



COMMODITY FUTURES TRADING COMMISSION

BUDGET REQUEST

FISCAL YEAR 2018



Prepared for the Committee on Appropriations, May 2017



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

J. Christopher Giancarlo
Acting Chairman

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

Chairman's Transmittal Letter

May 23, 2017

The Honorable Thad Cochran
Chairman
Committee on Appropriations
U.S. Senate
Washington, D. C. 20510

The Honorable Rodney P. Frelinghuysen
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D. C. 20515

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

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

Dear Chairman Cochran, Senator Leahy, Chairman Frelinghuysen, and Representative Lowey:

I am pleased to transmit the U.S. Commodity Futures Trading Commission (CFTC or Commission) justification for the Commission's fiscal year (FY) 2018 budget request. If fulfilled, this budget request would maximize the Commission's ability to oversee our nation's swaps, futures and options markets.

The mission of the CFTC is to foster open, transparent, competitive and financially sound markets for the trading of risk hedging instruments through derivatives. Derivatives markets serve the need of the American economy to price and transfer commercial risk. They are primary price discovery vehicles, across all major asset classes, both in the U.S. and globally.

Derivatives provide a forum in which market participants can manage the risks of variable production costs, such as the price of raw materials, energy, foreign currency and interest rates. They serve the vital economic function of permitting risk transfer from those who cannot afford it to those who can. For more than 100 years, farmers and ranchers have used listed derivatives markets to hedge their costs of production and delivery price so that Americans can always find plenty of food on supermarket shelves. But derivatives markets are not just beneficial for agricultural producers. They impact the price and availability of heating in American homes, the energy used in factories, the interest rates borrowers pay on home mortgages and the returns workers earn on their retirement savings.

In short, derivatives serve the needs of society to help moderate price, supply and other commercial risks. Thus, derivatives free up capital for other purposes and boost economic growth, job creation and American prosperity.

As a civil law enforcement agency, the CFTC has the duty to protect and serve derivative market participants. We oversee derivatives clearinghouses, futures exchanges, swap dealers, swap data repositories (SDRs), swap execution facilities (SEFs), future commission merchants (FCMs) and other intermediaries. Our primary duties include oversight of the over-the-counter (OTC) swaps market as legislated by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the enforcement of laws against market fraud such as spoofing and phony dealing, and the monitoring of market activity to assess systemic risk.

In order for the CFTC to fulfill its duty to oversee these vital markets in FY 2018, I am requesting \$281.5 million and 739 full-time equivalents (FTE). This is an increase of \$31.5 million and 36 FTE over the FY 2017 continuing resolution (CR) level.

Of these additional resources, approximately 36 percent are devoted to economic and legal analysis and examinations. The investment in economic capabilities is aimed at boosting the CFTC's analytical expertise and monitoring of systemic risk in the derivatives markets, in particular with regard to central counterparty clearinghouses. It includes the expansion of sophisticated econometric and quantitative analysis devoted to risk modeling, stress tests, and other stability-related evaluations necessary for market oversight. Furthermore, such analysis will help the CFTC fulfill the Presidential Executive Order on Core Principles for Regulating the U.S. Financial System, relating to the principle of "[to] foster economic growth and vibrant financial markets through more rigorous regulatory impact analysis that addresses systemic risk and market failures, such as moral hazard and information asymmetry."

We also seek to strengthen the Commission's examinations capability to enable it to keep pace with the explosive growth in the amount and value of swaps cleared by designated clearing organizations (DCOs) pursuant to global regulatory reform implementation. As the size and scope of DCOs increases, so too has the complexity of the counterparty risk management oversight programs and liquidity risk management procedures of the DCOS under CFTC regulation here and abroad.

In FY 2018, the Commission also plans to increase staffing and resources to address financial technology innovation (FinTech). Through FinTech, the Commission will look to address three fundamental issues arising from this transformational change: 1) how the CFTC should leverage FinTech innovation to make it a more effective regulator, 2) how FinTech can help the CFTC identify rules and regulations that need to be updated for relevance in digital markets, and 3) the role of the Commission in supporting U.S. FinTech innovation in CFTC regulated markets.

Agency direction and management increases reflect a recent reorganization that shifted, streamlined and centralized business management functions from the mission delivery divisions to administrative services, a change that will produce long-term savings. In FY 2018, I plan on taking actions to further examine and streamline operations where appropriate to maximize effective use of resources.

The \$31.5 million in additional funds over FY 2017 is not a formulaic or superficial number, but a thorough and informed assessment of what the CFTC needs to execute its mission in FY 2018. In the five months since becoming Acting Chairman, I have reviewed all core CFTC budget functions in concert with our division directors. I have also reviewed the needs of our offices that provide various support services to our four divisions in the shared services organizational model I have instituted at the CFTC. I have constructed a budget from the bottom up based upon what we need to do our job. The \$281.5 million FY 2018 budget request reflects the current needs of the CFTC rather than continuing to build upon prior year assessments.

The U.S. derivatives markets should be neither the most regulated nor the least regulated of the world—but the best regulated. This quest for superior regulatory oversight and unswerving enforcement of our laws motivates the work of the hundreds of talented men and women who

serve their country at the CFTC. Only with such a commitment can all Americans experience the economic benefits that risk-transfer markets afford. This budget request ensures that the CFTC can meet such a standard before the American people. Thank you for your consideration and respect.

Sincerely,

A handwritten signature in black ink, appearing to read "JCGiancarlo". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

J. Christopher Giancarlo

cc:

The Honorable Shelley Moore Capito
Chairwoman
Subcommittee on Financial Services
and General Government
Committee on Appropriations
U.S. Senate
Washington, D. C. 20510

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

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

The Honorable Sanford D. Bishop, Jr.
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 2018 Budget Request

Table of Contents

EXECUTIVE SUMMARY	1
Highlights of the 2018 Budget by Mission Function.....	1
OVERVIEW OF THE FY 2018 BUDGET	5
FY 2018 Budget Request by Program	5
FY 2018 Budget Request by Mission Function	6
FY 2018 Budget Request by Division.....	7
FY 2018 Budget Request by Object Class	8
Crosswalk from FY 2017 to FY 2018.....	9
JUSTIFICATION OF THE FY 2018 BUDGET BY MISSION FUNCTION	10
Enforcement	10
Surveillance.....	13
Examinations	17
Registration and Compliance.....	21
Product Reviews	25
Economic and Legal Analysis.....	29
International Policy	33
Data and Technology Support.....	36
Agency Direction and Management.....	39
APPENDIX 1	42
The Commissioners	42
Organizational Divisions and Offices.....	42
APPENDIX 2.....	46
Information Technology.....	46
APPENDIX 3.....	50
Inspector General	50
Inspector General’s Comment on the CFTC FY 2018 Budget Request	51
Inspector General’s FY 2018 Budget Request	52
APPENDIX 4.....	53
Statement of Availability on Basis of Obligations	54
APPENDIX 5.....	55
Customer Protection Fund	55
APPENDIX 6.....	58
APPENDIX 7.....	79
Table of Acronyms	79

The FY 2018 Budget Request

Figures and Tables

Table 1: Summary of FY 2016 to 2018 by Program	5
Figure 1: \$281.5 Million Budget Request by Program	5
Table 2: Summary of FY 2016 to 2018 by Mission Function	6
Figure 2: \$281.5 Million Budget Request by Mission Function	6
Table 3: Summary of FY 2016 to 2018 by Division	7
Figure 3: \$281.5 Million Budget Request by Division.....	7
Table 4: Summary of FY 2016 to 2018 by Object Class.....	8
Figure 4: \$281.5 Million Budget Request by Object Class	8
Table 5: Crosswalk from FY 2017 to FY 2018	9
Table 6: Breakout of Enforcement by Division	12
Figure 5: Enforcement Request by Division	12
Table 7: Breakout of Surveillance by Division	16
Figure 6: Surveillance Request by Division	16
Table 8: Breakout of Examinations by Division	20
Figure 7: Examinations Request by Division	20
Table 9: Breakout of Registration and Compliance by Division	24
Figure 8: Registration and Compliance Request by Division	24
Table 10: Breakout of Product Reviews by Division.....	28
Figure 9: Product Reviews Request by Division.....	28
Table 11: Breakout of Economic and Legal Analysis by Division.....	32
Figure 10: Economic and Legal Analysis Request by Division	32
Table 12: Breakout of International Policy by Division	35
Figure 11: International Policy Request by Division	35
Table 13: Breakout of Data and Technology Support by Division	38
Table 14: Breakout of Agency Direction and Management by Division	41
Figure 12: Agency Direction and Management Request by Division	41
Table 15: Information Technology Budget	49
Table 16: Inspector General’s Budget Request	50
Table 17: Summary of FY 2016 to 2018 Statement of Availability on Basis of Obligations	54
Table 18: Customer Protection Fund	57
Table 19: Matrix of U.S. Registered Entities and Registrants by CFTC Mission Function	59
Table 20: Number of Market Participants by Fiscal Year	60
Figure 13: Growth of Volume of Contracts Traded	62
Figure 14: Volume of Swaps Traded on Swap Execution Facilities	63
Figure 15: Swaps Volume, Cleared vs. Uncleared.....	64
Figure 16: Actively Traded Futures and Option Contracts	65
Figure 17: Notional Value of Exchange-Traded and OTC Contracts	66
Figure 18: Customer Funds in FCM Accounts.....	67
Figure 19: Margin Requirements	68
Table 21: Swap Execution Facilities	70
Table 22: Contract Markets Designated by the CFTC	72
Table 23: Derivatives Clearing Organizations Registered with the CFTC....	74
Table 24: Systemically Important DCOs.....	75
Table 25: Exempt DCOs.....	76
Table 26: Swap Data Repositories Registered with the CFTC	77
Figure 20: Number of Types of Swaps Data Loaded onto CFTC Systems....	78

Executive Summary

The Commission's mission is to foster open, transparent, competitive, and financially sound markets to avoid systemic risk; and to protect market users and their funds, consumers, and the public from fraud, manipulation, abusive practices related to derivatives and other products that are subject to the Commodity Exchange Act (CEA). To fulfill these roles, the Commission oversees the Nation's futures, options, and swaps market intermediaries, including designated contract markets (DCMs), SEFs, DCOs, FCMs, swap dealers and SDRs. Effective oversight of today's markets requires a modern regulator that can simultaneously foster economic growth and prosperity in the markets, while also fulfilling its mission to protect the public from harm.

The markets overseen by the Commission have a profound effect on the U.S. economy and the prices American families pay for food, energy, transportation and most other goods and services. The derivative markets provide the vehicle by which the risks of variable production costs, such as the price of raw materials, energy, foreign currency and interest rates, can be transferred from those who cannot afford them to those that can. The markets play an essential role in pricing risk and transferring it in efficient ways. For example, derivatives enable farmers to lock in a price for their crops, and utility companies or airlines to hedge the costs of fuel. The derivatives market enables banks to increase business lending and economic investment. A wide variety of businesses—such as manufacturers, retailers, farmers and ranchers—use these markets to manage routine commercial risk. They allow exporters and importers to manage fluctuations in foreign currency exchange rates, and businesses of all types to secure their costs of borrowing. They serve the needs of society to help moderate price, supply and other commercial risks to free up capital for economic growth, job creation and prosperity.

In order for the Commission to fulfill its responsibilities in FY 2018 to oversee these vital markets, it is requesting \$281.5 million and 739 FTE. The requested increase of \$31.5 million and 36 FTE above the FY 2017 CR level represents a deliberate effort to control costs by streamlining operations, and making a few targeted investments that will improve the efficiency of the Commission's regulatory functions. Approximately 78 percent, or \$24.5 million, of the requested increase supports continued advances in market intelligence, econometric and cost-benefit analysis, and allows for dedicated resources that will help financial technology innovators navigate regulatory compliance on new transformative products that foster efficient and transparent markets. The remaining 22 percent, or \$7 million, of the requested \$31.5 million increase is to sustain current information technology (IT) investments that enhance all of the Commission's functions, such as market intelligence, financial and risk surveillance, data collection and analysis, and enforcement.

The Commission is undergoing efforts to reduce the regulatory burden put in place under the Dodd-Frank Act framework, by making existing regulations simpler, less burdensome and less costly to understand and follow. Through this effort, market integrity, transparency, and better price information will come to the marketplace. The Commission plays a vital role in market stability and must make sure that the new regulatory framework is working as intended. The requested resources allow the Commission to accomplish this, and effectively oversee the markets and protect those that participate in them.

Highlights of the 2018 Budget by Mission Function

Enforcement

In FY 2018, the Commission requests \$54.7 million and 153 FTE for its enforcement function. Preservation of market integrity and protection of customers from harm are the overarching goals of the Commission's enforcement function. A strong enforcement program is vital to maintaining public confidence in the financial markets. This is critical to the market participants who depend on the futures and swaps marketplace. It is also critical to the retail customers who trust their hard-earned dollars to off-exchange firms who promise that great profits will be achieved quickly, only to

misappropriate the customers' funds or lose them through trading or exorbitant commissions. The illegal, fraudulent off-exchange firms continue to proliferate.

The Commission's enforcement efforts are necessary for public confidence and trust in the financial markets. The Commission uses its authority to deter fraudulent and manipulative conduct operations and ensure that markets, firms and participants subject to the Commission's oversight meet their obligations. The Commission also engages in cooperative enforcement work with domestic, state and Federal, and international regulatory and criminal authorities. When required, the Commission supports criminal prosecution of provable, willful violations of the CEA. Based on the continued growth of innovative products and practices within the industry, the Commission anticipates more time-intensive and inherently complex investigations due to algorithmic, high-speed trading. Today, analyzing trading patterns requires the ability to handle massive quantities of data, with the resulting increased and enhanced need for sophisticated and evolving IT capabilities, and the forensic economic capacity. For example, the advent of new, complicated forms of illegal trading requires obtaining and reviewing massive quantities of data. This can only be accomplished through maintaining the current investment in technology and infrastructure.

Surveillance

In FY 2018, the Commission requests \$52.1 million and 118 FTE for market surveillance, an increase of \$3.5 million over the FY 2017 CR level. Surveillance over the complex markets and sophisticated trading instruments used in the industry today requires a depth of practical industry knowledge in the commercial use of the physical, futures and derivative products. The Commission analyzes current and emerging derivative market dynamics, developments, and trends to assist in Commission policy development, assist other Federal agencies, Congress, the Administration, and the public in making informed decisions. The Commission conducts high value-added analysis using proprietary and outside data to inform sound policymaking at the Commission and to promote efficient and financially sound markets. The Commission monitors trading and positions of market participants on an ongoing basis. Staff screen for potential market manipulations and disruptive trading practices, as well as trade practice violations. Such market surveillance is critical, and dependent on the ability to acquire large volumes of data and to use it through the development of sophisticated analytics to identify trends and/or outlying events that warrant further investigation.

The CFTC monitors over 40 physical commodities, as well as a wide range of financial futures and options products based on interest rates, equities, and currencies. There are over 4,000 actively traded futures and options contracts. When all tenors and associated options are included, thousands more are subject to Commission oversight. Transactions are only part of the surveillance picture, the Commission must also be aware of emerging market issues. In today's high-speed, constantly evolving markets, manipulation and fraud are often conducted using complex strategies involving bids and offers, which far outnumber consummated transactions.

Examinations

In FY 2018, the Commission requests \$27.7 million and 94 FTE for examinations. 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. This function includes direct examinations performed by the Commission staff and oversight of examinations performed by self-regulatory organizations (SROs). The Commission performs an array of mission critical examination functions over registered intermediaries that help ensure market integrity, protect customer funds, foster transparent business conduct and support firm compliance with the CEA and CFTC regulations.

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

expand in future fiscal years, as it is currently reviewing new applications. Currently, the Commission has six registered clearinghouses located overseas, including some that are extremely important to the markets given the volume of swaps and futures cleared for U.S. entities. There are also many other foreign clearinghouses that are not registered but are permitted to engage in certain types of activity in the United States. Although the Commission relies principally on foreign authorities for oversight, it does engage in some monitoring and surveillance of such clearinghouses.

Registration and Compliance

In FY 2018, the Commission requests \$15.9 million and 51 FTE for its registration and compliance function, an increase of \$0.3 million over the FY 2017 CR level. The Commission's ability to analyze registrations in a timely and thorough manner is critical to market efficiency and confidence. Intermediary registrants play a vital role in the Nation's financial system by connecting customers to the global market. They include swap dealers, futures commission merchants, commodity pool operators, and commodity trading advisors, among others. With over \$275 billion in customer funds, they serve as a cornerstone of the Commission's regulatory framework. As such, the Commission directs its registration and compliance resources to provide critical policy and regulatory guidance to market participants, both directly and in coordination with the National Futures Association (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.

The swap regulatory framework resulted in the registration of 23 SEFs and over 100 swap dealers, plus four provisionally registered SDRs. In light of the increasing globalization of the markets, the Commission also issued Orders of Registration for 15 foreign boards of trade (FBOTs) and 12 pending applications. As part of the process, the FBOT and its clearing entity must demonstrate that they are subject to comprehensive regulation by the regulatory authorities in their home country that is comparable to the manner in which the Commission oversees DCMs and DCOs. The Commission also reviews applications for registration or exemption from a number of foreign central counter-parties DCOs. The Commission expects additional petitions for exemption from DCO registration applications in FY 2018 and beyond. The Commission performs a thorough review of the applications of all entities seeking to be registered or designated as a DCM, SEF, FBOT, clearinghouse, or SDR. It also oversees the work of the NFA in regard to the registration of swap dealers, major swap participants, futures commission merchants, commodity pool operators, and other intermediaries.

Product Reviews

In FY 2018, The Commission requests \$5.4 million and 17 FTE for its product review function an increase of \$0.8 million over the FY 2017 CR level. The Commission conducts reviews of new contract filings to ensure that the contracts are not readily susceptible to manipulation or price distortion, and are subject to appropriate position limits or position accountability. For similar reasons, the Commission also analyzes amendments to contract terms and conditions. In addition, new and existing swaps products that are offering clearing are reviewed to determine whether they should be required to be cleared pursuant to a clearing requirement. Proliferation of products by industry, and the inherently greater complexity of swaps contracts require the Commission to maintain a steady staff to keep pace with industry's innovations and act in a timely and efficient manner. The Commission anticipates that in FY 2018 it will adopt speculative position limit rules pertaining to certain physical swaps and futures contracts across DCMs and SEFs that are linked to 25 core referenced futures contracts. The Commission anticipates leveraging the exchanges as much as possible to conserve resources and reduce burdens to market participants.

Economic and Legal

In FY 2018, the Commission requests \$34.8 million and 111 FTE for its economic and legal support function. The Commission is expanding its core expertise and capacity under this function in order to provide appropriate coverage, conduct in-depth studies of economic issues impacting all areas of Commission and regulatory interest, and provide support to emerging financial market technologies, FinTech, seeking to introduce innovative products in the market.

The Commission will support FinTech by providing companies with a single point of contact at the CFTC to help guide it through regulatory engagement. Commission staff will help entities understand the CFTC's regulatory regime as it relates to the company's proposed activities, and clarify the CFTC's regulatory expectations regarding the type of entity or activity that the company will be providing.

The Commission leverages effective inter-agency collaboration on market structure issues, risk assessments, regulatory reform impact assessments, and conducts firm, specific analysis of trading activity and risk exposures, of proprietary trading firms, banks, hedge funds, asset management companies, end-users, as well as engages in economic analysis of swap market structure, including execution methods, using SEF audit trail data. With these efforts and improvements in data quality and computing capacity, the Commission through its economic capability will be positioned, by FY 2019, to develop dashboards to measure and monitor risk, conduct robust quantitative analysis of impact of regulations on liquidity, volatility, market quality and transaction costs and to collaborate with other regulators, domestic and international, on quantitative economic analysis of cross-jurisdictional activities.

The Commission must also have adequate representation in Federal courts and before administrative bodies in litigation, including appeals of enforcement actions, challenges to CFTC actions, derivatives industry bankruptcies, employment lawsuits and other administrative matters. The Commission's legal resources also provide reviews of proposed rules, as well as staff interpretive and no-action letters to ensure consistency and compliance with the requirements of the CEA.

International Policy

In FY 2018, the Commission requests \$5.5 million and 16 FTE for its international support function. The futures and swaps market is global in nature. It is, therefore, important that the Commission engage foreign regulators and international standards setting bodies in an effective manner to promote consistent, high-quality derivatives regulation and develop measures that are intended to minimize systemic risk. This request will allow the CFTC to continue current consultation and coordination efforts with international authorities, and ensure consistent regulatory requirements for U.S. registrants. The budget request reflects the Commission's continued outreach with authorities responsible for the regulation of commodity and derivatives markets in major market jurisdictions, to support the adoption, implementation and enforcement of consistent standards in and across jurisdictions.

Data and Technology Support

IT infrastructure is the foundation upon which the Commission's mission specific systems are built, and is the key enabler for delivery of critical systems and services. The markets and participants that the Commission regulates generate and report a large quantity of information from multiple industry sources across multiple markets. As the Commission's regulatory regime is changing, it needs to ensure that it is able to integrate data into the existing program initiatives, and that existing program and processes are able to accept new techniques and technologies. Data management is essential to all of Commission's regulatory initiatives and, in particular, to integrating swaps oversight into existing program initiatives. In order to fulfill its mission, the Commission depends heavily on its ability to quickly access and analyze large volumes of complex market data. A primary area of focus must be on data understanding and ingestion—particularly because CFTC has a unique imperative to aggregate various types of data from multiple industry sources across multiple market segments both domestic and international.

In FY 2018, the Commission requests \$57.0 million for the purchase of IT, which, when fully loaded to include personnel costs, totals \$86.4 million and 92 FTE. The total IT Portfolio located in Appendix 2 provides a full breakout of the \$86.4 million.

Overview of the FY 2018 Budget

FY 2018 Budget Request by Program^{1 2 3 4 5}

Table 1: Summary of FY 2016 to 2018 by Program

	FY 2016	FY 2017	FY 2018	
	Actual	Continuing Resolution	Request	Change
	\$ (000)	\$ (000)	\$ (000)	\$ (000)
Salaries and Expenses	\$196,656	\$197,380	\$221,190	\$23,810
Office of the Inspector General	\$2,608	\$2,620	\$3,310	\$690
Information Technology	\$50,387	\$50,000	\$57,000	\$7,000
Total	\$249,650	\$250,000	\$281,500	\$31,500

Columns may not add due to rounding

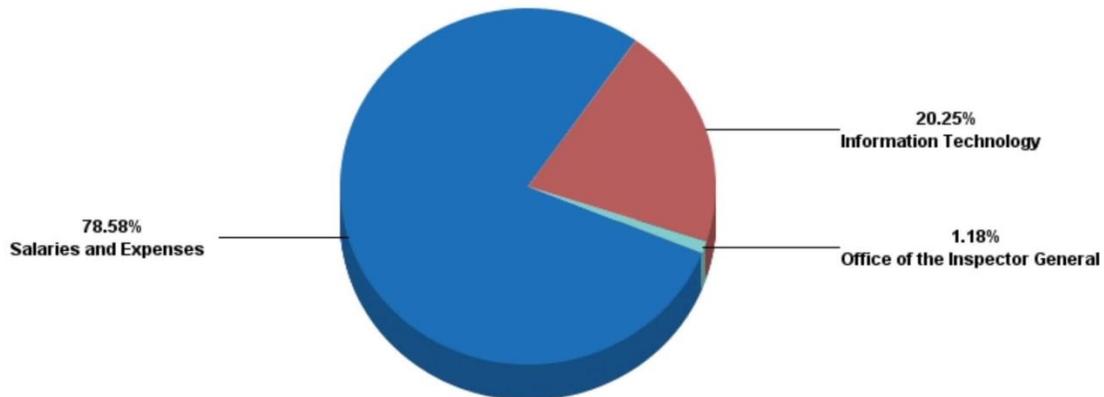


Figure 1: \$281.5 Million Budget Request by Program

¹ FY 2017 Continuing Resolution: Annualized estimates provided by the Continuing Appropriations Act, 2017 (Division C of Public Law 114-223), as amended by the Making Further Continuing Appropriations Act, 2017, and For Other Purposes (Public Law 115-30).

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

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 Information Technology: The Information Technology program provides funding for information technology investments. This includes hardware, software, contractor support, and other related information technology requirements.

⁵ The Commission considers the Salary and Expenses, Information Technology, and Office of the Inspector General programs to be its sole programs, projects, and activities (PPAs). All other budget displays by mission function, division or any other depiction are for informational purposes only.

FY 2018 Budget Request by Mission Function^{6 7 8}

Table 2: Summary of FY 2016 to 2018 by Mission Function

	FY 2016		FY 2017		FY 2018		Change	
	Actual		Continuing Resolution		Request			
	FTE	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE	\$ (000)
Agency Direction and Management	114	\$37,982	111	\$34,450	131	\$41,664	20	\$7,214
Data and Technology Support	49	\$41,227	51	\$42,298	48	\$43,593	(3)	\$1,295
Economic and Legal Analysis	81	\$23,711	82	\$24,428	111	\$34,851	29	\$10,423
Enforcement Activities	160	\$50,007	156	\$51,299	153	\$54,706	(3)	\$3,407
Examinations	106	\$27,865	86	\$23,546	94	\$27,769	8	\$4,223
International Policy	14	\$4,366	16	\$5,101	16	\$5,488	0	\$387
Product Reviews	17	\$5,089	16	\$4,636	17	\$5,416	1	\$781
Registration and Compliance	48	\$13,537	54	\$15,635	51	\$15,904	(3)	\$270
Surveillance	126	\$45,866	131	\$48,606	118	\$52,108	(13)	\$3,501
Total	715	\$249,650	703	\$250,000	739	\$281,500	36	\$31,500

Columns may not add due to rounding

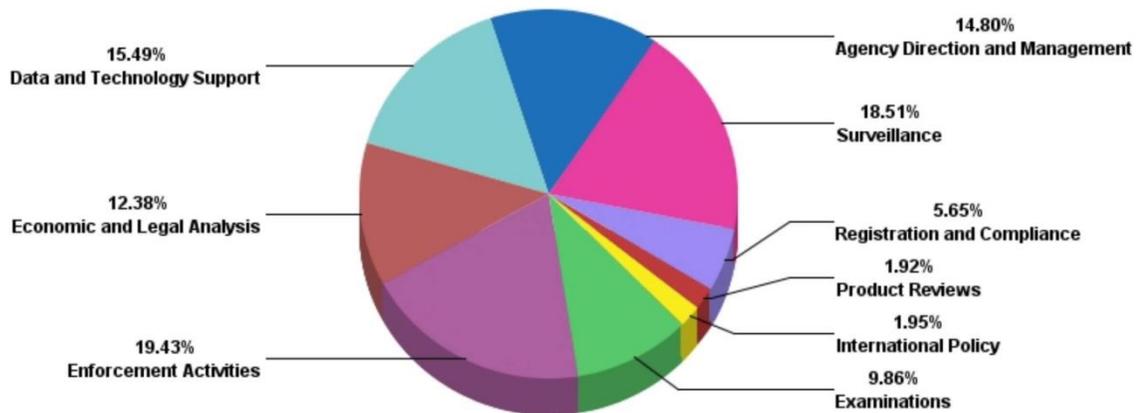


Figure 2: \$281.5 Million Budget Request by Mission Function

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

⁷ Information technology costs, including IT investments (e.g., hardware, software, and contractor services), FTE, and indirect costs, are directly attributed to the benefiting mission function wherever possible. IT costs that are not directly attributed to another mission function are captured in the Data and Technology Support mission function as shown above.

⁸ All charts containing FTE and funding incorporate realignments as detailed in CFTC notification letter of March 7, 2017.

FY 2018 Budget Request by Division^{9 10}

Table 3: Summary of FY 2016 to 2018 by Division

	FY 2016		FY 2017		FY 2018		Change	
	Actual		Continuing Resolution		Request			
	FTE	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE	\$ (000)
Agency Direction	28	\$7,443	28	\$8,047	33	\$9,151	5	\$1,104
Agency Management and Support	76	\$19,404	74	\$18,788	89	\$23,977	15	\$5,188
Chief Economist	13	\$3,833	12	\$3,106	27	\$7,758	15	\$4,652
Clearing and Risk	69	\$18,633	70	\$19,518	75	\$22,630	5	\$3,112
Data and Technology	92	\$80,177	95	\$78,481	92	\$86,452	(3)	\$7,971
Enforcement	163	\$47,685	161	\$49,515	180	\$58,663	19	\$9,148
General Counsel	49	\$13,964	47	\$13,975	53	\$16,833	6	\$2,857
Inspector General	10	\$2,608	9	\$2,620	9	\$3,310	0	\$690
International Affairs	11	\$3,491	11	\$3,609	11	\$3,858	0	\$249
Market Oversight	116	\$29,455	112	\$29,642	88	\$25,171	(24)	(\$4,471)
Swap Dealer and Int. Oversight	88	\$22,959	84	\$22,699	82	\$23,697	(2)	\$999
Total	715	\$249,650	703	\$250,000	739	\$281,500	36	\$31,500

Columns may not add due to rounding

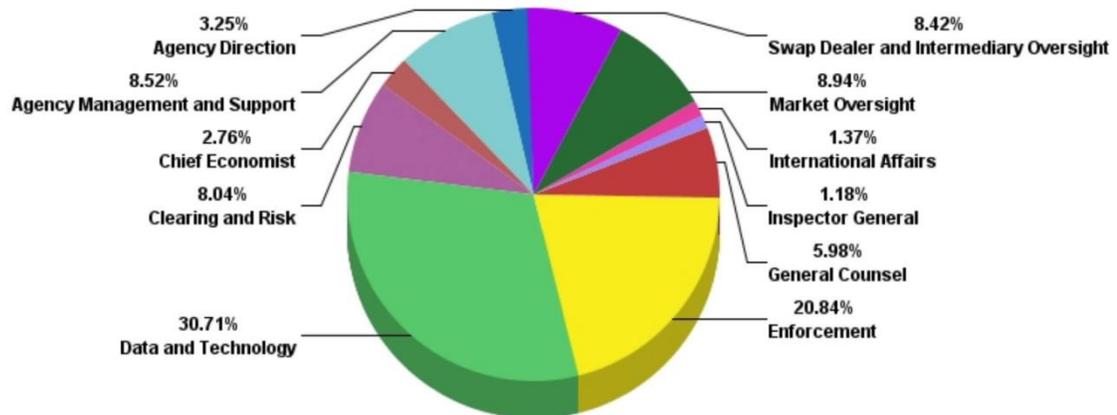


Figure 3: \$281.5 Million Budget Request by Division

⁹ The Commission considers the Salary and Expenses, Information Technology, and Office of the Inspector General programs to be its sole programs, projects, and activities (PPAs). All other budget displays by mission function, division or any other depiction are for informational purposes only.

¹⁰ All charts containing FTE and funding incorporate realignments as detailed in CFTC notification letter of March 7, 2017.

FY 2018 Budget Request by Object Class

Table 4: Summary of FY 2016 to 2018 by Object Class

	FY 2016	FY 2017	FY 2018	Change
	Actual	Continuing Resolution	Request	
	\$ (000)	\$ (000)	\$ (000)	\$ (000)
11.0 Personnel Compensation	\$115,434	\$118,755	\$132,022	\$13,267
12.0 Personnel Benefits	\$37,661	\$35,389	\$39,342	\$3,954
13.0 Former Personnel Benefits	\$0	\$0	\$0	\$0
21.0 Travel and Transportation of Persons	\$1,582	\$1,555	\$2,197	\$642
22.0 Transportation of Things	\$64	\$49	\$49	\$0
23.2 Rental Payments to Others	\$16,957	\$22,805	\$24,106	\$1,301
23.3 Communication, Utilities, & Misc.	\$3,437	\$2,645	\$2,859	\$214
24.0 Printing and Reproduction	\$686	\$620	\$619	(\$1)
25.0 Other Services	\$61,336	\$56,105	\$71,276	\$15,170
26.0 Supplies and Materials	\$2,806	\$2,561	\$2,578	\$17
31.0 Equipment	\$9,652	\$9,501	\$6,437	(\$3,064)
32.0 Building and Fixed Equipment	\$34	\$15	\$15	\$0
44.0 Refunds	\$0	\$0	\$0	\$0
Total	\$249,650	\$250,000	\$281,500	\$31,500

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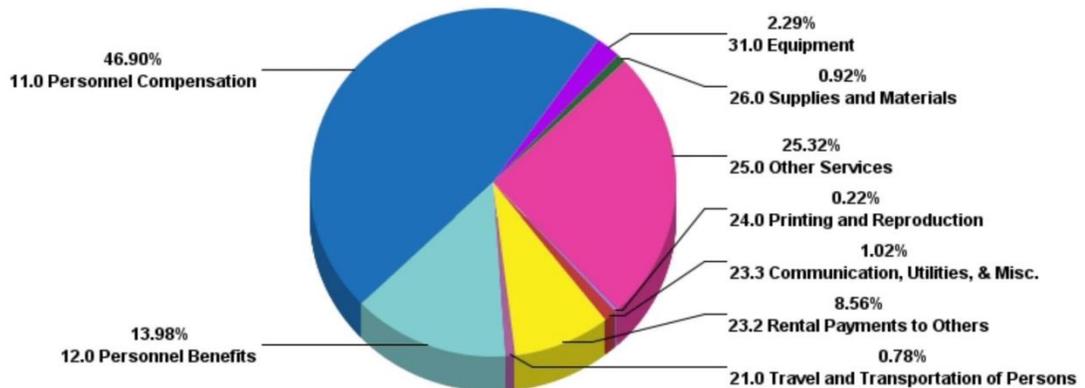


Figure 4: \$281.5 Million Budget Request by Object Class

Crosswalk from FY 2017 to FY 2018

	FY 2017 Estimate	FY 2018 Request	Change
Budget Authority (\$000)	\$250,000	\$281,500	\$31,500
Full-Time Equivalents (FTEs)	703	739	+36
<hr/>			
<u>Explanation of Change</u>		<u>FTE</u>	<u>Dollars (\$000)</u>
Current Services Increases: (Adjustments to FY 2017 Base)			
To provide for changes in personnel compensation & benefits:			\$8,872
To provide for the following changes in non-personnel costs:			\$1,515
--Space Rental/Communications/Utilities (\$1,515)			
Program Increase: (Adjustments to FY 2018 Current Services)		+36	\$21,113
--Addition of 36 FTE (\$8,349)			
--Travel/Transportation (\$642)			
--Other Services (\$12,105)			
--Supplies/Printing (\$17)			
<hr/>			
Total Change		+36	\$31,500

Table 5: Crosswalk from FY 2017 to FY 2018

Justification of the FY 2018 Budget by Mission Function

Enforcement

Resource Overview

	FY 2016	FY 2017	FY 2018	
	<u>Actual</u>	<u>Continuing Resolution</u>	<u>Request</u>	<u>Change</u>
BUDGET	\$50,006,789	\$51,299,154	\$54,705,897	+\$3,406,743
FTE	160	156	153	-3

Columns may not add due to rounding

Mission Function Description

The Commission is responsible for protecting market participants and other members of the public from fraud, manipulation and other abusive practices in the futures and swaps markets. The Enforcement function conducts investigations and exercises its authority to litigate matters broadly categorized into four areas: 1) manipulation, 2) trade practice, 3) fraud, and 4) supervision and control.

Justification of CFTC Request by Function

Enforcement

The enforcement function is a critical component of the Commission’s mandate to protect both customers and the integrity of the markets. The primary pillars of a robust enforcement function are the ability to rigorously and thoroughly investigate potential violations of the CEA and Commission regulations and the effective prosecution of such alleged violations, including the corresponding imposition of sanctions for the greatest deterrent effect.

In FY 2018, the Commission will utilize its enforcement resources to continue preserving market integrity and protecting customers from harm through comprehensive and effective investigation and prosecution of violations, including:

- Utilizing the Commission’s authority to address fraud and manipulative conduct, false reporting of market information, and disruptive trading practices, including spoofing, trade practice violations and other misconduct on registered entities;
- Protecting customers who are victims of retail fraud and illegal off-exchange transactions, such as fraud by intermediaries (e.g., pool fraud), and fraud and illegal transactions relating to foreign currency (forex) and precious metals;
- Enforcing regulatory requirements to ensure that registrants maintain diligent supervision of their operations, adhere to their regulatory obligations, and maintain their financial integrity by meeting standards for capitalization, segregation and handling of funds;
- Protecting the data integrity of information by enforcing requirements for recordkeeping and reporting across derivatives classes;
- Increasing effectiveness and efficiency of enforcement through cooperative enforcement with SROs, state, Federal, and international authorities, including achieving efficiencies through referrals; and

- Continuing to refine and grow effective receipt and processing of tips, complaints, and referrals through the litigation, intake and triage unit in coordination with the Whistleblower Office (WBO) and effectively and efficiently process those matters that merit investigation.

Data and Technology

CFTC is committed to integrating information management, forensic and data analytics technology continues to shape and strengthen its enforcement mission. CFTC will continue to support mission critical programs like eLaw and other support services (e.g., case assessment and management, document review, eDiscovery, forensics, searching, audio analytics, and data analytics) that have been central to the Commission’s ability to meet the challenges of rising case volumes and increasingly complex enforcement actions, while simultaneously providing enforcement staff with rapid, efficient, time-saving case support that allows greater focus on the actual investigative and litigation work required to execute a successful case.

Breakout of Enforcement Request ¹¹

Table 6: Breakout of Enforcement by Division

	FTE	Salaries and Expenses (\$000)	IT (\$000)	Total (\$000)
Enforcement	149	\$48,892	\$0	\$48,892
Data and Technology	4	\$1,104	\$4,710	\$5,814
Total	153	\$49,996	\$4,710	\$54,706

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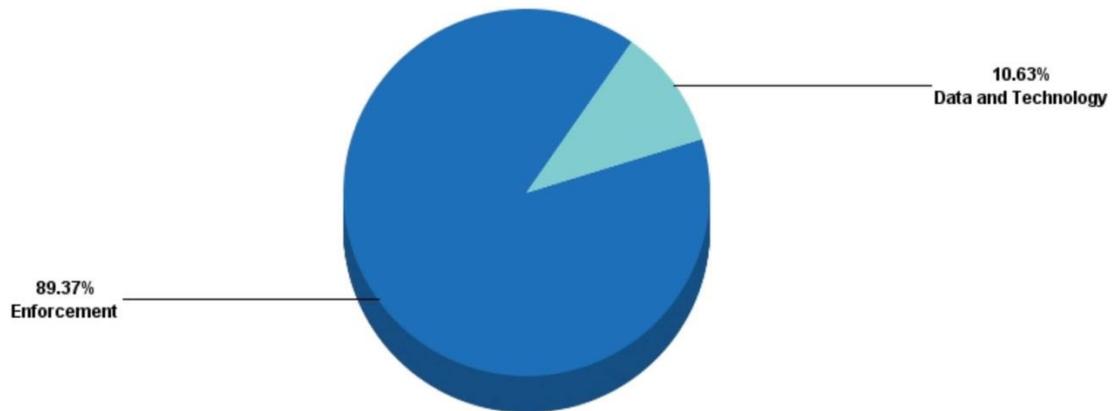


Figure 5: Enforcement Request by Division

¹¹ The Commission considers the Salary and Expenses, Information Technology, and Office of the Inspector General programs to be its sole programs, projects, and activities (PPAs). The budget displays by mission activity are for informational purposes only, and do not represent a PPA.

Surveillance

Resource Overview

	FY 2016	FY 2017	FY 2018	
	<u>Actual</u>	<u>Continuing Resolution</u>	<u>Request</u>	<u>Change</u>
BUDGET	\$45,866,255	\$48,606,257	\$52,107,524	+\$3,501,267
FTE	126	131	118	-13

Columns may not add due to rounding

Mission Function Description

The Commission monitors trading and positions of market participants on a daily and ongoing basis. Surveillance of complex markets and sophisticated trading instruments requires a depth of practical industry knowledge in the commercial use of the physical, futures and derivative products by industry. The Commission analyzes, aggregates and monitors diverse market data sources. With that information, the Commission evaluates whether markets are operating in an orderly manner and whether market participants' activities within the CFTC jurisdictional markets appropriately inform the price discovery process and comply with trading and other legal requirements. The identified conduct from surveillance, such as market trading abuses and non-compliance with Commission rules and regulations, are subject to further inquiry, and are forwarded to the Division of Enforcement (DOE) for review as necessary.

The function also performs market intelligence activities, which will analyze and communicate current and emerging derivatives market dynamics, developments, and trends to Commission leadership and Commission policy development teams in order to assist them in making informed policy decisions. This initiative will also provide information to the public and Congress to assist them in making informed decisions.

Justification of CFTC Request by Function

Clearing and Risk

Risk surveillance is a technology-intensive function, and in FY 2018, both the quantity and types of position data requiring review will increase. To perform these functions the Commission uses internally developed applications and commercially available software. The Commission's ability to function effectively and advance this program is dependent upon its ability to process this data.

The Commission has begun incorporating uncleared positions into its cleared risk surveillance program. The Commission is also sharing its evaluation of risk of cleared and uncleared positions with many swap dealers and other market participants. This initial phase of inducting additional data types, which includes credit default swap and interest rate swap positions, will be expanded to include foreign exchange and equity uncleared activity.

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

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

Market Oversight

During FY 2018, as part of refocusing its efforts, the market intelligence initiative is expected to be fully established and functioning. As part of this initiative, the Commission will analyze and communicate current and emerging derivatives market dynamics, developments, and trends to policy development, other Federal agencies, Congress, the Administration to assist the Commission in making informed decisions. The Commission will conduct value-added analysis using proprietary data and outside data to inform sound policymaking at the Commission and promote efficient and financially sound markets. Through this effort, the Commission will develop mutually rewarding relationships with its agency partners, market data providers, and the public through education and engagement.

Enforcement

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

In general, the Commission will:

- Conduct surveillance in all traded commodity classes on a prioritized basis, and perform discrete forensic analysis involving data reported to the Commission to confirm orderly operation of the markets and to identify conduct that may give rise to a potential violation of the CEA and Commission regulations;
- Evaluate compliance with Federally-imposed position limits, conduct forensic review of market activity to identify potential market and trading abuses;
- Coordinate with other Federal regulators such as U.S. Department of Agriculture, U.S. Department of Energy, Federal Energy Regulatory Commission, and 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.

Data and Technology

Information technology services support data acquisition and analysis that are crucial to conducting effective surveillance and oversight of an increasingly diverse electronic marketplace, detecting/investigating illegal activities and conducting regulatory oversight of Commission registrants. The Commission must keep pace with rapidly changing practices in the financial industry, such as high-speed trading, evolving swaps trading practices, and the increasingly modernized systems.

In support of the surveillance function, the Commission plans to improve the quality of data ingested using a multifaceted approach, including development of detailed data quality, acceptance specifications/standards, data validation checks, data quality monitoring and reporting and stakeholder outreach efforts.

The Commission plans to maintain and enhance data reporting tools by collecting and presenting large trader futures and options end-of-day positions and all related open interest, volume, price, and clearing member data from exchanges, intermediaries, and the large traders themselves. In order to

improve the accuracy of data, and the quality of information about market participants, the Commission will also continue to receive electronic forms to identify the owners and controllers of futures, options, swaps, and options positions in support of the ownership and control reporting rule.

In the modern marketplace, where automated trading dominates, many manipulation strategies cannot be determined by using legacy data already filed with the Commission by market participants or available in the market. In light of this need and the continued growth of algorithmic, high-speed trading in the marketplace, the Commission will continue to investigate methods of acquiring and ingesting message data from regulated commodities exchanges.

The surveillance function is also dependent on providing reliable, high quality data regarding swaps activities to its analysts and investigators. Although work proceeds within the financial industry via the SDRs to develop and enhance reporting of the previously unregulated trillion-dollar swaps market, the Commission is also working with stakeholders to develop and refine its own ability to ingest, process, and analyze swaps data from a variety of sources to improve Commission capabilities.

Breakout of Surveillance Request ¹²

Table 7: Breakout of Surveillance by Division

	FTE	Salaries and Expenses (\$000)	IT (\$000)	Total (\$000)
Clearing and Risk	28	\$8,484	\$0	\$8,484
Market Oversight	28	\$7,916	\$0	\$7,916
Enforcement	22	\$6,814	\$0	\$6,814
Data and Technology	40	\$11,037	\$17,856	\$28,893
Total	118	\$34,251	\$17,856	\$52,108

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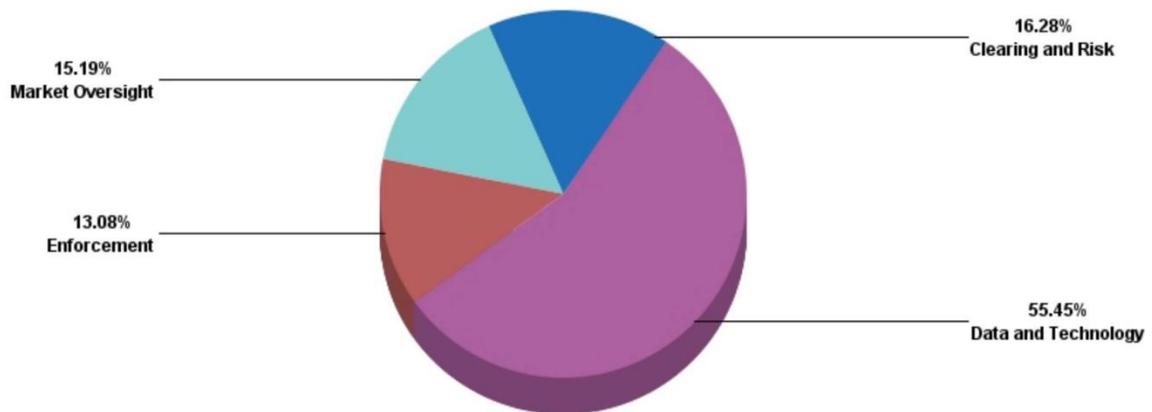


Figure 6: Surveillance Request by Division

¹² The Commission considers the Salary and Expenses, Information Technology, and Office of the Inspector General programs to be its sole programs, projects, and activities (PPAs). The budget displays by mission activity are for informational purposes only, and do not represent a PPA.

Examinations

Resource Overview

	FY 2016	FY 2017	FY 2018	
	<u>Actual</u>	<u>Continuing Resolution</u>	<u>Request</u>	<u>Change</u>
BUDGET	\$27,865,037	\$23,546,008	\$27,769,060	+\$4,223,053
FTE	106	86	94	+8

Columns may not add due to rounding

Mission Function Description

Examinations are formal, structured reviews of regulated entities’ operations, cybersecurity, or enforcement programs to assess ongoing compliance with statutory and regulatory mandates. Regular examinations, in concert with the Commission’s surveillance and other activities, are a highly effective method for ensuring that entities are complying with the CEA and Commission’s regulations. This mission function covers both direct examinations performed by Commission staff and oversight of the examinations conducted by designated SROs. The CEA requires annual examinations of DCOs that are designated as systemically important by the Financial Stability Oversight Board and these examinations are to be performed by the Supervisory Agency. The CFTC is the Supervisory Agency for the Chicago Mercantile Exchange (CME) and ICE Clear Credit. It also requires the CFTC to consult with the Board of Governors of the Federal Reserve System regarding the scope and methodology of each examination. The Commission also believes that LCH Ltd and ICE Clear Europe are DCOs that play an important function in the clearing of the U.S. derivatives and swaps markets and the Commission attempts to examine at least one of these DCOs on an annual basis. The CEA requires examinations of market structures such as DCMs, DCOs, SEFs, and SDRs.

Justification of CFTC Request by Function

Swap Dealer and Intermediary Oversight

The Commission performs an array of mission-critical examination functions regarding registered intermediaries that help ensure market integrity, protect customer funds, foster transparent business conduct and support firm compliance with the CEA and Commission regulations.¹³

Key missions funded through this function include:

- The Commission’s mission of ensuring open, transparent, and financially sound markets and protecting market users and the public forms is the cornerstone for the examinations function. Examinations employ CFTC-approved policies, regulations, and procedures to assess principal compliance areas including business conduct, capital, margin and segregation, and risk management. In order to exercise the Commission’s regulatory responsibilities across the thousands of registered intermediaries operating in today’s markets, the CFTC has delegated routine direct examination functions to designated SROs. The CFTC is responsible for overseeing SRO regulatory activities, and ensures and validates regulatory compliance. The CFTC also assists with legal interpretations, guidance and policy support to address new regulations or emerging issues.

¹³ Examples of futures market intermediaries include futures commission merchants, commodity pool operators, introducing brokers, commodity trading advisors, swap dealers, etc.

- The Commission also conducts its own review activities. The CFTC supports the needs of policy makers and/or stakeholders through horizontal reviews of key issues. For example, the Commission is working with the other financial regulatory authorities to determine which entities the CFTC has primary responsibility for that are part of banking organizations and subject to the Volcker Rule, and thereby subject to direct examination. Certain banking affiliates are simultaneously registered as multiple types of intermediaries, such as FCMs, swap dealers, and/or broker-dealers. These dual registrations can make the entity subject to oversight from multiple financial regulators. In such cases, the CFTC works with other agencies to determine which registrants are within CFTC's scope as primary regulator, and therefore subject to direct examination. Furthermore, during times of crisis, examinations staff must respond quickly to assess risks to customer assets, validate firm compliance with Commission regulations and rapidly develop mitigation solutions.
- The Commission regularly monitors registrants to identify both signs of individual firm non-compliance overall trends within the market or market sectors that warrant further review. These monitoring activities are especially important during major market events or periods of heightened uncertainty, such as the immediate aftermath of the "Brexit" decision in June 2016. In such cases, the CFTC may pivot to direct engagement with the SROs or firms as appropriate to gather additional information or proactively address issues.
- The Commission's day-to-day monitoring operations utilize audit software tools and analytical techniques to monitor and oversee the activities of registrants, as well as regulatory notices filed with the Commission. In FY 2018, the Commission will continue efforts to integrate data software tools and sources to include additional financial and business data points from a variety of sources to enhance the effectiveness of its reviews.

Clearing and Risk

The Commission projects the number of DCOs to continue to expand in FY 2018, as it is currently reviewing new applications. This illustrates that new market participants continue to enter the marketplace and clear new business. The Commission has recognized this requirement and is positioning additional resources to support the increase. As the number of DCOs increase, the number of quarterly financial resource reports and certified financial statements and the potential number of required examinations increase oversight responsibilities. As the number of DCOs increases, so too will the complexity of the counterparty risk management oversight program and liquidity risk management procedures of the DCOs. The Commission's examination function also examines DCOs' compliance with emerging risks in information security and complex system safeguard requirements.

Examinations of DCOs' compliance with the core principles and implementing regulations will necessitate use of new automated tools to assist in the evaluation of compliance with the regulations. This is especially important in the areas of evaluating compliance in backtesting and stress testing. Many of the DCOs are expanding their registration in 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 the expanding market participant registrations through information sharing and compliance discussions in the areas of cybersecurity, liquidity risk management, default management and high profile risk management issues.

Market Oversight

The Commission conducts critical examinations of market operators and trade repositories to foster open, transparent, fair, competitive, and secure markets. To do so, the Commission conducts formal structured reviews of DCMs, SEFs, and SDRs' operations and oversight procedures to review whether these registered entities are complying with the core principles established in the CEA and published regulations. In the face of extensive change and cyberattacks on the markets, the Commission provides robust oversight and system safeguards review over DCMs, SEFs, and SDRs to foster market integrity and security.

Additionally, swaps and futures data maintained by entities and available to regulators provides for systemic risk mitigation, transparency, and market supervision oversight. The Commission must ensure the accuracy and reliability of such data in order to carry out its mission. The Commission must also invest in automating procedures and data to integrate its various functions, such as market and trade practice surveillance, financial and risk surveillance, examinations, and enforcement activities that will allow the Commission to create reusable data sources, improve workflow, increase information sharing and increase the ability of staff to correlate data and events.

Data and Technology

Through information technology, the Commission provides critical audit management and analytical tools to review and monitor entity financial data and otherwise support its examination mission for exchanges, DCOs, market intermediaries and SROs. The Commission will continue to provide these time saving tools and associated review capabilities to allow staff to receive and review financial statements and annual reports from a wide range of firms the Commission oversees—FCMs, dually registered FCM/broker dealers, retail foreign exchange dealers, swap dealers and DCOs. These statements and reports provide detailed financial information so that staff can assess the overall financial health of these firms. The Commission will also continue to provide tools to enable staff to import and evaluate registrant collateral information in order to monitor and assess risk within these portfolios and further strengthen situational awareness.

Breakout of Examinations Request ¹⁴

Table 8: Breakout of Examinations by Division

	FTE	Salaries and Expenses (\$000)	IT (\$000)	Total (\$000)
Swap Dealer and Intermediary Oversight	46	\$13,288	\$0	\$13,288
Clearing and Risk	24	\$7,164	\$0	\$7,164
Market Oversight	24	\$7,079	\$0	\$7,079
Data and Technology	0	\$0	\$238	\$238
Total	94	\$27,531	\$238	\$27,769

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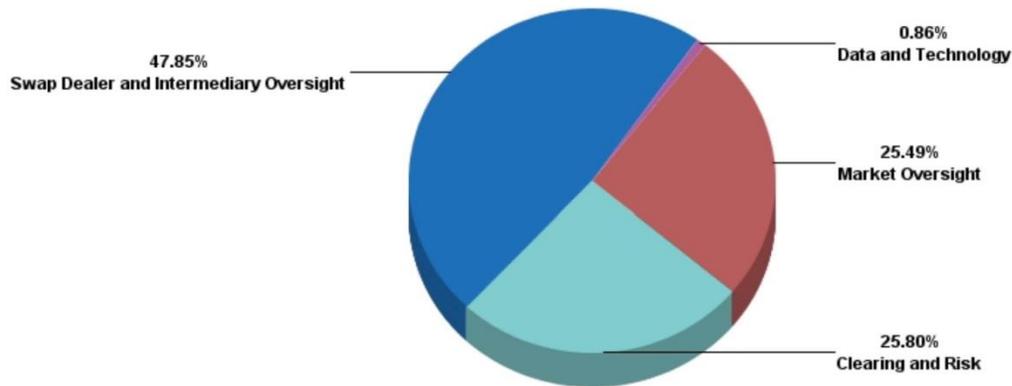


Figure 7: Examinations Request by Division

¹⁴ The Commission considers the Salary and Expenses, Information Technology, and Office of the Inspector General programs to be its sole programs, projects, and activities (PPAs). The budget displays by mission activity are for informational purposes only, and do not represent a PPA.

Registration and Compliance

Resource Overview

	FY 2016	FY 2017	FY 2018	
	<u>Actual</u>	<u>Continuing Resolution</u>	<u>Request</u>	<u>Change</u>
BUDGET	\$13,536,785	\$15,634,892	\$15,904,404	+\$269,512
FTE	48	54	51	-3

Columns may not add due to rounding

Mission Function Description

The Commission reviews the applications of all entities seeking to be designated as DCMs, and registered as DCOs, SEFs and SDRs and FBOTs. Review teams comprised of attorneys, industry economists, trade practice analysts and risk analysts ensure that the Commission undertakes a thorough analysis of such applications to assess compliance with the applicable statutory core principles and Commission regulations. Important to the application process is a site visit to the applicant, enabling Commission staff to evaluate fully the operational and managerial resources that will support regulatory compliance once the applicant is registered. For swap dealers, major swap participants, FCMs, and other intermediaries, where registration responsibility has been delegated to the NFA, an SRO, the Commission provides registration regulatory guidance to the NFA and to provisional registrants.

Justification of CFTC Request by Function

Swap Dealer and Intermediary Oversight

The CFTC's intermediary registrants play a vital role in the Nation's financial system by connecting customers to the global market. They include swap dealers, FCMs, commodity pool operators, and commodity trading advisors, among others. With over \$275 billion in customer funds, they serve as a cornerstone of the Commission's regulatory framework. As such, the Commission directs its registration and compliance resources to provide critical policy and regulatory guidance to market participants, both directly and in coordination with the NFA. The Commission also uses these resources to ensure that registration rules, standards and reporting requirements keep pace with the needs of the evolving marketplace.

Core functions funded through this function include:

- The Commission drafts new rules and rule amendments to strengthen its registration and compliance regime and, following CFTC approval, oversees effective rule implementation. Throughout this process, registrants engage CFTC staff to obtain interpretive guidance, seek no action relief for registration purposes, and/or discuss compliance matters requiring Commission guidance.
- The Commission provides answers to other Federal and state agencies, CFTC registrants, and to the public at large 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/compliance issues.
- The Commission provides direct support to the international regulatory community to establish agreements on substituted compliance matters central to overseeing the global activities of the derivatives industry, implementing key aspects of legislative mandates, and other high priority initiatives.

- The Commission provides critical guidance to the SROs to support execution of the Commission's regulatory framework and to oversee delegated regulatory activities.

Market Oversight

In order to operate in Commission-regulated markets, an entity must submit an application to be designated or registered as a DCM, SEF, or SDR. The Commission reviews the applications and operations of these entities to ensure that they will comply with the CEA and Commission regulations upon designation or registration.

Currently, 24 SEFs are fully registered and the Commission is analyzing one additional SEF application for registration. The Commission has five DCM applications before it for analysis and review. Currently, the Commission has provisionally registered four SDRs. As the swap data reporting rules and market infrastructure evolve, the Commission will review these entities for permanent registration.

The Commission also reviews rule filings from DCMs, SEFs, and SDRs to ensure that they are consistent with the CEA and Commission regulations. In FY 2016, DCMs, SEFs, and SDRs submitted almost 900 rule filings. At present, the Commission has received 473 rule certification filings (414 DCMs, 54 SEFs, 5 SDRs). Per the CEA, the Commission must review these filings in a timely manner, which is usually 10 business days. The Commission will continue this effort and projects that the number of certifications will increase in FY 2018.

This function also reviews applications for FBOT registrations. The Commission has adopted a registration requirement for FBOTs that desire to make their electronic order and trade matching systems available to members and other participants located in the United States through direct access for the trading of futures, options, and swaps contracts. The Commission will continue this effort and currently has 12 pending applications for FBOT registration under review. To date, the Commission has issued Orders of registration to 15 FBOTs.

Clearing and Risk

The FY 2018 request will continue to support the Commission's registration and compliance activities for DCOs. The Commission will devote effort to completing the review of pending applications for DCO registration, as well as commencing review of new applications. The Commission also expects to be reviewing petitions for exemption from DCO registration for the clearing of swaps. These activities, in addition to oversight of registered DCOs, will continue to require regulatory coordination on both a domestic and cross-border basis. As additional DCOs are registered or exempted over the course of FY 2018, these coordinated efforts will necessarily increase concurrently.

The CFTC performs periodic reviews of registered DCOs to ensure compliance with the CEA's statutory requirements and the Commission's implementing regulations.

In addition, the CFTC oversees DCOs on a day-to-day basis, which includes 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.

Data and Technology

Information technology will continue to support this function through maintenance of the CFTC Portal, which is an application, shared between the registration and compliance and the product review functions. This application serves an important role in the day-to-day operations of the examination function and provides the interface for industry filings with the Commission. Through the CFTC Portal, participants file submissions electronically directly with the Commission, which are then automatically routed to the proper systems and staff. This significantly reduces the need for manual transcription or hard copies.

Information technology will also continue to support the Commission's Commission and Staff Letters (CSL) application, which captures, manages, reports, and publishes No-Action, Exemption, and

Interpretation actions initiated by both the Commission and by external registered and non-registered entities. CSL allows the Commission to track all “actions” and prepare appropriate responses to requests in a timely manner.

Breakout of Registration and Compliance Request ¹⁵

Table 9: Breakout of Registration and Compliance by Division

	FTE	Salaries and Expenses (\$000)	IT (\$000)	Total (\$000)
Swap Dealer and Intermediary Oversight	23	\$6,646	\$0	\$6,646
Market Oversight	16	\$4,521	\$0	\$4,521
Clearing and Risk	12	\$3,537	\$0	\$3,537
Data and Technology	0	\$0	\$1,200	\$1,200
Total	51	\$14,704	\$1,200	\$15,904

Columns may not add due to rounding

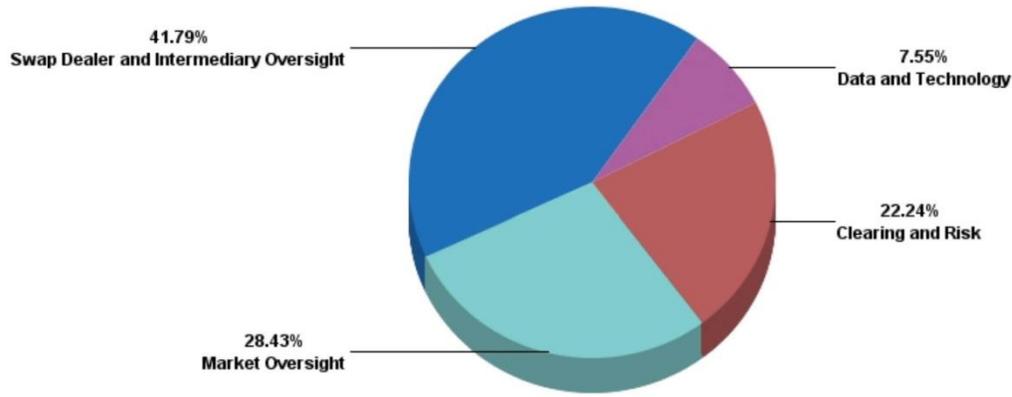


Figure 8: Registration and Compliance Request by Division

¹⁵ The Commission considers the Salary and Expenses, Information Technology, and Office of the Inspector General programs to be its sole programs, projects, and activities (PPAs). The budget displays by mission activity are for informational purposes only, and do not represent a PPA.

Product Reviews

Resource Overview

	FY 2016	FY 2017	FY 2018	
	<u>Actual</u>	<u>Continuing Resolution</u>	<u>Request</u>	<u>Change</u>
BUDGET	\$5,089,058	\$4,635,580	\$5,416,148	+\$780,568
FTE	17	16	17	+1

Columns may not add due to rounding

Mission Function Description

The Commission reviews new product filings made by exchanges to comply with the requirements of the CEA and Commission rules. The CFTC’s scope of work includes reviewing new futures, options and swap contract filings, reviewing contract amendment submissions, reviewing foreign stock index futures, and developing new rules and policies to accommodate innovations in the industry. The Commission primarily focuses on verifying that derivatives contracts are not readily susceptible to manipulation or other price distortions, and that contracts are subject to appropriate position limits or position accountability standards. The Commission also evaluates transaction and pricing data collected by SDRs to determine appropriate block trade and large notional swap threshold levels that registered SEFs, DCMs, and market participants may use to delay public reporting of swap transaction data. The Commission evaluates market data and contract characteristics to determine whether a swap contract should be subject to mandatory clearing and whether it is listed on a DCM or SEF and has been “made available to trade.” Additionally, the Commission reviews whether these new products are suitable for clearing by DCOs and, with respect to swap contracts, whether they should be mandated for clearing.

Justification of CFTC Request by Function

Market Oversight

The Commission reviews new futures, options, and swaps contract filings by DCMs and SEFs primarily to verify that the contracts are not readily susceptible to manipulation and other price distortions, and that they are subject to appropriate position limits or position accountability standards as required by the CEA and Commission regulations. During FY 2016, the Commission received 461 new product filings from these registrants. The Commission reviewed 525 DCM product filings during this period, many of which were for products filed in previous years. At present, the Commission has received 251 product filings—169 from DCMs and 82 from SEFs—and has completed 39 reviews. The Commission is decreasing its backlog of reviews through a concentrated effort. The proliferation of greater numbers of products by industry participants, and the inherently greater complexity of swap contracts, requires the Commission to keep pace with industry’s innovations. In addition, the Commission completed reviews of 179 rule amendments to contract terms and conditions submitted by DCMs.

To illustrate, over the past seven fiscal years, DCMs and SEFs submitted to the Commission the following number of contract filings:

Fiscal Year	Derivative Clearing Organizations	Swap Execution Facilities
FY 2010	700	0
FY 2011	1,718	0
FY 2012	894	0
FY 2013	428	359
FY 2014	423	664
FY 2015	607	254
FY 2016	426	35

The Commission conducts an initial review of each submission to ascertain whether the contract conditions or features comply with the CEA core principle and Commission rules. When trading volume and open interest build to specified levels, the Commission conducts a more comprehensive review to ensure that the contracts continue to comply with the requirements of the CEA and Commission rules. The Commission adopted this review level criterion because staffing levels could not keep pace with the number of new contract filings. This criterion also allows the Commission to avoid committing staff resources to reviewing contracts have little or no trading activity. The Commission reviews contracts that do not appear to be functioning effectively.

The Commission also conducts broad studies of cash markets for physical commodities to ascertain the current state of cash market practices as they relate to derivatives contracts. The Commission uses such studies to expedite the review of newly listed contracts and to support other areas of the Commission that rely on information regarding the nature of the underlying cash markets.

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

Through FY 2017 and into FY 2018, the Commission will continue to review position limit rules pertaining to certain physical swaps and futures contracts across DCMs and SEFs that are linked to 25 core referenced futures contracts. Based on industry and participant feedback, the Commission will develop an approach to adopting position limits that will leverage the exchanges as much as possible to conserve resources and reduce burdens to market participants.

Clearing and Risk

All registered and exempt DCOs are required to submit all swaps that they offer for clearing to the Commission for consideration as swaps that must be cleared.

The Commission promulgated the first rules associated with the required clearing of swaps, in December 2012, and it expanded the interest rate swap clearing requirement, in September 2016. The Commission anticipates that it will conduct ongoing product reviews, during FY 2018 and beyond, as new swaps and other contracts are created in response to changing market needs.

Relying on new data from DCOs, SDRs, SEFs, and other market infrastructure and participants, the Commission will continue to analyze, by asset class, the percentage and volume of cleared and

uncleared swaps, the level of risk transfer among market participants, the market dynamics with respect to new products, and the implied overall credit and market risk, in FY 2018. This ensures that the Commission's regulations reflect an appropriate understanding of the market segments most prone to market failure. The Commission also will review data to monitor market participants, including swap dealers, for compliance with the clearing requirement and its exceptions and exemptions.

Breakout of Product Reviews Request ¹⁶

Table 10: Breakout of Product Reviews by Division

	FTE	Salaries and Expenses (\$000)	IT (\$000)	Total (\$000)
Market Oversight	13	\$3,675	\$0	\$3,675
Clearing and Risk	4	\$1,341	\$0	\$1,341
Data and Technology	0	\$0	\$400	\$400
Total	17	\$5,016	\$400	\$5,416

Columns may not add due to rounding

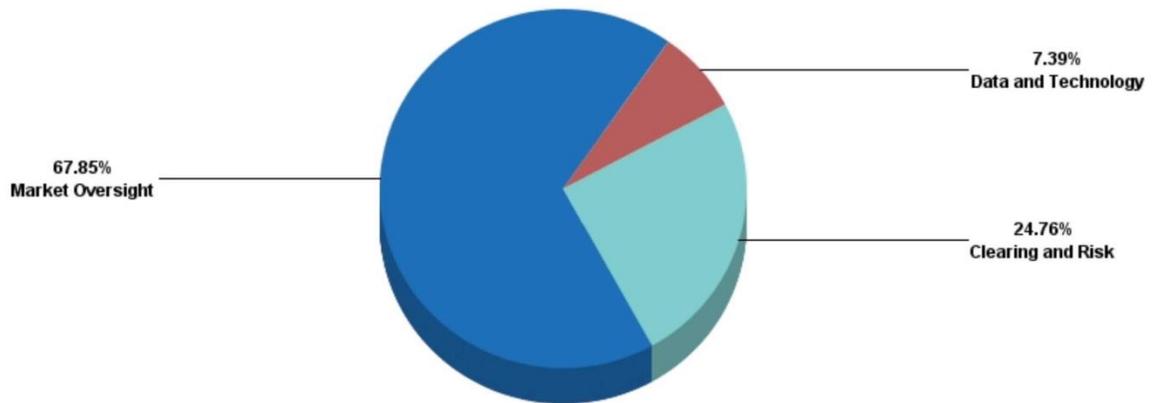


Figure 9: Product Reviews Request by Division

¹⁶ The Commission considers the Salary and Expenses, Information Technology, and Office of Inspector General programs to be its sole programs, projects, and activities (PPAs). The budget displays by mission activity are for informational purposes only, and do not represent a PPA.

Economic and Legal Analysis

Resource Overview

	FY 2016	FY 2017	FY 2018	
	<u>Actual</u>	<u>Continuing Resolution</u>	<u>Request</u>	<u>Change</u>
BUDGET	\$23,710,719	\$24,428,228	\$34,851,381	+\$10,423,153
FTE	81	82	111	+29

Columns may not add due to rounding

Mission Function Description

Economic analysis activities are critical to supporting the regulatory activities in a wide range of areas, including: 1) economic and quantitative analysis, including cost-benefit considerations utilized in designing and implementing the Commission’s rulemaking; 2) developing analytical tools and methods in support of the Commission’s automated surveillance initiatives; 3) providing the technical expertise to evaluate and report on risk models, stress tests, and other stability-related evaluations necessary for oversight; 4) developing analytical tools and methods in support of the Commission’s enforcement activities, including economic and statistical analysis or expert testimony to promote compliance with and deter violations of the CEA; and 5) economic analysis and research to inform the Commission, staff and the public of activities in the derivatives and related markets, including periodic reports on futures and swaps markets and risk transfer through these markets. Legal activities of the Commission include: 1) regulatory issues; 2) engaging in defensive, appellate, and amicus curiae litigation; 3) providing general legal advice and support; 4) assisting the Commission in the performance of its adjudicatory functions; and 5) providing advice on legislative and other intergovernmental affairs issues.

Justification of CFTC Request by Function

General Counsel

This function ensures consistency in the interpretation and application of the CEA. Review of proposed and final rules, enforcement and regulatory actions, and various forms of staff action are conducted within this area for legal sufficiency and administrative regularity. The Commission interprets and applies the requirements of a variety of government-wide statutes, such as, but not limited to, the Federal Advisory Committee Act, the Federal Information Security Management Act (FOIA), the Freedom of Information Act and the Administrative Procedure Act. As a Federal entity, the Commission must assure the legal sufficiency of Commission actions concerning personnel laws, procurement laws and regulations, Federal records requirements, and other applicable laws as applied. The Commission also ensures it has proper representation when required to appear in the U.S. Courts of Appeals, U.S. District Courts and other administrative proceedings in appeals stemming from enforcement actions and other matters including regulatory challenges, bankruptcy, personnel litigation, labor disputes, and FOIA.

In FY 2018, the Commission also plans to increase staffing and resources to address FinTech. FinTech comprises a range of financial technology in the financial services sector and includes technological innovations in retail banking, investment and crypto-currencies like bitcoin. Through FinTech, the Commission will look to address three fundamental issues arising from this transformational change: 1) how the CFTC should leverage FinTech innovation to make it a more effective regulator, 2) how FinTech can help the CFTC identify rules and regulations that need to be updated for relevance in digital markets, and 3) the role of the Commission in supporting U.S. FinTech innovation in CFTC regulated markets.

Specifically, the Commission will support innovation within markets by providing companies with a single point of contact to help guide it through regulatory engagement. Commission staff will primarily help entities understand the CFTC's regulatory regime as it relates to the company's proposed activities, and clarify the CFTC's regulatory expectations regarding the type of entity or activity that the company would be providing. In addition, the Commission will leverage FinTech innovation to make the CFTC a more effective and efficient regulator. The Commission will also strengthen its cooperation with other authorities, domestic and international, to support FinTech innovation. CFTC will build upon its relationships with domestic and international authorities to develop the legal and operating model, and ensure best practices are implemented.

Chief Economist

The Commission provides economic analyses and research in support of its rulemaking and policy development. The Commission conducts research on various issues of significance to the Commission, both to improve publicly available information and to establish a sound empirical basis for decision-making. Publicly available research products produced by the Commission includes one-time and recurring reports on activity, liquidity, price discovery, risk, and other market structure issues in futures and swaps markets. This request will allow the Commission to develop its economic modeling and econometric capabilities to execute high-quality economic studies that span futures markets and both the cleared and uncleared swaps space. The Commission will also conduct econometric analysis of critical issues pertaining to DCOs, FCMs and swap dealers/major swap participants.

This request also focuses on expanding the economic analysis expertise and capacity of the Commission in order to provide appropriate coverage across areas of Commission interest—markets, participants, products, DCMs, SEFs, intermediaries, DCOs. At the requested level, the Commission expects to conduct data-driven studies of futures and swaps markets in order to inform the Commission and the public on a variety of topics, such as descriptive studies of derivatives markets, economic assessments of their functioning, analyses of the potential effects of policy choices, risk assessments pertaining to liquidity, financial stability and CCPs, etc.

The Commission will continue to support work developing the analytical capability to integrate activity across multiple markets, between cleared and uncleared swaps, among the different categories of market participants, and a holistic view of the life cycle of the derivative contract and its risk from trade to settlement. In particular, the request will support the work required to incorporate data on uncleared swaps into the analytical framework. By definition, these non-standardized swaps tend to include the most unique derivatives instruments that require more attention and resources than standardized swaps in order to characterize the data and transactions accurately. During the last crises, many of the problems manifested in these swaps; additional funding requested will help the Commission develop strong analytical capabilities to continue monitoring activity in these markets for systemic risk build-up. Large numbers of end-users also actively rely on these markets to hedge their complex risk exposures, and the Commission is focused on monitoring them for their ability to continue meeting the critical liquidity and hedging needs.

Swap Dealer and Intermediary Oversight

The function supports required legal activity in the swap dealer and intermediary oversight programs to include the following:

- Providing draft rulemakings, interpretations, and opinions on questions of statutory and regulatory authority relevant to market intermediaries and legal advice for substantive Commission actions relevant to intermediaries, including registration and futures association rule submission reviews, regulations, and exemptions;
- Drafting and administering the applicable capital, margin, segregation and financial reporting requirements for market intermediaries and swap dealers and major swap participants, to include drafting related rulemakings, no-action letters, interpretations and exemptions;
- Responding to informal requests for guidance from market participants and the public; and

- Coordinating capital, margin, and financial reporting requirements with the U.S. Securities and Exchange Commission (SEC) and Prudential Regulators regarding swap dealers and major swap participants.

Market Oversight

The Commission develops, interprets, and applies rulemakings and other legal requirements on a variety of government-wide statutes to ensure the efficient and effective functioning of the derivatives markets.

Under management, reform and efficiency efforts, the Commission intends to continue a holistic review to repurpose rules to ensure that they: 1) keep pace with the rapidly changing digital transformation of markets; 2) allow for innovation; 3) unburden the U.S. economy; and 4) promote healthy and vibrant markets. In addition, the Commission anticipates reviewing and streamlining existing and proposed rules on SEF regulations, proposed position limits regulations for swap data reporting and SDR obligations, proposed automated trading regulations, and existing ownership and control reporting regulations.

The Commission will continue to respond to market operators and market participants regarding regulatory interpretations and issues. The Commission staff also drafts no-action relief letters, guidance documents, interpretative letters, exemptive letters, and other written communications to clarify requirements or provide relief to market operators or industry participants.

Clearing and Risk

The FY 2018 request for resources will allow the Commission to remain focused on ensuring regulations and standards governing DCOs appropriately minimize systemic risk, promote rigorous risk management, avoid duplicative and conflicting regulation of DCOs and market participants, and prevent gaps in regulation. Additionally, this allows simultaneous support of registration and continuing compliance oversight concerning the intersection of clearing, settlement, margining and bankruptcy.

Enforcement

The Commission utilizes forensic economists to performance complex and extensive 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 and the scope and potential resolution of any recommended enforcement action. In FY 2018, the Commission will utilize its economic forensic analysis resources to keep pace with the enforcement program's increasing demand for, and complexity of, investigative analysis, which has been affected by:

- The rapid innovation and increasing complexity of financial markets, which necessitates the collection and analysis of vast amounts of data including fundamental economic data, transaction data, position data and order book data; and
- The proliferation of algorithmic and high-speed trading, the use of price benchmarks in financial transactions, and the use of economically equivalent or similar instruments in futures, options, swaps, and cash markets.

Data and Technology

The FY 2018 request will resource current IT service components for this function such as, services for economic and data analysis, litigation, legal research and discovery, ethics and records management. Additionally, maintenance costs for data analytics tools and actual data acquisition used to perform economic analysis are provided within this category.

Breakout of Economic and Legal Analysis Request ¹⁷

Table 11: Breakout of Economic and Legal Analysis by Division

	FTE	Salaries and Expenses (\$000)	IT (\$000)	Total (\$000)
General Counsel	53	\$16,833	\$0	\$16,833
Chief Economist	27	\$7,758	\$0	\$7,758
Swap Dealer and Intermediary Oversight	13	\$3,763	\$0	\$3,763
Market Oversight	7	\$1,979	\$0	\$1,979
Clearing and Risk Enforcement	5	\$1,477	\$0	\$1,477
Enforcement	6	\$1,979	\$0	\$1,979
Data and Technology	0	\$0	\$1,062	\$1,062
Total	111	\$33,790	\$1,062	\$34,851

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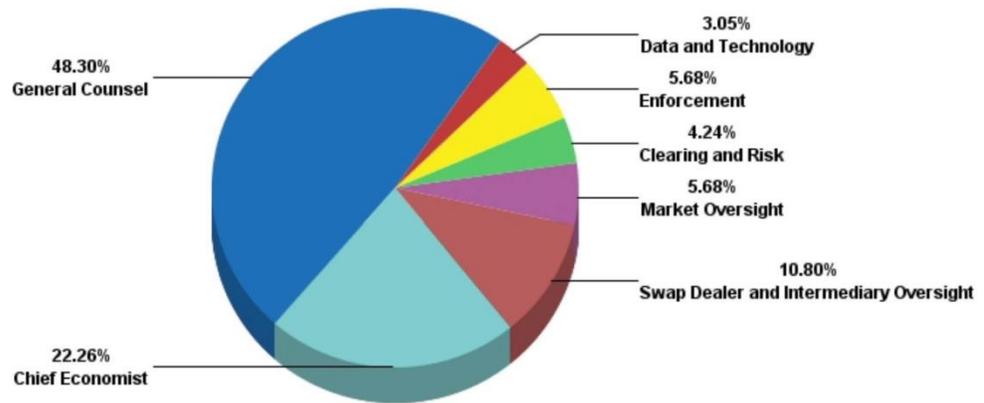


Figure 10: Economic and Legal Analysis Request by Division

¹⁷ The Commission considers the Salary and Expenses, Information Technology, and Office of Inspector General programs to be its sole programs, projects, and activities (PPAs). The budget displays by mission activity are for informational purposes only, and do not represent a PPA.

International Policy

Resource Overview

	FY 2016	FY 2017	FY 2018	
	<u>Actual</u>	<u>Continuing Resolution</u>	<u>Request</u>	<u>Change</u>
BUDGET	\$4,366,473	\$5,101,290	\$5,488,302	+\$387,012
FTE	14	16	16	+0

Columns may not add due to rounding

Mission Function Description

The global nature of the futures and swaps markets makes it imperative that the United States consult and coordinate with international authorities. The Commission is actively engaged internationally to avoid conflicting requirements and to enhance in international cooperative efforts wherever possible. For example, the Commission has engaged in bilateral discussions regarding draft rule proposals or amendments to rules with international regulators and authorities, including the European Commission, the European Central Bank, the Bank of England, the European Securities and Markets Authority, and the Japanese Financial Services Agency.

The Commission participates in numerous international working groups regarding derivatives, including numerous International Organization of Securities Commissions (IOSCO) committees and task forces, as well as projects with the Basel Committee on Banking Supervision, the Committee on Payments and Market Infrastructures, and the Financial Stability Board (FSB). Over the past four years, the CFTC, SEC, European Commission, European Securities Market Authority, and market regulators from around the globe have been meeting to discuss and resolve issues related to financial reform through various technical working groups.

Justification of CFTC Request by Function

International Affairs

The global nature of the futures and swaps markets make it imperative that the Commission engage foreign regulators and participate in meetings and discussions to enhance international cooperation and to support the adoption, implementation, and enforcement of high-quality derivatives regulation. The FY 2018 request will allow the CFTC: 1) to advance the interests of the CFTC in bilateral and multilateral discussions with foreign regulatory counterparts and in international fora; 2) to facilitate information-sharing, cooperation and cross-border assistance; and 3) to ensure international work streams are consistent with the rules and policies of the CFTC.

The CFTC will increase its efforts to work toward consistent trading platforms rules with those of Europe. The CFTC will continue to work with European Union (EU) authorities to minimize differences, to the extent necessary, between EU trading venues and U.S. SEFs and DCMs in order to encourage action on relevant EU equivalence determinations and to address trading platform equivalence initiatives prior to the effective date of the EU regime, in FY 2018. The exit of the United Kingdom (UK) from the EU will require the Commission to maintain and expand its engagement with both the UK and EU if necessary to respond to changing regulatory requirements that might affect existing agreements and regulatory arrangements with the Commission.

The Commission will continue its active engagement with foreign regulators to work toward consistent regulatory requirements imposed on DCOs. The importance of central clearing to the derivatives markets makes it critical that the Commission ensures the strength and resiliency of clearinghouses.

The Commission anticipates continuing engagement with the FSB and its working groups and committees that directly affect the Commission regulatory regime. In addition, the Commission will continue to participate in an international study group created, to identify, quantify and analyze interdependencies between central counterparties, major clearing members, and other significant participants in the financial system.

The CFTC will remain actively engaged as a member of the Board of the IOSCO and take leadership roles within important policy committees and task forces that develop standards and policy guidance for the derivatives markets. The Commission will continue to participate in financial regulatory dialogues with Europe, Singapore, Australia, China, India, Canada and Mexico.

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

This function also includes resources that support the Commission's interaction with our foreign counterparts under the international regulator's meetings and consultations fund.

Clearing and Risk

Commission staff will continue to support participation in the international bodies setting standards for central counterparties. The additional investment will enable greater participation by Commission staff in these key international groups. Commission staff actively participate in, and in some cases lead, international groups such as Committee on Payments and Market Infrastructures (CPMI)-IOSCO and the FSB's Resolution Steering Group, that have a direct correlation to clearing, clearinghouse regulations and standards.

Enforcement

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

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

Breakout of International Policy Request ¹⁸

Table 12: Breakout of International Policy by Division

	FTE	Salaries and Expenses (\$000)	IT (\$000)	Total (\$000)
International Affairs	11	\$3,858	\$0	\$3,858
Clearing and Risk	2	\$627	\$0	\$627
Agency Direction	0	\$25	\$0	\$25
Enforcement	3	\$978	\$0	\$978
Total	16	\$5,488	\$0	\$5,488

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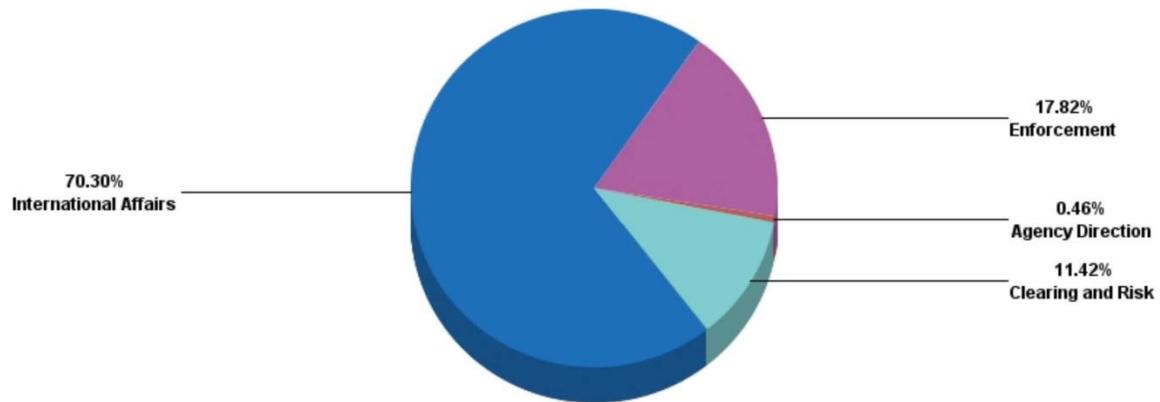


Figure 11: International Policy Request by Division

¹⁸ The Commission considers the Salary and Expenses, Information Technology, and Office of the Inspector General programs to be its sole programs, projects, and activities (PPAs). The budget displays by mission activity are for informational purposes only, and do not represent a PPA.

Data and Technology Support

Resource Overview

	FY 2016	FY 2017	FY 2018	
	<u>Actual</u>	<u>Continuing Resolution</u>	<u>Request</u>	<u>Change</u>
BUDGET	\$41,227,022	\$42,298,244	\$43,592,930	+\$1,294,686
FTE	49	51	48	-3

Columns may not add due to rounding

Mission Function Description

Information technology costs, including IT investments (e.g., hardware, software, and contractor services), FTE, and indirect costs, are directly attributable the benefiting mission function wherever possible, as discussed in the previous section of this document. Any Commission-wide and infrastructure IT costs that are not directly attributed to another mission function are captured in the Data and Technology Support mission function as described below. A full breakout of the Commission’s IT Portfolio, which includes IT costs relating to other mission activities, is located in Appendix 2.

The Commission’s IT program uses a service-oriented approach to provide technology infrastructure and services. It allows staff Commission-wide to work effectively and increase the integration of data and technology into the Commission operating model. The Office of Data and Technology ensures that Commission staff has secure and appropriate access to highly available communication, processing, and storage infrastructure capabilities. Commission staff must be provided with platforms and tools that enable them to analyze data innovatively while minimizing time, process, and resource constraints.

Justification of CFTC Request by Function

Data and Technology

The Data and Technology function covers the CFTC’s organizational technology needs while, simultaneously, adjusting and adapting to the dynamic technology shifts of today’s financial markets. This function funds the enterprise-wide IT, data management, telecommunications, security, and related IT infrastructure that collectively serve as the central platform for all CFTC regulatory and enforcement functions. This request maintains current operational capacity while the Commission reviews investments and explores opportunities to streamline services.

The Commission’s IT program uses an enterprise-wide service-oriented approach to service provision. It allows staff to work effectively and increases the integration of data and technology into CFTC operations while ensuring that staff has secure and appropriate access to mission critical communication, processing, and storage infrastructure capabilities.

The Commission endeavors to provide available, flexible, reliable, scalable, and high performance infrastructure and base services. The Commission will continue to enhance productivity and mobility products and services.

One of the CFTC’s top priorities is to provide CFTC market, financial, legal, and economic analysts with the ability to adjust analytic activities and approaches rapidly through data aggregation. CFTC data storage requires effective management to handle the continual growth of analytical demand. Secure, private cloud services will be implemented to ensure future scalability and to cost-effectively support large volumes of data collected by the Commission.

The foundation of the CFTC IT security program is the confluence of policy and compliance activities to govern the use and security of our data and systems. The Commission enforces a mixture of policies and exercises that are practical, improve security posture, and comply with regulatory mandates. CFTC continues to work with the Department of Homeland Security to improve its security posture.

Breakout of Data and Technology Request ¹⁹

Table 13: Breakout of Data and Technology Support by Division

	FTE	Salaries and Expenses (\$000)	IT (\$000)	Total (\$000)
Data and Technology	48	\$13,245	\$30,347	\$43,593
Total	48	\$13,245	\$30,347	\$43,593

Columns may not add due to rounding

¹⁹ The Commission considers the Salary and Expenses, Information Technology, and Office of Inspector General programs to be its sole programs, projects, and activities (PPAs). The budget displays by mission activity are for informational purposes only, and do not represent a PPA.

Agency Direction and Management

Resource Overview

	FY 2016	FY 2017	FY 2018	
	<u>Actual</u>	<u>Continuing Resolution</u>	<u>Request</u>	<u>Change</u>
BUDGET	\$37,981,898	\$34,450,349	\$41,664,355	+\$7,214,007
FTE	114	111	131	+20

Columns may not add due to rounding

Mission Function Description

The Commission’s ability to achieve its mission is driven by well-informed and reasoned executive direction, strong and focused management, and an efficiently-resourced, dedicated, and productive workforce. This is a top-to-bottom requirement. To ensure the Commission’s continued success, continuity of operations, and adaptation to the ever-changing markets it regulates, it must empower strong, enterprise-focused leaders; maintain a high-performing, diverse and engaged workforce; promote transparent and clear communication; and develop, train and equip leaders at all levels of the organization. The Commission is committed to managing its resources effectively through effective internal controls, governance and planning processes, and ensuring its workforce has the leadership, knowledge, data and technology, and other tools to work effectively.

Justification of CFTC Request by Function

Administrative Management and Support

The FY 2018 request focuses on strengthening the Commission’s fiduciary posture by enhancing its compliance with laws and other Federal requirements related to human capital and workforce development, knowledge management, and risk management functions. These efforts will result in better informed decision making regarding the management and investment of the Commission’s resources.

To ensure a properly managed workforce, the Commission provides mandatory supervisory training in accordance with 5 U.S.C. 4121 and Executive Order 13518. This request will enable the Commission to offer training to address the Plain Writing Act (per Public Law 111-274) and records management training for all employees (36 CFR 1220.34(f)). This request will also enable the implementation of certification programs related to the oversight of the financial marketplace, the development of executive and leadership skills, and cybersecurity professionals.

The Commission will invest resources to address the Office of Management and Budget (OMB) Managing Government Records Directive (M-12-18) and the National Archives and Records Administration requirements for agencies to manage electronically all permanent electronic records by December 31, 2019. The Commission needs to complete the transition of its business processes and systems for managing those records to a fully electronic model. This transition will mitigate operational and continuity risks that cannot be managed with the current legacy business processes. Additionally, this investment, will allow the Commission to maintain records for administrative rulemakings in accordance with the Administrative Procedures Act.

The Commission will also invest resources to continue evolving its existing risk management framework to be more value-added and provide for a strong risk management structure, which is essential to effective operations and mission delivery.

The CFTC has taken an aggressive approach to streamlining operations and will realize efficiencies from action taken in FY 2017 to centralize business management functions from the various CFTC Divisions into the Office of the Executive Director, implement an automated procurement workflow system and updates its asset management system and processes. While the Commission is streamlining operations, some costs have increased. The Commission will experience a significant increase in facility leasing costs in FY 2018 directly attributable to sale of the Washington D.C. facility in accordance with applicable leasing terms.

Overall, the Commission's request is a balanced approach that recognizes the need to keep overhead costs as low as possible, while making careful investments to continue efficiency, innovation, and effectiveness.

Agency Direction

The FY 2018 request will support the Commission's leadership function, which includes the Offices of the Chairman and the full complement of Commissioners and support staff, as well as Public Affairs, Legislative Affairs and the Office of Minority and Women Inclusion. Support staff for each Commissioner is reduced by one FTE, commensurate with pre-Dodd-Frank levels. Under Agency Direction, the Chairman's Office supports efforts to evaluate mandated reforms and focus on transparency and market integrity. It also provides responsive, articulate products for a variety of domestic and international venues. In addition, the request also includes funding for official reception and representation, as well as for the Commission's Advisory Committees.

Data and Technology

The IT program funds administrative and management systems required to operate the Commission, to include multiple shared-services that provide accounting, procurement, payroll and vendor pay services and other functions.

Breakout of Agency Direction and Management Request ²⁰

Table 14: Breakout of Agency Direction and Management by Division

	FTE	Salaries and Expenses (\$000)	IT (\$000)	Total (\$000)
Agency Management and Support	89	\$23,977	\$0	\$23,977
Agency Direction	33	\$9,126	\$0	\$9,126
Data and Technology	0	\$4,065	\$1,186	\$5,252
Inspector General	9	\$3,310	\$0	\$3,310
Total	131	\$40,478	\$1,186	\$41,664

Columns may not add due to rounding

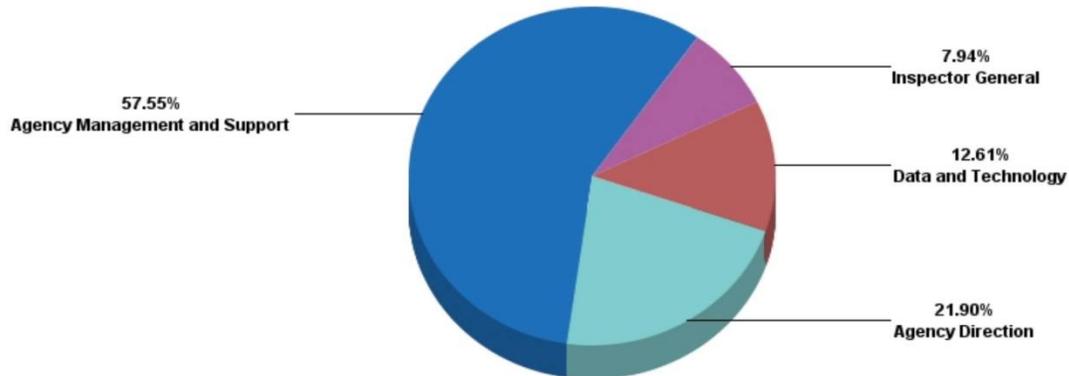


Figure 12: Agency Direction and Management Request by Division

²⁰ The Commission considers the Salary and Expenses, Information Technology, and Office of the Inspector General programs to be its sole programs, projects, and activities (PPAs). The budget displays by mission activity are for informational purposes only, and do not represent a PPA.

APPENDIX 1

The Commissioners

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

J. Christopher Giancarlo, Acting Chairman

J. Christopher Giancarlo was appointed as Commissioner of the Commodity Futures Trading Commission on June 16, 2014. On January 20, 2017, Mr. Giancarlo was selected by his fellow Commissioners to be the Acting Chairman of the Commodity Futures Trading Commission. His term expires on April 13, 2019.

Sharon Y. Bowen, Commissioner

Sharon Y. Bowen was appointed as Commissioner of the Commodity Futures Trading Commission on June 9, 2014. Her term expires on April 13, 2018.

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 (DCR), Division of Enforcement (DOE), Division of Market Oversight (DMO), and the Division of Swap Dealer and Intermediary Oversight (DSIO)—are supported by, a number of offices, including the Office of the Chief Economist (OCE), Office of Data and Technology (ODT), Office of the Executive Director (OED), Office of the General Counsel (OGC), and the Office of International Affairs (OIA). The Office of the Inspector General (OIG) is an independent office of the Commission.



Agency Direction

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.

Administration Management and Support

The OED, by delegation of the Chairman, directs the internal management of the Commission, ensuring the Commission’s continued success, continuity of operations, and adaptation to the ever-changing markets it is charged with regulating; directing the effective and efficient allocation of CFTC resources; developing and implementing management and administrative policy; and ensuring program performance is measured and tracked Commission-wide. The OED includes the following branch offices: Business Management and Planning, Executive Secretariat, Library, Records, and Privacy, and Proceedings, Financial Management, Human Resources, and Customer Outreach. The Office of Proceedings has a dual function to provide a cost-effective, impartial, and expeditious forum for handling customer complaints against persons or firms registered under the CEA, and to administer enforcement actions, including statutory disqualifications, and wage garnishment cases. The Office of Consumer Outreach (OCO) administers the Commission’s consumer anti-fraud and public education initiatives.

Chief Economist

The OCE provides economic analysis, advice and context to the Commission and to the public. The OCE provides perspectives on both current topic and long-term trends in derivatives markets. The extensive research and analytical backgrounds of staff ensure that analyses reflect the forefront of economic knowledge and econometric techniques. The OCE plays an integral role in the cost-benefit considerations of Commission regulations and collaborates with staff in other divisions to ensure that Commission rules are economically sound. The OCE and the research it provides also play a key role in transparency initiatives of the Commission.

Clearing & Risk

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

Data and Technology

The ODT is led by the Chief Information Officer and delivers services to CFTC through four components: Systems and Services, Data Management, Infrastructure and Operations, and Policy and Planning. Systems and Services focuses on several areas: 1) market and financial oversight and surveillance; 2) enforcement and legal support; 3) document, records, and knowledge management; 4) CFTC-wide enterprise services; and 5) management and administration. Systems and Services provide access to data and information, platforms for data analysis, and enterprise-focused automation services. Data Management focuses on data analysis activities that support data acquisition, utilization, management, reuse, transparency reporting, and data operations support. Data Management provides a standards-based, flexible data architecture; guidance to the industry on data reporting and recordkeeping; reference data that is correct; and market data that can be efficiently aggregated and correlated by staff. Infrastructure and Operations organizes delivery of services around network infrastructure and operations, telecommunications, and desktop and customer services. Delivered services are highly available, flexible, reliable, and scalable, supporting the systems and platforms that empower staff to fulfill the CFTC mission. Policy and Planning focuses on IT security, strategic and operational planning, IT policy and procedure development, configuration management, enterprise architecture, and internal business management. The four service delivery components are unified by an enterprise-wide approach that is driven by the Commission's strategic goals and objectives.

Enforcement

The DOE investigates and prosecutes alleged violations of the CEA and Commission regulations. The Commission's enforcement efforts are necessary for public confidence and trust in the financial markets. DOE utilizes its authority to, among other things: 1) shut down fraudulent schemes and seek to immediately preserve customer assets through asset freezes and receivership orders; 2) uncover and stop manipulative and disruptive trading; 3) ensure that markets, firms, and participants subject to the Commission's oversight meet their obligations, including their financial integrity and reporting obligations, as applicable; 4) ban certain defendants from trading in its markets and being registered; and 5) obtain orders requiring defendants to pay restitution, disgorgement, and civil monetary penalties. DOE also engages in cooperative enforcement work with domestic, state and Federal, and

international regulatory and criminal authorities. The WBO within DOE receives tips, complaints and referrals of potential violations, which allows the staff to bring cases more quickly and with fewer CFTC resources, and guides the handling of whistleblower matters as needed during investigation, litigation, and award claim processes.

General Counsel

The OGC provides legal services and support to the Commission and all of its programs. These services include: 1) engaging in defensive, appellate, and amicus curiae litigation; 2) assisting the Commission in the performance of its adjudicatory functions; 3) providing legal advice and support for Commission programs; 4) assisting other program areas in preparing and drafting Commission regulations; 5) interpreting the CEA; 6) overseeing the Commission's ethics program and compliance with laws of general applicability; and 7) providing advice on legislative, regulatory issues and financial technology innovation.

International Affairs

The OIA advises the Commission regarding international regulatory initiatives; provides guidance regarding international issues raised in Commission matters and in matters pertaining to cooperation arrangements with foreign authorities; represents the Commission in international fora, such as IOSCO, the OTC Derivatives Regulators Group, and various FSB committees; participates in bilateral dialogues, such as the U.S.-EU Joint Financial Regulatory Forum and the U.S.-China Strategic and Economic Dialogue; coordinates Commission policy as it relates to policies and initiatives of major foreign jurisdictions, the G20, FSB and the U.S. Department of the Treasury (Treasury); and provides technical assistance to foreign market authorities.

Market Oversight

DMO fosters open, transparent, fair, competitive and secure markets through oversight of derivatives platforms and trade repositories. DMO also reviews new applications for DCMs, SEFs, SDRs, and FBOTs and examines existing trading platforms and data repositories to ensure their compliance with the applicable core principles and other regulatory requirements. DMO also evaluates new products to ensure that they are not susceptible to manipulation, and reviews entity rules to ensure compliance with the CEA and Commission regulations. Furthermore, DMO conducts value-added analysis using internal and external data and to inform sound policymaking at the Commission and promote efficient and financially sound markets.

Swap Dealer and Intermediary Oversight

The DSIO oversees the registration and compliance activities of market intermediaries and the futures and swaps industry SROs, which includes the NFA. DSIO develops and implements regulations concerning registration, fitness, financial adequacy, sales practices, risk management, business conduct, capital and margin requirements, protection of customer funds, cross-border transactions, and anti-money laundering programs, as well as policies for coordination with foreign market authorities and emergency procedures to address market-related events. DSIO provides guidance to the Commission, intermediary registrants, SROs and other market participants regarding these regulations and the CEA provisions that these regulations implement. DSIO also monitors the compliance of these registrants and provides oversight and guidance for complying with the system of registration and compliance established by the CEA and the Commission's regulations. DSIO further assesses registrant compliance with the CEA and Commission regulations by conducting targeted reviews and examinations of registrants and performing oversight of the SRO examination functions.

APPENDIX 2

Information Technology

Introduction

The Commission's IT Portfolio reflects strategic priorities to provide highly available infrastructure and services, access to data, platforms for staff data analysis, and enterprise-focused automation services. The Commission scales and enhances communication, processing, storage, and platform infrastructure to meet mission requirements. The Commission has organized its IT portfolio into the five major investments described below:

- *Surveillance*. Supports market, trade practice, and financial and risk oversight and enforcement actions. Success in this area is highly dependent on the ability to acquire large volumes of data and the development of standards and analytics to support data segregation, as well as identify trends and/or outlying events that warrant further investigation.
- *Enforcement*. Provides a variety of critical automated litigation and investigation support services to facilitate the overall management of documents and data. Enforcement technology also provides the ability to rapidly query and retrieve information about investigations and litigation and perform analytics.
- *Other Mission Support*. Provides services that are vital to CFTC's regulatory mission functions including: 1) Registration and Compliance, 2) Product Reviews, 3) Examinations, 4) Legal and Economic Analysis and 5) International Policy.
- *Data Infrastructure*. Supports all mission areas by providing the underlying infrastructure for IT services including: messaging, communications, network security, database administration, business continuity and data storage management. The data infrastructure effort also provides transparency through the CFTC.gov website, staff collaboration and knowledge management, as well as document and records management.
- *Management and Administrative Support*. Includes IT service to commission-wide general support activities that require specialized or dedicated IT service components, for example, financial management, payroll and personnel services, training, hiring and logistics support.

Management of the IT Portfolio in FY 2018

The Commission requests \$57.0 million for the IT Program and \$29.4 million for the Salaries and Expenses Program, in support of the following IT priorities:

Surveillance:

- Data Standards, Quality and Governance
 - Sustain ongoing efforts with domestic and international regulators, as well as industry to harmonize and refine data standards and improve data quality.
 - Sustain data standardization, collection, correlation and quality efforts for market data.
 - Sustain intraday trade capture data quality and Hybrid Order data.
 - Support harmonizing of data standards and data access services for all SDR data.
 - Sustainment of Data Governance resource to develop a data governance framework, data governance artifacts used to make decisions, maintain and extend data catalog as a tool for data governance, perform data governance for projects like transitional swaps database (TSD), in FY 2018.

- Swaps Data Management
 - Provide data loading support for all new data submissions.
 - Collaborate on integration of NFA systems and data with CFTC systems and ingest of NFA data into CFTC systems.
 - Continue integrating futures, swaps, and master and reference data in an enterprise data environment.

- Position and Transaction Surveillance
 - Adapt large trader reporting systems to support new swaps data analysis, internal reporting requirements, and transparency reporting.
 - Deploy systems that analyze orders as well as trades for trade practice violations.

- OTC Risk Management
 - Intensify capability to stress test positions in swaps for market participants and DCOs.
 - Amplify systems to identify and aggregate data for related market participants across DCOs.
 - Improve tools used in backtesting and evaluation of sufficiency of all material product and portfolio margin requirements.
 - Upgrade monitoring capabilities of firm level variation and initial margin requirements across DCOs.
 - Expand existing tools utilized in the evaluation of risk to market participants positions held at multiple FCMs or DCOs.
 - Enhance tools to combine cleared and bilateral positions to obtain a more complete picture of a clearing firm's risk.
 - Modify existing financial analysis tools, which support reviews of FCMs and swaps dealers risk management controls.

- Market and Data Analytics
 - Continue enhancing data availability and analytics tools that allow staff to prototype new surveillance and risk and compliance monitoring methods.
 - Adjust production analytics to use high-performance computing platforms.
 - Support additional public transparency reporting.

Other Mission Support:

- Registration and Compliance, Product Review and Assessment.
 - Automate regulatory mission and key processes.
- Examinations
 - Automate regulatory mission and key processes.
- Legal and Economic Analysis
 - Automate regulatory mission and key processes.

Enforcement:

- Enhance eLaw and forensics program technology, and increase litigation technical support services.

Data Infrastructure:

- Increase storage, processing, and communications infrastructure to meet demand.
- Finalize implementation of desktop computing technology refresh.
- Implement information security continuous diagnostics and mitigation (CDM).
- Provide support for the Commission-wide collaboration site and division collaboration sites.
- Initiate technology refresh for end-of-life conference room equipment.
- Continue Full Implementation of “Windows to Go”.
- Sustain a cost effective and secure remote access to facilitate telework/working remotely.
- Sustain customer support, desktop support, and network operation services.
- Retain scaled storage and server capacity.

Management and Administrative Support:

- Enhance video production capabilities to support electronic learning and improved communications.

Summary of Information Technology Budget by Cost Type

	FY 2016 Actual (\$000)	FY 2017 Continuing Resolution (\$000)	FY 2018 Request (\$000)
Development, Modernization, and Enhancement (DME)	13,951	14,014	14,346
Operations and Maintenance (O&M)	54,840	55,643	62,823
S&E (Non-DME/O&M)	7,274	3,773	4,065
Indirect Overhead	4,111	5,050	5,217
Total IT Portfolio	\$80,177	\$78,481	\$86,452
Information Technology Services	50,387	50,000	57,000
Information Technology Personnel (S&E)	18,384	19,630	20,143
S&E Operating	7,295	3,800	4,092
Indirect Overhead	4,111	5,050	5,217
Total IT Portfolio	\$80,177	\$78,481	\$86,452

Columns may not add due to rounding

Detail of Information Technology Budget by Cost Type

	FY 2016	FY 2017	FY 2018
	Actual	Continuing	Request
	(\$000)	Resolution	(\$000)
	(\$000)	(\$000)	(\$000)
Surveillance	21,662	22,039	26,625
DME	7,734	7,759	10,635
Services	7,402	7,346	10,197
Personnel	331	413	438
O&M	13,929	14,280	15,990
Services	6,479	6,428	7,671
Personnel	7,450	7,852	8,320
Enforcement Activities	4,379	4,351	5,587
DME	111	110	25
Services	111	110	25
Personnel	0	0	0
O&M	4,269	4,241	5,561
Services	3,441	3,415	4,685
Personnel	828	827	876
Other Mission Support	2,452	2,433	2,900
DME	1,032	1,024	1,013
Services	1,032	1,024	1,013
Personnel	0	0	0
O&M	1,420	1,409	1,888
Services	1,420	1,409	1,888
Personnel	0	0	0
Agency Direction and Management	8,530	5,020	5,252
S&E	7,274	3,773	4,065
Services	7,267	3,773	4,065
Personnel	7	0	0
DME	0	0	0
Services	0	0	0
Personnel	0	0	0
O&M	1,256	1,247	1,186
Services	1,256	1,247	1,186
Personnel	0	0	0
Data and Technology Support	39,042	39,587	40,871
DME	5,076	5,121	2,674
Services	4,744	4,708	2,236
Personnel	331	413	438
O&M	33,966	34,466	38,197
Services	24,530	24,341	28,126
Personnel	9,437	10,125	10,071
Indirect Overhead	4,111	5,050	5,217
Total IT Portfolio	\$80,177	\$78,481	\$86,452

Table 15: Information Technology Budget

Columns may not add due to rounding

DEFINITION OF TERMS

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

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

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

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

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

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

APPENDIX 3

Inspector General

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

Total FY 2018 Budget as described below includes the OIG request of \$2,800,000 for estimated direct salary and benefit costs of nine FTE, including an estimated contribution of \$8,400 to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The Budget also includes overhead of approximately \$510,401. Overhead is estimated by the Commission and is additive to the OIG direct budget request. Overhead represents a proportional share of estimated operating costs, such as, lease of space, utilities, printing, supplies, equipment and other services used by or available to all divisions and offices, including the OIG. CFTC allocates overhead to all divisions and offices in this budget presentation based on a per FTE distribution.

Table 16: Inspector General's Budget Request

Budget Year	Total Budget	OIG Requested Budget	Estimated Overhead	Training Budget Estimate	CIGIE Estimate	FTE
FY 2018	\$3,310,401	\$2,800,000	\$510,401	20,000	8,400	9

Inspector General's Comment on the CFTC FY 2018 Budget Request

**U.S. COMMODITY FUTURES TRADING COMMISSION****Office of Inspector General**

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

May 18, 2017

TO: Acting Chairman Christopher J. Giancarlo
 Commissioner Sharon Y. Bowen

FROM: A. Roy Lavik, *ARC / RL*
 Inspector General

SUBJECT: Comments on the CFTC FY 2018 Budget Submission for the Office of Inspector General

We are submitting this brief comment for inclusion with the CFTC FY 2018 Budget Submission for the Office of Inspector General.¹

For FY 2018, I have requested \$2.8 million to fund operating expenses, including salaries and benefits for nine (9) OIG FTEs (which is the entire OIG).² This amount – the OIG FY 2018 operating budget – is approximately 1% of CFTC's FY 2018 proposed budget. CFTC has added \$510,401 to the OIG FY 2018 budget request for "overhead." Overhead increases the total OIG budget request by more than 18% (to \$3,310,401).

The OIG overhead amount is not determined by OIG. CFTC sets OIG overhead without consulting OIG. The spending of overhead is not controlled by OIG. CFTC in like manner adds overhead to each CFTC Division and Office operating budget on a per FTE basis. The per FTE amount for FY 2018 appears to be \$56,711 (\$510,410 divided by 9 FTEs).

Please keep in mind that CFTC adjusts overhead, agency wide, on an ongoing basis. If overhead increases during FY 2018, CFTC will decrease the operating budgets for its Divisions and Offices to make up the difference. We believe CFTC should not decrease the OIG operating budget set by Congress. By the same token, if per FTE overhead costs drop during FY 2018, we would believe it inappropriate for CFTC to supplement the OIG operating budget set by Congress. Both scenarios create the appearance that OIG funding – and CFTC oversight – depends on CFTC management, rather than the will of Congress.

We therefore prefer that Congress set OIG's operating budget, and specify overhead as an additional amount. In the absence of such specificity, I ask the Commission's support in avoiding alteration of the OIG operating budget set by Congress.

As always, I appreciate your continuing support of my Office.

¹ Pursuant to section 6(f)(2)(D) of the Inspector General Act of 1978 (IG Act), as amended, "in transmitting a proposed budget to the President for approval, the head of each establishment or designated Federal entity shall include ... any comments of the affected Inspector General with respect to the proposal."

² This amount includes \$20,000 designated for training, which is appropriate for my requested OIG staff of nine (9) FTEs. It also includes payment of \$8,400 to support the Counsel of Inspectors General on Integrity and Efficiency. The OIG request is approximately 1% of the Agency's FY 2018 total proposed budget.

Inspector General's FY 2018 Budget Request



U.S. COMMODITY FUTURES TRADING COMMISSION

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

Office of the
 Inspector General

May 8, 2017

TO: Chairman J. Christopher Giancarlo
 Commissioner Sharon Y. Bowen

FROM: A. Roy Lavik *ARL*
 Inspector General

SUBJECT: FY 2018 President's Budget

I am requesting \$2.8 million for the salaries and benefits of 9 FTEs, contracted audits and services, training, travel and our annual contribution to CIGIE.¹ Of this figure, \$20,000 will satisfy all training requirements for my Office.

Our operating budget represents slightly less than 1% of the CFTC's request. It does not include funds for Agency-wide overhead. "Overhead" consists of spending on CFTC leases, administrative services such as expenses for contractors, and agency-wide training. Our intent is to submit an OIG budget request that is solely for funds under the control of, and to be spent directly by, the Office of the Inspector General.

We request that this be made explicit in the appropriation language – that agency overhead, however calculated and in whatever amount – is separate from *and in addition to* the OIG operating budget. This mirrors the Agency's intent as set forth in Appendix 3, Table 16. We believe that express language to this effect will avoid confusion and reserve to the Agency maximum flexibility to manage Agency-wide overhead, while ensuring compliance with the Inspector General Act.

Attachment

cc:

Mary Jean Buhler, CFO
 Joel Mattingley, Budget Officer

¹ On April 24, 2017, we submitted a request of \$3.0 million. Shortly thereafter, we received our FY 17 appropriation and the CFTC's calculation of overhead. We determined to reduce our FY 18 request.

Attachment for Inspector General's Budget Request:

Direct Costs (\$)	OIG Request
Salaries and Benefits	2,325,600
Travel	46,000
Training	20,000
Contract Audits	250,000
Contract Services	150,000
Subtotal Direct Costs	\$ 2,791,600
CIGIE Contribution (estimate of .3% of subtotal above)	8,400
Total Direct OIG Costs	\$ 2,800,000
Positions	9
FTE	9

APPENDIX 4

Statement of Availability on Basis of Obligations

Table 17: Summary of FY 2016 to 2018 Statement of Availability on Basis of Obligations

	Actual	FY 2017 Estimate	FY 2018 Request
	<u>\$ (000)</u>	<u>\$ (000)</u>	<u>\$ (000)</u>
New Appropriations	\$250,000	\$250,000	\$281,500
Carryover from Prior Year	396	685	200
Recoveries of Prior Year Obligations	675	1,811	826
Total Available	251,071	252,496	282,526
Obligations	<u>249,677</u>	<u>251,896</u>	<u>281,926</u>
Balance Available	1,395	600	600
Lapsing Appropriations	<u>(711)</u>	<u>(600)</u>	
Total Available or Estimate	\$684	\$0	

APPENDIX 5

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 OCO.

Management of the Whistleblower Office

The WBO has three essential functions:

- Process Whistleblower Submissions. WBO receives, tracks, and handles whistleblower submissions and inquiries.
- 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 Award Determination Panel (Panel), advises the Panel as needed on the whistleblower provisions and rules, and memorializes the Panel’s decisions.

In FY 2016, the CFTC issued two orders granting awards to whistleblowers for providing valuable information about violations of the CEA—one for more than \$10 million and another for approximately \$50,000.

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

In FY 2018, the Commission will continue to increase its communications with market participants and voluntary whistleblowers about the protections and incentives under the Whistleblower Program.

Management of the Office of Consumer Outreach

OCO administers the CFTC’s public education initiatives designed to help customers protect themselves against fraud and other violations of the CEA. These initiatives include efforts and strategies designed to inform and empower commodity producers and end-users who utilize the commodity futures and derivatives markets, older Americans often targeted by investment fraud, and the public interested in learning more about the markets and how they operate.

OCO develops educational content designed to help farmers, ranchers and end-users make decisions about utilizing the commodity futures markets as part of their risk management portfolios. The goal of the strategy is to educate producers and end-users about a number of key issues, including: 1) CFTC's role in monitoring and policing the markets; 2) products and strategies that could be considered to hedge risk; 3) market reports and how they can be used; 4) customer rights, responsibilities, and safeguards; and 5) price volatility and price discovery.

The Commission also plans an alliance-based outreach strategy utilizing partnerships with Federal and state agencies as well as nonprofit and industry groups. Its first major anti-fraud initiative, "CFTC SmartCheckSM," is now in its third year. The social marketing initiative uses direct-to-customer communication and marketing to target investors nearing or in retirement.

For 2017 and beyond, OCO plans to target advertising to key websites and online media and shift resources to content development and marketing that will attract and retain repeat visitors, including both potential fraud victims and fraud-prevention educators. Common content marketing tactics include improving search engine optimization, increased concentration on social media, and identifying and developing communities of interest.

OCO is also creating new and engaging educational content for CFTC.gov. This work is focused on raising awareness about the Commission's role in fostering transparent and competitive markets, and protecting market users from fraud, manipulation and abusive practices. Content will be developed in plain language, designed to be highly searchable, allowing customers to find it easily on mainstream search engines. In FY 2018, the Commission will continue its research and evaluation to ensure taxpayer funds are efficiently utilized and current and future messaging and outreach efforts are effectively engaging customers.

Operation of the CFTC Customer Protection Fund

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

In FY 2018, the CFTC estimates that it will use up to \$67.7 million:

- Up to \$12.8 million will be used to finance customer education initiatives, administrative expenses, and 10 FTE, a decrease of \$0.1 million under the FY 2017 budgeted level.
- Whistleblower award payouts are estimated at \$52 million.
- Up to \$2.9 million will be used for the WBO to fund administrative expenses and 10 FTE, which is an increase of \$0.1 million over the FY 2017 level.

Table 18: Customer Protection Fund

	FY 2016 Actual (\$000)	FY 2017 Estimate (\$000)	FY 2018 Estimate (\$000)
Budget Authority – Prior Year	\$264,251	\$245,426	\$170,501
Budget Authority – New Year	490	845	1,000
Prior Year Recoveries	352	0	0
Sequestration	(33)	(58)	
Total Budget Authority	265,060	246,213	171,500
Whistleblower Program	2,108	2,795	2,939
Whistleblower Awards	11,851	60,000	52,000
Customer Education Program	5,675	12,917	12,796
Total Planned Expenditures	19,634	75,712	67,735
Unobligated Balance	\$245,426	\$170,501	\$103,766

APPENDIX 6

The Commission and the Industry We Regulate

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

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

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

CFTC Regulatory Landscape Matrix

The matrix, as detailed in Table 19, reflects how the Commission administers its oversight authorities for each regulated entity by CFTC mission function. In summary, regulatory oversight is managed as follows:

- *CFTC Core.* All activities under this category are reflected as “CFTC” in Table 19. 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 19 as “NFA/CFTC” or “designated self-regulatory organizations (DSRO)/CFTC”, or “self-regulatory organizations” (SRO/CFTC), as appropriate. This category captures mission activities that involve the delegation of certain regulatory functions to the NFA or other SROs. Examples include cyclical intermediary examinations, certain enforcement actions, reporting requirements, etc. However, in all cases of delegation, the CFTC is responsible for the review and oversight of the SRO processes, products, procedures, etc. to ensure and validate compliance with all applicable regulations. This work includes quarterly reviews of SRO examinations activities, review/approval of proposed SRO rules and policies, guidance and legal interpretations, etc.
- *CFTC Shared.* All activities under this category are reflected in Table 19 as “CFTC/DCO Regulator or Federal Reserve.” For systemically important DCOs, the CFTC shares regulatory authority with the Federal Reserve. For exempt DCOs, the CFTC share regulatory authority with the DCO’s home regulatory authority with respect to oversight of swaps clearing by U.S. persons. For registered FBOTs, the CFTC shares regulatory authority with the FBOT’s home regulatory authority with respect to oversight over direct access trading from the U.S. and review of products to be offered for trading by direct access. The FBOT’s home regulatory authority has responsibility for the remaining mission functions. For intermediaries the CFTC retains certain direct responsibilities and those which have been delegated to SROs, CFTC remains responsible for oversight of such responsibilities and/or delegates regulatory authority to SROs by CFTC mission function.

Entity	Acronym	CFTC Mission-Function					Economic & Legal Analysis
		Registration & Compliance	Product Reviews	Surveillance	Examinations	Enforcement	
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

Table 19: Matrix of Regulated Entities and Registrants by Mission Function

Number of Regulated Entities and Registrants

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

The FY 2016 actuals are provided below.

Entity	Acronym	Number of Regulated Entities and Registrants
		FY 2016 Actuals
Trading Entities		
Designated Contract Market	DCM	15
Swap Execution Facility	SEF	23
Foreign Board of Trade ²¹	FBOT	9
Clearing Entities		
Derivatives Clearing Organization	DCO	15
Exempt Derivatives Clearing Organization	Exempt DCO	4
Systemically Important DCO	SIDCO	2
Data Repositories		
Swap Data Repository	SDR	4 ²²
Intermediaries		
Futures Commission Merchant ²³	FCM	68
Swap Dealer	SD	102
Major Swap Participant	MSP	0
Retail Foreign Exchange Dealer	RFED	3
Managed Funds		
Commodity Trading Advisor	CTA	2,298
Commodity Pool Operator	CPO	1,710
Other Registrants		
Introducing Broker	IB	1,275
Floor Broker	FB	3,816
Floor Trader	FT	694
Associated Person	AP	53,431

Table 20: Number of Regulated Entities and Registrants

²¹ Foreign boards of trade are registered with the Commission to allow the FBOT to permit its members and other participants in the United States to enter orders directly into the FBOT’s trade matching system.

²² There are currently four swap data repositories that are provisionally registered with the CFTC.

²³ Excludes futures commission merchants registered as retail foreign exchange dealers.

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 CFTC:

- Volume of futures and option contracts traded;
- Volume of swaps traded on swap execution facilities;
- Swap data repository swap volume data;
- Actively traded futures and option contracts;
- Notional value of exchange traded and OTC contracts;
- Customer funds held at futures commission merchants;
- Margin Requirements;
- Swap execution facilities registered with the CFTC;
- Contract markets designated by the CFTC;
- Derivatives clearing organizations registered with the CFTC;
- Systemically important derivatives clearing organizations;
- Exempt derivatives clearing organizations;
- Swap data repositories registered with the CFTC; and
- Growth in number of types of swaps data loaded onto CFTC systems.

Volume of Futures & Option Contracts Traded²⁴

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

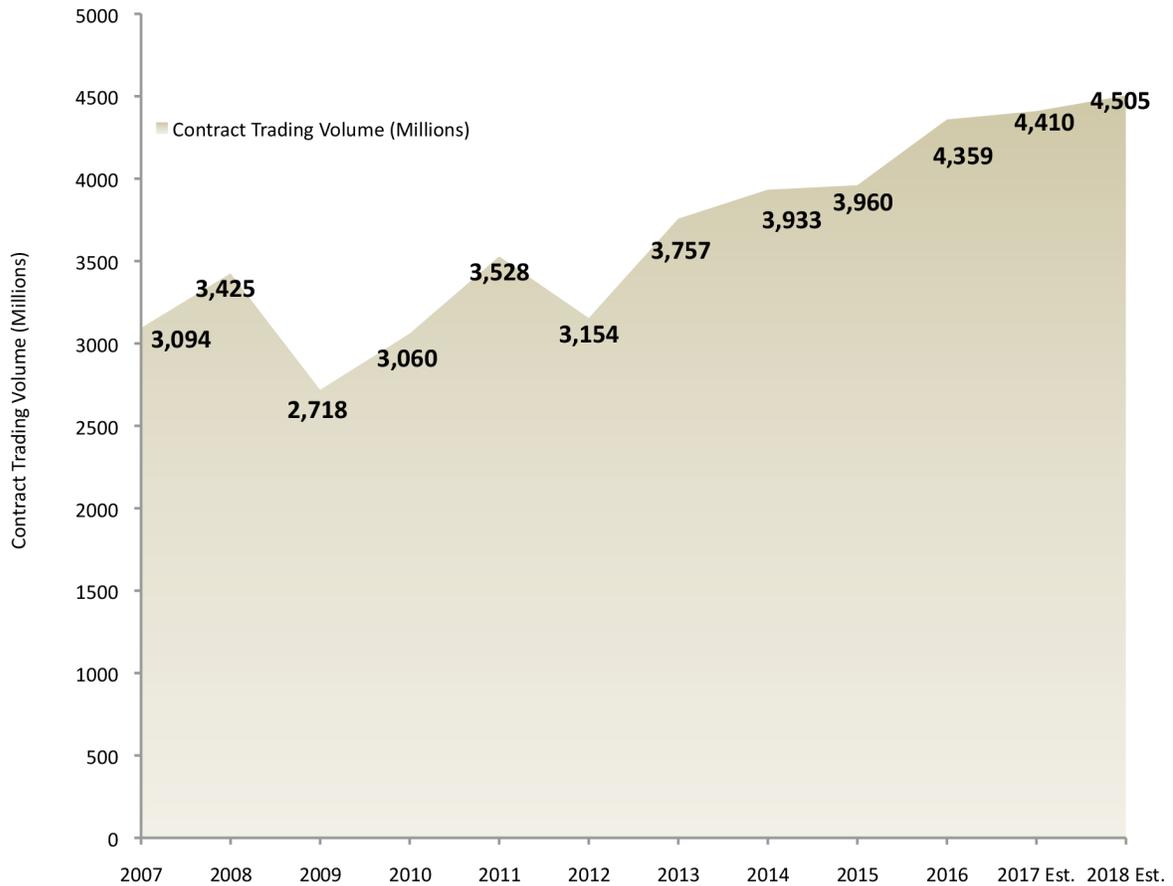


Figure 13: Growth of Volume of Contracts Traded

²⁴ Data Source: Futures Industry Association (FIA), CFTC estimates.

Volume of Swaps Traded on Swap Execution Facilities²⁵

SEFs, a type of CFTC-regulated platform for trading swaps, began operating on October 2, 2013. The FIA publishes data on volume and market share trends for interest rate, credit and foreign exchange (FX) products traded on SEFs. Visit SEF Tracker at <https://www.fia.org> for more details on market trends. As the volume of swaps traded on SEFs increases, CFTC workload increases, due to the increase in data to ingest and process, which results in additional trade practice and market surveillance activities over a larger number of transactions.

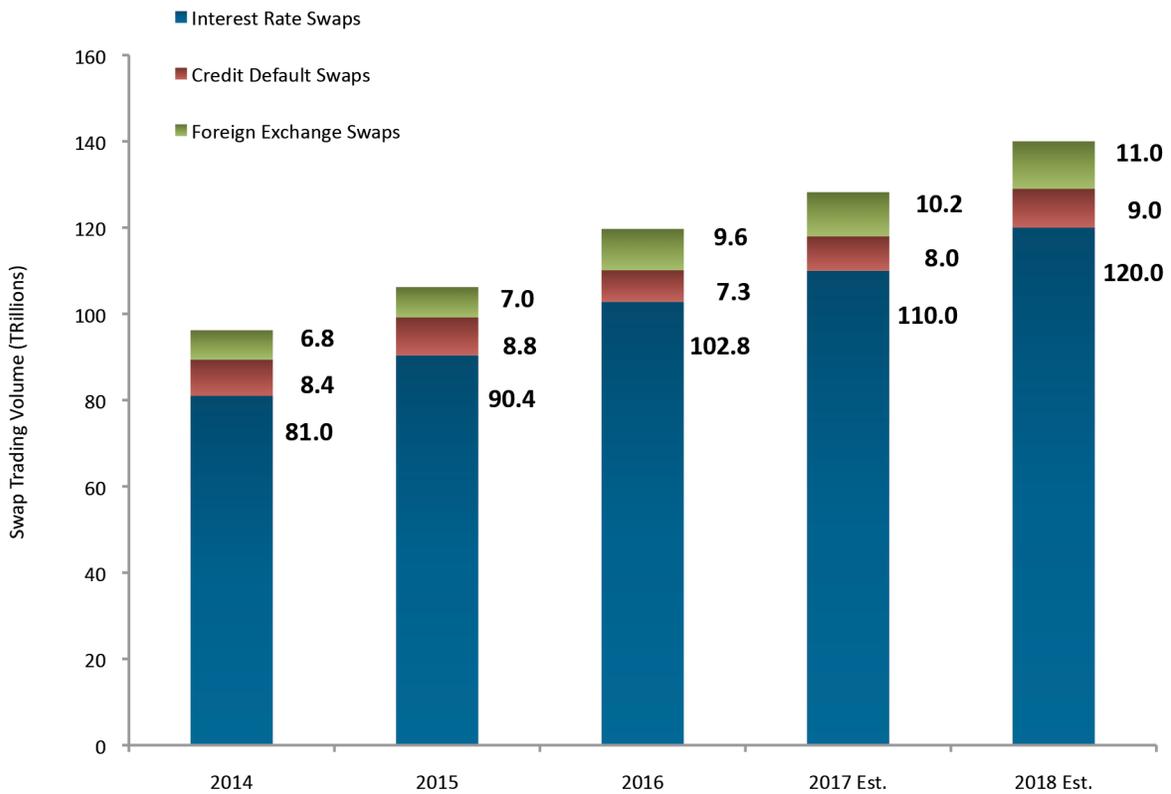


Figure 14: Volume of Swaps Traded on Swap Execution Facilities

²⁵ Data Source: Futures Industry Association (FIA), CFTC estimates.

Swap Volume, Cleared versus Uncleared²⁶

Based on data reported to SDRs, as of January 2017, 83 percent of all new interest rate swap transactions were cleared, as measured by notional value. This is compared to estimates by the International Swaps and Derivatives Association (ISDA) that only 16 percent, by notional value, of outstanding interest rate swaps were cleared in December 2007. With regard to index credit default swaps, most new transactions are being cleared—82 percent of notional value, as of January 2017.

An increase in the total volume of swaps effect CFTC workload as the agency must conduct trade practice and surveillance on a larger number of transactions. 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 a 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.)

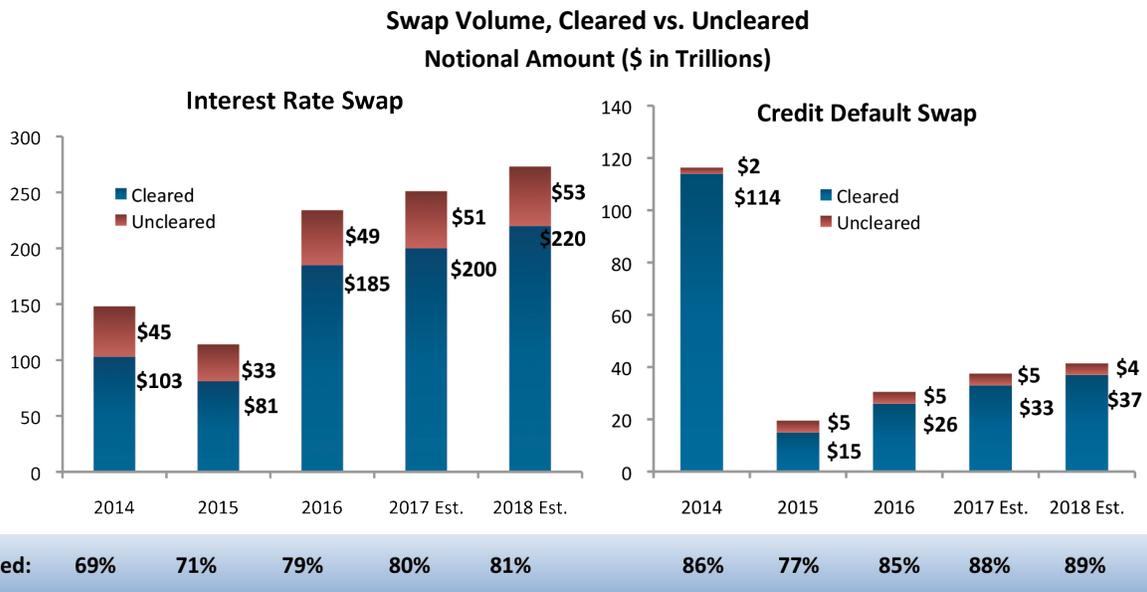


Figure 15: Swaps Volume, Cleared vs. Uncleared

²⁶ Data Source: CFTC Weekly Swaps Report located at <http://www.cftc.gov/MarketReports/SwapsReports/index.htm>.

Actively Traded Futures & Option Contracts²⁷

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

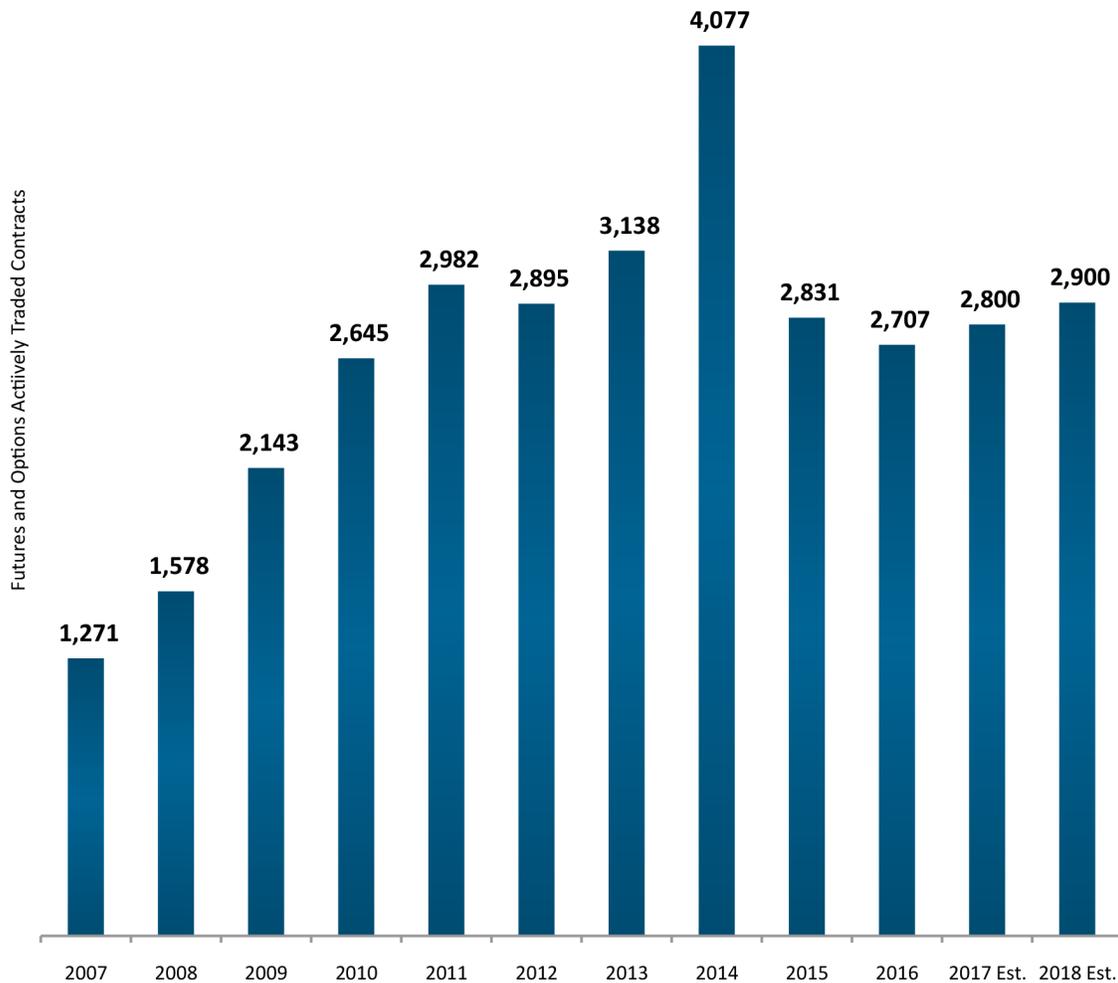


Figure 16: Actively Traded Futures and Option Contracts

²⁷ Data Source: CFTC Integrated Surveillance System

Notional Value of Exchange-Traded and Over-the-Counter Contracts²⁸

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

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

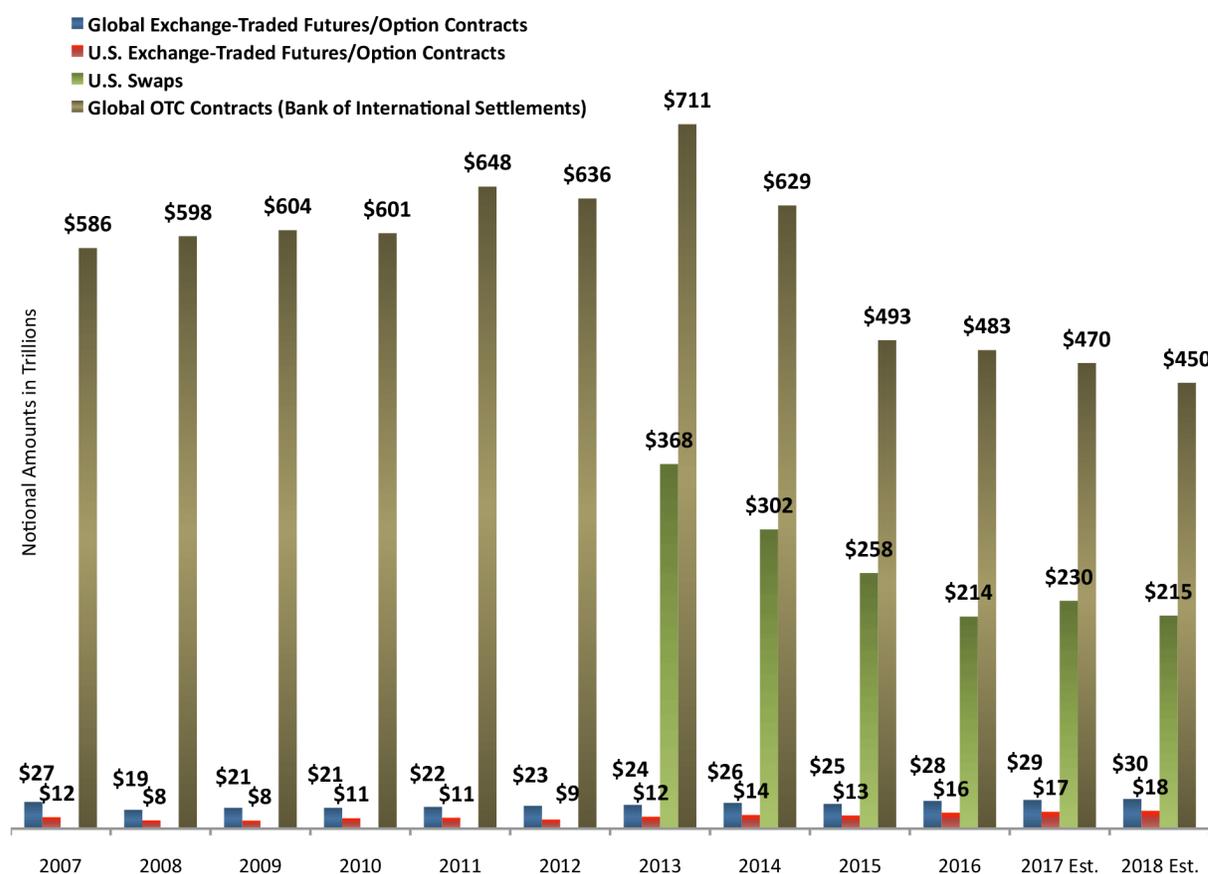


Figure 17: Notional Value of Exchange-Traded and OTC Contracts

²⁸ Source data:

Global Exchange-Traded Futures and Options. Reflect interest rate and foreign exchange contracts globally, as reported by the Bank of International Settlements.

U.S. Exchange-Traded Futures and Options. CFTC Integrated Surveillance System.

U.S. Swaps. Currently includes data from four swap data repositories and reflects data relating to interest rates and credit default swaps. The Commission expects to include additional swap data repositories and asset classes in the future.

Global OTC Contracts. Reflect OTC derivatives statistics from the Bank of International Settlements, which conducts a semi-annual survey of central banks and other authorities from 13 jurisdictions about the size and structure of the largest OTC derivatives markets.

Customer Funds in Futures Commission Merchants Accounts²⁹

As a key component of the Commission’s regulatory framework, all customer funds held by an FCMs 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 guarantees their futures and cleared swaps trading. In addition, CFTC Regulation Part 30 requires FCMs to hold apart from their own funds a “secured amount” for customers trading futures contracts on FBOT through FCMs.

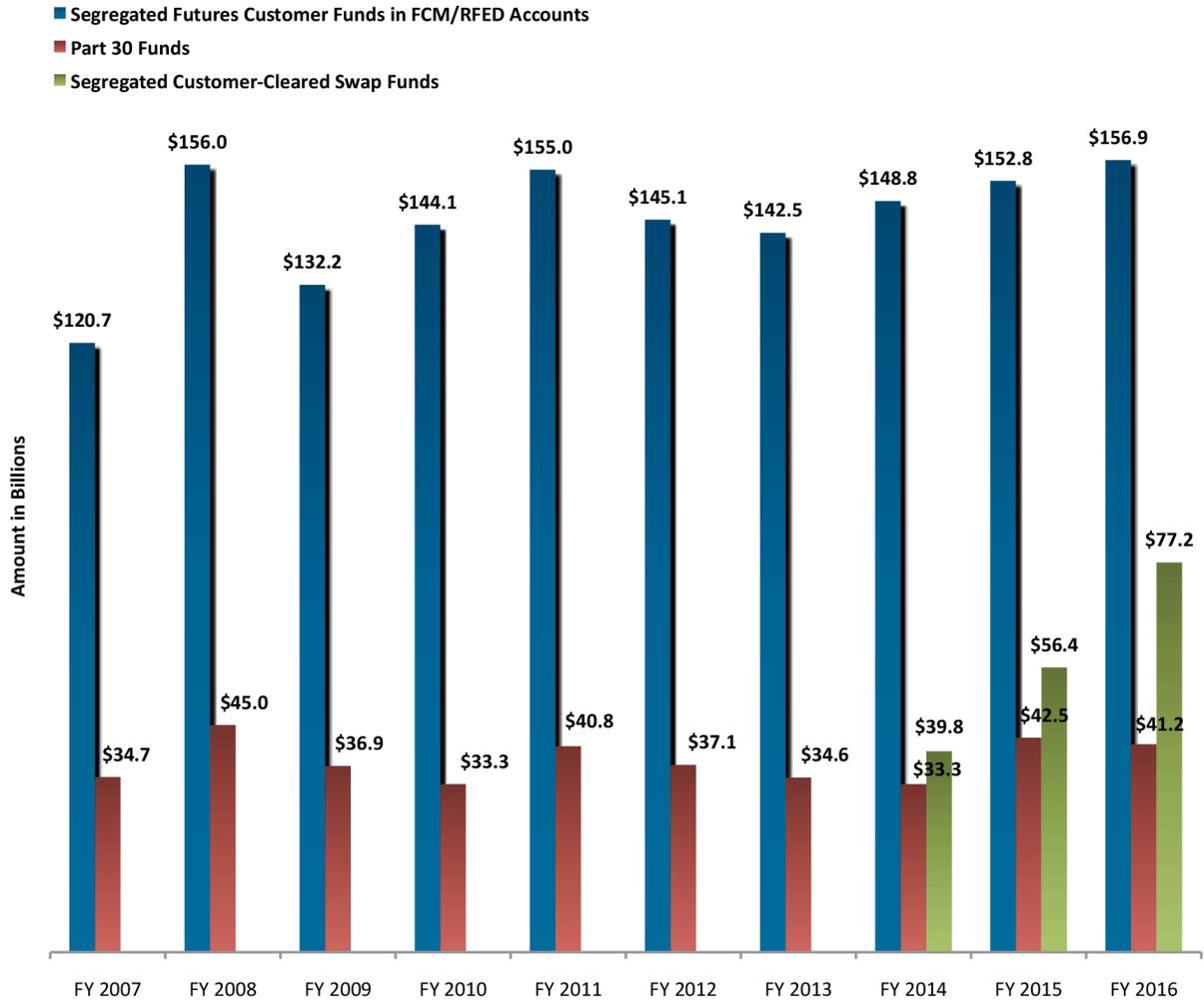


Figure 18: Customer Funds in FCM Accounts

²⁹ Data Source: CFTC Monthly FCM Financial Reporting

Margin Requirements³⁰

Initial Margin is the highly liquid collateral that holders of financial instruments must deposit with DCOs to cover the vast majority of the risk of their positions. Since the margin requirement is a direct estimate of risk for each portfolio, it is useful for monitoring trends at individual customers, clearing member firms and DCOs.

CFTC has observed increases in both the number of market participants it oversees, and the sizes of their cleared positions, leading to significant increases in margin requirements. Total cleared margin (futures and swaps combined) increased \$77 billion, or 34 percent from the end of FY 2014 to the end of FY 2016.

Clearing of swaps has been growing more rapidly than futures due primarily to the 2013 swaps clearing mandates; total margin for cleared swaps alone increased by 45 percent from FY 2014 to FY 2016.

DCOs only accept trades from their members. If a market participant is not a member of the DCO, it must clear through a member as its customer. Customer swap clearing has been growing very rapidly, nearly doubling between FY 2014 and FY 2016.

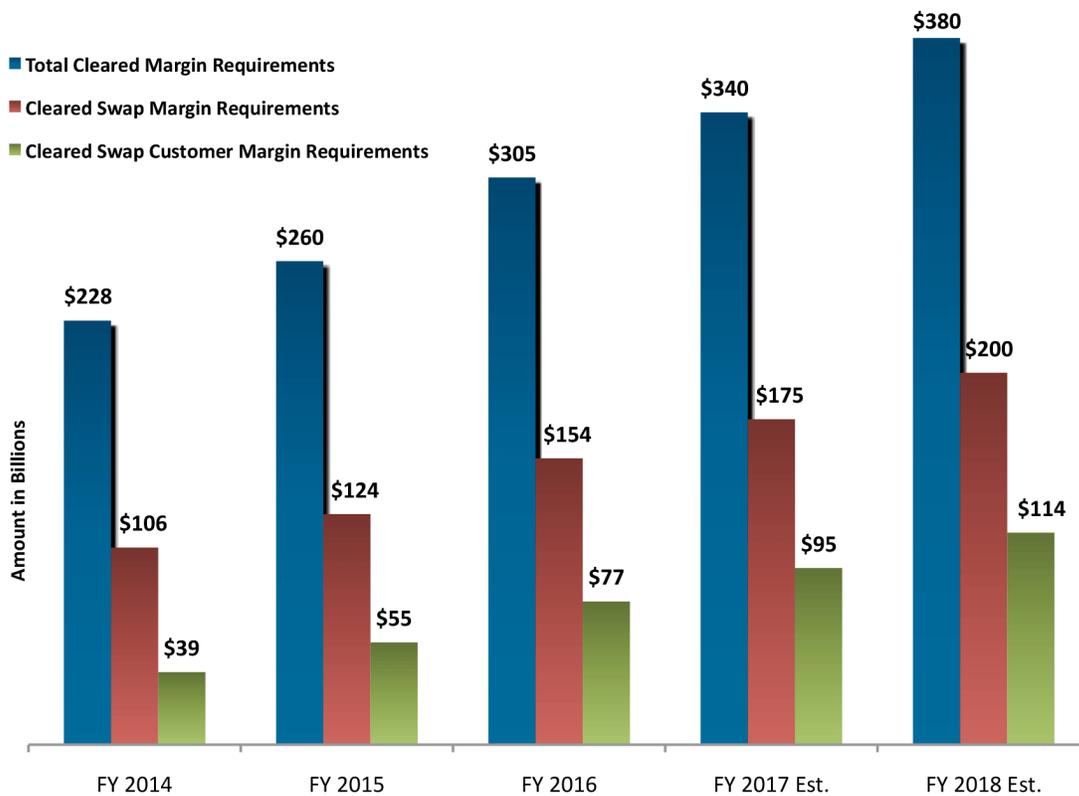


Figure 19: Margin Requirements

³⁰ Data Source: Part 39 filings provided daily to CFTC by derivative clearing organizations.

Swap Execution Facilities Registered with the CFTC

The following SEFs currently meet the criteria and core principles for trading swaps by institutional participants. For each business day, each SEF electronically submits several data sets to the CFTC. These data sets are a major source of input to the Commission’s surveillance function and for input to other mission functions throughout the CFTC. In particular, under CFTC Rule 16.01, the SEFs provide trading volume, prices, and critical dates.

The number of new contracts listed by SEFs each year will add to the surveillance workload in several ways. New contract terms and conditions have to be studied to fully understand of the product characteristics, support data for each contract has to be defined to the internal database systems, new analysis if appropriate needs to be developed and software engines may have to be modified.

Swap Execution Facilities	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
360 Trading Networks, Inc		✓	✓	✓	✓
Bats Hotspot SEF, LLC ³¹		✓	✓	✓	✓
BGC Derivatives Markets, L.P.		✓	✓	✓	✓
Bloomberg SEF LLC		✓	✓	✓	✓
Chicago Mercantile Exchange, Inc.			✓	✓	✓
Clear Markets North America			✓	✓	✓
DW SEF LLC		✓	✓	✓	✓
FTSEF LLC ³²					✓
GFI swaps Exchange LLC		✓	✓	✓	✓
GTX SEF LLC			✓	✓	✓
ICAP Global Derivatives Limited			✓	✓	✓
ICAp SEF (US) LLC		✓	✓	✓	✓
ICE Swap Trade LLC		✓	✓	✓	✓
LatAm SEF, LLC			✓	✓	✓
LedgerX SEF ³³				✓	✓
MarketAxess SEF Corporation		✓	✓	✓	✓
Seed SEF LLC			✓	✓	✓
SwapExLLC		✓	✓	✓	✓
TeraExchange, LLC		✓	✓	✓	

³¹ Bats Hotspot SEF, LLC was granted registration under the name Javelin SEF, LLC. The SEF changed its name in 2017.

³² FT SEF was granted temporary registration on January 6, 2016 and was granted and full registration on May 26, 2016.

³³ LedgerX withdrew its SEF registration on May 13, 2016 and stopped operating. It reapplied for SEF registration on January 13, 2017.

Swap Execution Facilities (Continued)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Thomson Reuters (SEF) LLC		✓	✓	✓	✓
tpSEF Inc.		✓	✓	✓	✓
Tradition SEF, Inc.		✓	✓	✓	✓
trueEX LLC		✓	✓	✓	✓
TW SEF LLC		✓	✓	✓	✓
Total	0	16	22	23	23

Table 21: Swap Execution Facilities

Contract Markets Designated by the CFTC

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

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

Designated Contract Market		2012	2013	2014	2015	2016
Cantor Futures Exchange, L.P.	CX	✓	✓	✓	✓	✓
Board of Trade of the City of Chicago	CBOT	✓	✓	✓	✓	✓
Chicago Climate Futures Exchange, LLC	CCFE	✓	✓			
CBOE Futures Exchange, Inc.	CFE	✓	✓	✓	✓	✓
Chicago Mercantile Exchange, L.P.	CME	✓	✓	✓	✓	✓
Commodity Exchange Inc.	COMEX	✓	✓	✓	✓	✓
ELX Futures, L.P.	ELX	✓	✓	✓	✓	✓
Eris Exchange, LLC	ERISDCM	✓	✓	✓	✓	✓
Green Exchange, LLC ³⁴	GREENEX	✓				
ICE Futures US, Inc. ³⁵	ICE US	✓	✓	✓	✓	✓
Kansas City Board of Trade	KCBT	✓	✓			
Minneapolis Grain Exchange, Inc.	MGE	✓	✓	✓	✓	✓
North American Derivatives Exchange, Inc. ³⁶	NADEX	✓	✓	✓	✓	✓

³⁴ Designation vacated in July 2012

³⁵ Formerly, New York Board of Trade

³⁶ Formerly, HedgeStreet, Inc.

Designated Contract Market (Continued)		2012	2013	2014	2015	2016
NASDAQ OMX Futures Exchange, Inc. ³⁷	NFX	✓	✓	✓	✓	✓
New York Mercantile Exchange, Inc.	NYMEX	✓	✓	✓	✓	✓
Nodel Exchange, LLC	NEX		✓	✓	✓	✓
NYSE Liffe US, LLC	NYSE LIFFE	✓	✓			
OneChicago LLC Futures Exchange	OCX	✓	✓	✓	✓	✓
The Trend Exchange	TRENDEX	✓	✓			
trueEx LLC	TRUEEX	✓	✓	✓	✓	✓
TOTAL		19	19	15	15	15

Table 22: Contract Markets Designated by the CFTC

³⁷ Formerly, Philadelphia Board of Trade

Derivatives Clearing Organizations Registered with the CFTC

A clearinghouse that seeks to provide clearing services with respect to futures contracts, options on futures contracts, or swaps must register with the CFTC as a DCO. AS of the end of FY 2016, 15 DCOs were registered with the CFTC. The Commission is currently processing two applications for DCO registration (both of which are from foreign clearinghouses) and expects to receive one or two more applications, in FY 2017. These numbers do not include foreign clearinghouses that have expressed an interest in receiving from the Commission an exemption from DCO registration. Any clearinghouse that receives such an exemption would still be subject to limited oversight by the Commission.

The number of DCOs registered with the CFTC is on the rise due to the global nature of the swaps markets, and the significant growth in the size and importance of cleared markets in futures and swaps. The Commission's first swaps clearing mandates, in the areas of interest rate swaps and credit default swaps, were issued in late 2012, and expanded in September 2016. As a result, the DCOs' activities have become more complex as they have expanded their product offerings and increased their memberships. In addition, 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. 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. Finally, as cyber-security incidents increase in the financial market sector, the Commission must spend more time analyzing the events, updating the information security portion of the examination program, ensuring entities comply with Commission regulations, and updating the regulations to it incorporates best practices established by the industry groups, such as the National Institute of Standards and Technology (NIST).

As the number of DCOs increase, so does the number of quarterly financial resource reports, certified financial statements, chief compliance officer reports, and other event-driven notifications that are filed with the Commission as required under CFTC Regulation 39.19. The Commission must also risk assess an increasing number of DCOs to determine who will be examined. All of these activities require staff attention to monitor and analyze.

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

Derivatives Clearing Organizations		2012	2013	2014	2015	2016
Cantor Clearinghouse L.P.	Cantor Clearinghouse	✓	✓	✓	✓	✓
Chicago Board of Trade ³⁸	CBOT	✓				
Clearing Corporation ³⁹	CCorp	✓	✓	✓	✓	
Chicago Mercantile Exchange, Inc.	CME Clearing House	✓	✓	✓	✓	✓
CME Clearing Europe Limited ⁴⁰	CME Clearing Europe	✓				
Eurex Clearing AG	Eurex Clearing					✓

³⁸ Registration vacated as of 8/6/2012

³⁹ Dormant as of 2/5/2016

⁴⁰ Registration vacated as of 3/13/2012. Reapplied as a DCO and application was approved 11/30/2016.

Derivatives Clearing Organizations (Continued)		2012	2013	2014	2015	2016
ICE Clear Credit LLC	ICE Clear Credit	✓	✓	✓	✓	✓
ICE Clear Europe Ltd	ICE Clear Europe	✓	✓	✓	✓	✓
ICE Clear US, Inc. ⁴¹	ICE Clear US	✓	✓	✓	✓	✓
Kansas City Board of Trade Clearing Corp ⁴²	KCBT	✓				
LCH, Clearnet LLC. ⁴³	LCH LLC	✓	✓	✓	✓	✓
LCH, Clearnet Ltd	LCH Ltd	✓	✓	✓	✓	✓
LCH, Clearnet SA	LCH SA			✓	✓	✓
Minneapolis Grain Exchange Inc.	MGE	✓	✓	✓	✓	✓
Natural Gas Exchange Inc.	NGX	✓	✓	✓	✓	✓
New York Portfolio Clearing, LLC	NYPC	✓	✓			
Nodal Clear, LLC	Nodal Clear				✓	✓
North American Derivatives Exchange, Inc. ⁴⁴	NADEX	✓	✓	✓	✓	✓
NYMEX Clearing House ⁴⁵	NYMEX	✓				
Options Clearing Corporation	OCC	✓	✓	✓	✓	✓
Singapore Exchange Derivatives Clearing	SGX-DC			✓	✓	✓
TOTAL		17	13	14	15	15

Table 23: Derivatives Clearing Organizations Registered with the CFTC

⁴¹ Formerly, New York Clearing Corporation

⁴² Registration vacated as of 4/16/2013

⁴³ Formerly, International Derivatives Clearinghouse LLC

⁴⁴ Formerly, HedgeStreet, Inc.

⁴⁵ Registration vacated as of 8/6/2012

Systemically Important Derivatives Clearing Organizations⁴⁶

A systemically important DCO is a DCO that is designated as a systemically important financial market utility (DFMU). Systemic importance is defined to mean a situation where the failure of or disruption to the functioning of the financial market utility could create, or increase, the risk of significant liquidity or credit problems spreading among financial institutions or markets and thereby threaten the stability of the U.S. financial system⁴⁷. The Financial Stability Oversight Council was granted the authority under Title VIII of the Dodd-Frank Act to designate those financial market utilities that are systemically important. In 2012, the Financial Stability Oversight Council made the determination that the entities listed below meet the designation criteria under Section 804 of the Dodd-Frank Act. The Supervisory Agency is the Federal agency that has primary jurisdiction over the systemically important financial market utility, and the CFTC is the Supervisory Agency for the two systemically important DCO's listed in the table below.

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 Board of Governors of the Federal Reserve regarding the scope and methodology of each examination and the Board of Governors may participate in the examination led by the Supervisory Agency⁴⁸.

In December of 2016, the Commission approved rules related to the resolution and recovery of the systemically important DCOs listed below. The Commission must develop an examination program to measure compliance with CFTC Regulation 39.39 and then must risk assess when it will measure compliance with the regulation during an examination.

Systemically Important DCOs	2012	2013	2014	2015	2016
Chicago Mercantile Exchange, Inc.	✓	✓	✓	✓	✓
ICE Clear Credit, LLC	✓	✓	✓	✓	✓
TOTAL	2	2	2	2	2

Table 24: Systemically Important DCOs

⁴⁶ The CFTC also considers two U.K.-based registered DCOs to be systemically important to the United States even though they have not been designated as such by FSOC. They are LCH.Clearnet Ltd. (LCH Ltd.) and ICE Clear Europe (ICEU).

⁴⁷ See Section 803(9) of the Dodd-Frank Act.

⁴⁸ See Section 807(d) of the Dodd-Frank Act.

Exempt Derivatives Clearing Organizations

Section 5b(h) of the CEA permits the Commission to exempt, conditionally or unconditionally, a clearing organization from DCO registration for the clearing of swaps to the extent that the Commission determines that such clearing organization is subject to comparable, comprehensive supervision by appropriate government authorities in the clearing organization’s home country. As of mid-FY 2017, the Commission has two pending petitions for exemption.

Exempt DCOs	2012	2013	2014	2015	2016
ASX Clear (Futures) Pty Limited				✓	
Japan Securities Clearing Corporation				✓	
Korea Exchange, Inc.				✓	
OTC Clearing Hong Kong Limited				✓	
TOTAL	0	0	0	4	0

Table 25: Exempt DCOs

Swap Data Repositories Registered with the CFTC

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

Swap Data Repositories (Pending – Provisional Registration)	2012	2013	2014	2015	2016
BSDR LLC			✓	✓	✓
Chicago Mercantile Exchange Inc.	✓	✓	✓	✓	✓
DTCC Data Repository, LLC	✓	✓	✓	✓	✓
ICE Trade Vault, LLC	✓	✓	✓	✓	✓
TOTAL	3	3	4	4	4

Table 26: Swap Data Repositories Registered with the CFTC

Growth in Number of Types of Swaps Data⁴⁹ Loaded onto CFTC Systems

The CFTC receives data from many entities, such as clearing members, swap dealers, DCO’s, large banks and traders in futures and options markets, SDRs and SEFs, many of which did not provide data prior to the Dodd-Frank Act. The amount of data received and loaded onto CFTC systems over six years has more than quadrupled. The CFTC plans to receive new data feeds and modernize existing data feeds during the current year. This will help it provide safe markets for all participants as the pace and complexity of products traded continues to increase.

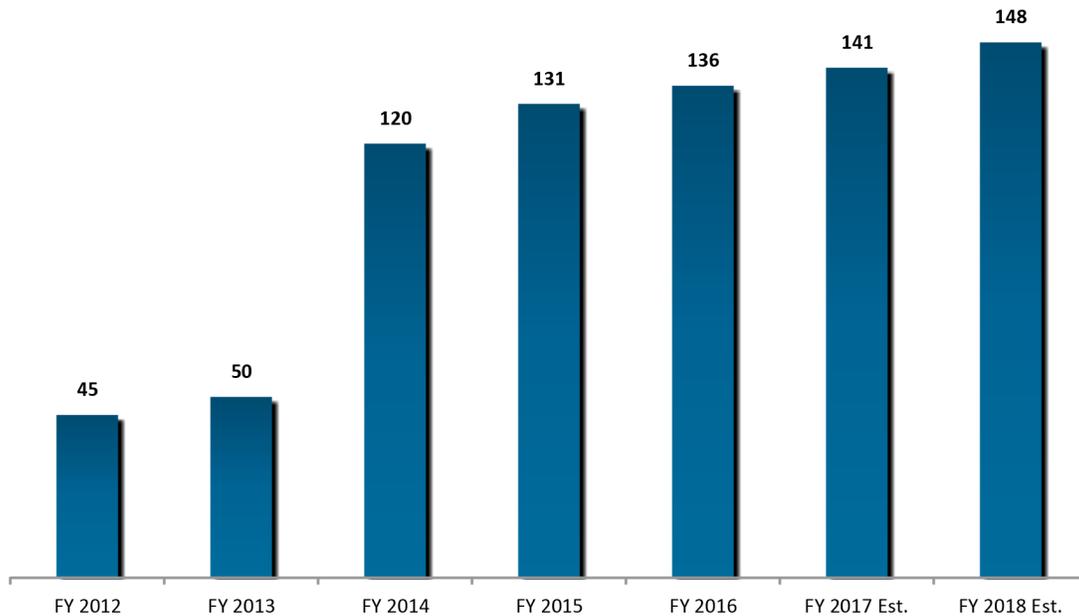


Figure 20: Number of Types of Swaps Data Loaded onto CFTC Systems

⁴⁹ Swaps data include Part 20 and Part 39 interim records reporting files, additional by-rule development, Part 45 swaps data reporting, OCR-ownership and control reporting, and Volcker data.

APPENDIX 7

Table of Acronyms

U.S. Federal Law

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

CFTC Divisions and Offices

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

U.S. Federal Departments and Agencies

CFTC	U.S. Commodity Futures Trading Commission
OMB	Office of Management and Budget
SEC	U.S. Securities and Exchange Commission
Treasury	U.S. Department of the Treasury

Other Abbreviations

CDM	Continuous Diagnostics and Mitigation
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CME	Chicago Mercantile Exchange
CPF	CFTC Customer Protection Fund
CPO	Commodity Pool Operator
CR	Continuing Resolution
CSL	Commission and Staff Letters Application
CTA	Commodity Trading Advisor
DCM	Designated Contract Market
DCO	Derivatives Clearing Organization
DFMU	Designated Financial Market Utility
DSRO	Designated Self-Regulatory Organization
EU	European Union
FBOT	Foreign Board of Trade
FCM	Futures Commission Merchant
FIA	Futures Industry Association

FinTech	Financial Technology
FOREX	Foreign Currency
FSB	Financial Stability Board
FTE	Full-time Equivalent
FX	Foreign Exchange
FY	Fiscal Year
IB	Introducing Broker
IOSCO	International Organization of Securities Commission
ISDA	International Swaps and Derivatives Association
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
RFED	Retail Foreign Exchange Dealer
SD	Swap Dealer
SDR	Swap Data Repository
SEF	Swap Execution Facility
SIDCO	Systemically Important Designated Contract Market
SRO	Self-Regulatory Organization
TSD	Transitional Swaps Database
UK	United Kingdom