisionally Registered SDs

1	AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD	29	COOPERATIEVE RABOBANK UA	57	INTESA SANPAOLO SPA	85	MUFG SECURITIES EMEA PLC
2	BANCO BILBAO VIZCAYA ARGENTARIA SA	30	CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK	58	J ARON & COMPANY LLC	86	NATIONAL AUSTRALIA BANK LIMITED
3	BANCO SANTANDER SA	31	CREDIT SUISSE CAPITAL LLC	59	J ARON & COMPANY SINGAPORE PTE	87	NATIONAL BANK OF CANADA
4	BANK OF AMERICA EUROPE DAC	32	CREDIT SUISSE INTERNATIONAL	60	JB DRAX HONORE UK LTD	88	NATIXIS
5	BANK OF AMERICA NA	33	CREDIT SUISSE SECURITIES EUROPE LIMITED	61	JEFFERIES FINANCIAL SERVICES INC	89	NATWEST MARKETS PLC
6	BANK OF MONTREAL	34	DANSKE BANK AS	62	JP MORGAN SECURITIES LLC	90	NOMURA GLOBAL FINANCIAL PRODUCTS INC
7	BANK OF NEW YORK MELLON THE	35	DARBY SWAP TRADING LLC	63	JP MORGAN SECURITIES PLC	91	NOMURA INTERNATIONAL PLC
8	BANK OF NOVA SCOTIA THE	36	DEUTSCHE BANK AG	64	JPMORGAN CHASE BANK NATIONAL ASSOCIATION	92	NORDEA BANK ABP
9	BARCLAYS BANK IRELAND PLC	37	E D & F MAN CAPITAL MARKETS INC	65	KEYBANK NATIONAL ASSOCIATION	93	NORTHERN TRUST COMPANY THE
10	BARCLAYS BANK PLC	38	ED&F MAN CAPITAL MARKETS LIMITED	66	LLOYDS BANK CORPORATE MARKETS PLC	94	PNC BANK NATIONAL ASSOCIATION
11	BNP PARIBAS SA	39	ED&F MAN DERIVATIVE PRODUCTS INC	67	MACQUARIE BANK LIMITED	95	RJ OBRIEN ASSOCIATES LLC
12	BOFA SECURITIES EUROPE SA	40	FIFTH THIRD BANK NATIONAL ASSOCIATION	68	MAKOR SECURITIES LONDON LTD	96	ROYAL BANK OF CANADA
13	BOFA SECURITIES JAPAN CO LTD	41	GAIN GTX LLC	69	MERRILL LYNCH CAPITAL SERVICES INC	97	SHELL TRADING RISK MANAGEMENT LLC
14	BP ENERGY COMPANY	42	GOLDMAN SACHS & CO LLC	70	MERRILL LYNCH COMMODITIES INC	98	SKANDINAVISKA ENSKILDA BANKEN AB PUBL
15	BTIG LLC	43	GOLDMAN SACHS BANK EUROPE SE	71	MERRILL LYNCH INTERNATIONAL	99	SMBC CAPITAL MARKETS INC
16	CANADIAN IMPERIAL BANK OF COMMERCE	44	GOLDMAN SACHS BANK USA	72	MIZUHO CAPITAL MARKETS LLC	100	SOCIETE GENERALE INTERNATIONAL LIMITED
17	CANTOR FITZGERALD SECURITIES	45	GOLDMAN SACHS EUROPE SE	73	MORGAN STANLEY & CO INTERNATIONAL PLC	101	SOCIETE GENERALE S A
18	CAPITAL ONE NATIONAL ASSOCIATION	46	GOLDMAN SACHS FINANCIAL MARKETS LP	74	MORGAN STANLEY & CO LLC	102	STANDARD CHARTERED BANK
19	CARGILL INCORPORATED	47	GOLDMAN SACHS FINANCIAL MARKETS PTY LTD	75	MORGAN STANLEY BANK INTERNATIONAL LIMITED	103	STATE STREET BANK AND TRUST COMPANY
20	CASA DE BOLSA FINAMEX SAB DE CV	48	GOLDMAN SACHS INTERNATIONAL	76	MORGAN STANLEY BANK NA	104	STONEX MARKETS LLC
21	CITADEL SECURITIES SWAP DEALER LLC	49	GOLDMAN SACHS JAPAN CO LTD	77	MORGAN STANLEY CAPITAL GROUP INC	105	TORONTO DOMINION BANK THE
22	CITIBANK N A	50	GOLDMAN SACHS MEXICO CASA DE BOLSA SA DE CV	78	MORGAN STANLEY CAPITAL GROUP SINGAPORE PTE	106	TRUIST BANK
23	CITIGROUP ENERGY INC	51	GOLDMAN SACHS MITSUI MARINE DERIVATIVE PRODUCTS LP	79	MORGAN STANLEY CAPITAL PRODUCTS LLC	107	TULLETT PREBON SECURITIES LIMITED
24	CITIGROUP GLOBAL MARKETS EUROPE AG	52	GOLDMAN SACHS PARIS INC ET CIE	80	MORGAN STANLEY CAPITAL SERVICES LLC	108	UBS AG
25	CITIGROUP GLOBAL MARKETS INC	53	HSBC BANK PLC	81	MORGAN STANLEY EUROPE SE	109	UNICREDIT BANK AG
26	CITIGROUP GLOBAL MARKETS LIMITED	54	HSBC BANK USA NA	82	MORGAN STANLEY MEXICO CASA DE BOLSA SA DE CV	110	US BANK NA
27	COMMERZBANK AG	55	ICBC STANDARD BANK PLC	83	MORGAN STANLEY MUFG SECURITIES CO LTD	111	WELLS FARGO BANK NA
28	COMMONWEALTH BANK OF AUSTRALIA	56	ING CAPITAL MARKETS LLC	84	MUFG BANK LTD	112	WESTPAC BANKING CORPORATION

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 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

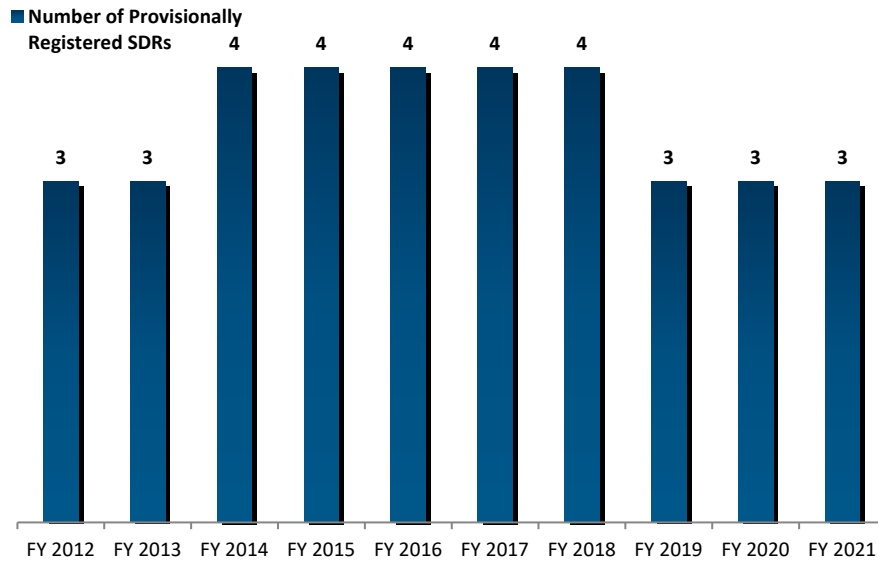


Table 29: FY 2021 List of SDRs

- 1 Chicago Mercantile Exchange, Inc.
- 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 CFR part 165.

In FY 2021, the CFTC issued six orders granting awards to whistleblowers for providing valuable information about violations of the CEA— totaling approximately \$3 million.

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

In FY 2023, 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 goal 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 for the development and implementation of public education initiatives designed to help customers protect themselves against fraud or 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 more innovative use of social media.

In FY 2021, OCEO focused on CFTC's customer education response to the COVID-19 pandemic; updating fraud prevention content, participating in virtual customer education programming, 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 2022 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 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 2023, the CFTC estimates that it will use up to \$32.6 million:

- Up to \$4.1 million will be used to finance customer education initiatives, administrative expenses, and six FTE.
- 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.

Table 30: Customer Protection Fund

	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
	\$ (000)	\$ (000)	\$ (000)
Budget Authority – Prior Year	\$118,341	\$101,076	\$0
Budget Authority – New Year	54	633,671	33,000
Prior Year Recoveries	1,546	186	100
Sequestration	(3)	(36,119)	(3,000)
Transfer	(10,000)	0	9,000
Total Budget Authority	109,938	698,814	39,100
Whistleblower Program	4,213	3,179	4,120
Whistleblower Awards	3,048	692,900	25,000
Customer Education Program	1,602	2,735	3,500
Total Planned Expenditures	8,863	698,814	32,620
Total Available or Estimate	\$101,076	\$0	\$6,480

Table 31: Customer Protection Fund – Multi-Year Account⁴²

	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
	\$ (000)	\$ (000)	\$ (000)
Budget Authority – Prior Year	\$0	\$10,000	\$9,000
Budget Authority – New Year	10,000	0	0
Prior Year Recoveries	0	0	0
Transfer	0	0	(9,000)
Total Budget Authority	10,000	10,000	0
Whistleblower Program	0	837	0
Customer Education Program	0	281	0
Total Planned Expenditures	0	1,000	0
Total Available or Estimate	\$10,000	\$9,000	\$0

⁴² Passed in July 2021, Public Law 117-25 provided the CFTC with one-time authority to set aside \$10 million from the primary CPF Fund into a separate, multi-year account to fund non-whistleblower costs (e.g., payroll, contracts, etc.) whenever the unobligated balance of the Fund is insufficient. The Commission used existing budgetary resources to establish the \$10 million account in September 2021 and these resources will be available until October 1, 2022, at which time all unobligated amounts will be returned to the primary Fund. Because the CPF was not deficient during FY 2021, no charges were billed to this account.

APPENDIX 8

Budget Summary Tables – FY 2022 President's Budget

The tables included in this appendix display the change amounts between the FY 2022 President's Budget and the FY 2023 Budget Request. These tables are for informational purposes only.

Table 32: Summary of FY 2021 to 2023 by Program– FY 2022 President's Budget Comparison

	FY 2021 Actual	FY 2022 President's Budget	FY 2023 Request	Change
	\$ (000)	\$ (000)	\$ (000)	\$ (000)
Salaries and Expenses	\$302,352	\$327,983	\$360,433	\$32,450
Office of the Inspector General	\$3,387	\$4,017	\$4,567	\$550
Total Annual Request	\$305,739	\$332,000	\$365,000	\$33,000
Facilities Relocation and Replication ⁴³	\$0	\$62,000	\$0	
Grand Total Request	\$305,739	\$394,000	\$365,000	

Columns may not add due to rounding

Table 33: Summary of FY 2021 to 2023 by Division– FY 2022 President's Budget Comparison

	FY 2021		FY 2022			FY 2023		Change
	FTE	Actual \$ (000)	FTE	President's Budget \$ (000)	FTE	Request \$ (000)	FTE	\$ (000)
Enforcement	160	\$57,679	170	\$61,872	172	\$66,724	2	\$4,852
Market Oversight	78	\$25,813	84	\$29,825	86	\$32,498	2	\$2,674
Clearing and Risk	78	\$25,933	91	\$32,976	91	\$33,838	0	\$862
Market Participants	65	\$21,912	73	\$25,226	73	\$27,318	0	\$2,092
Office of the Chief Economist	19	\$6,000	20	\$6,773	20	\$7,052	0	\$279
Legal	54	\$22,984	55	\$23,972	59	\$25,993	4	\$2,021
Office of International Affairs	15	\$5,086	17	\$6,446	18	\$7,132	1	\$686
Data	39	\$28,892	49	\$34,365	50	\$42,588	1	\$8,223
Administration	123	\$95,572	134	\$91,198	136	\$101,217	2	\$10,019
Office of the Chairman & Commissioners	34	\$12,481	40	\$15,329	43	\$16,071	3	\$743
Office of the Inspector General	8	\$3,387	10	\$4,017	11	\$4,567	1	\$550
Total	673	\$305,739	743	\$332,000	759	\$365,000	16	\$33,000

Columns may not add due to rounding

⁴³ Facilities Relocation and Replication resources are a separate no-year account from the Commission's other PPAs included in the FY 2022 President's Budget request.

Table 34: Summary of FY 2021 to 2023 by Object Class – FY 2022 President's Budget Comparison

Annual Baseline Request	FY 2021 Actual	FY 2022 President's Budget	FY 2023 Request	Change
	\$ (000)	\$ (000)	\$ (000)	\$ (000)
11.0 Personnel Compensation	\$138,174	\$158,427	\$169,862	\$11,434
12.0 Personnel Benefits	\$48,791	\$52,610	\$61,224	\$8,614
13.0 Former Personnel Benefits	\$14	\$0	\$0	\$0
21.0 Travel and Transportation of Persons	\$5	\$2,108	\$2,149	\$41
22.0 Transportation of Things	\$46	\$51	\$52	\$1
23.1 Rental Payments to GSA	\$199	\$231	\$3,336	\$3,105
23.2 Rental Payments to Others	\$26,831	\$27,786	\$25,241	(\$2,545)
23.3 Communication, Utilities, & Misc.	\$2,597	\$3,106	\$3,168	\$62
24.0 Printing and Reproduction	\$679	\$644	\$657	\$13
25.0 Other Services	\$81,708	\$81,868	\$90,922	\$9,054
26.0 Supplies and Materials	\$3,690	\$2,459	\$2,609	\$150
31.0 Equipment	\$3,005	\$2,694	\$5,763	\$3,070
32.0 Building and Fixed Equipment	\$0	\$16	\$16	\$0
42.0 Litigation Fees and Awards	\$0	\$0	\$0	\$0
Total	\$305,739	\$332,000	\$365,000	\$33,000
Facilities Relocation and Replication Request⁴⁴				
21.0 Travel and Transportation of Persons		\$97		(\$97)
22.0 Transportation of Things		\$1,095		(\$1,095)
23.1 Rental Payments to GSA		\$31,920		(\$31,920)
24.0 Printing and Reproduction		\$10		(\$10)
25.0 Other Services		\$6,254		(\$6,254)
25.4 Operation and Maintenance - Facilities		\$248		(\$248)
25.7 Operation and Maintenance - Equipment		\$675		(\$675)
26.0 Supplies and Materials		\$75		(\$75)
31.0 Equipment Purchase		\$15,526		(\$15,526)
32.0 Land and Structures – Building Alterations		\$6,100		(\$6,100)
Total		\$62,000		(\$62,000)
Grand Total	\$305,759	\$394,000	\$365,000	(\$29,000)

Columns may not add due to rounding

⁴⁴ Facilities Relocation and Replication resources are a separate no-year account from the Commission's other PPAs included in the FY 2022 President's Budget request.

APPENDIX 9

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