COMMODITY FUTURES TRADING COMMISSION

FY 2024 AGENCY FINANCIAL REPORT

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ROSTIN BEHNAM
CHAIRMAN AND CHIEF EXECUTIVE
AND
JEFFREY SUTTON
EXECUTIVE DIRECTOR

NOVEMBER 15, 2024

The 2024 Agency Financial Report communicates the Commodity Futures Trading Commission's (CFTC or Commission) financial position and operating performance during the previous fiscal year and states the CFTC's plans for the future.

The Reports Consolidation Act of 2000 authorizes Federal agencies to consolidate various reports in order to provide performance, financial, and related information in a more meaningful and useful format. The Commission has chosen an alternative to the consolidated Performance and Accountability Report, and instead, produces an Agency Financial Report, pursuant to Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements. Unless otherwise indicated, information in this report is provided as of November 15, 2024, and covers the period October 1, 2023 to September 30, 2024.

The report may be electronically accessed at:
https://www.cftc.gov/About/CFTCReports/index.htm

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Rostin Behnam

CFTC MISSION: To promote the integrity, resilience, and vibrancy of the U.S. derivative markets through sound regulation.

CFTC VISION: To be the global standard for sound derivatives regulation.

CFTC VALUES: Commitment, Forward-Thinking, Teamwork, Clarity.

MESSAGE FROM THE CHAIRMAN

I am pleased to present the CFTC's FY 2024 Agency Financial Report. Reporting the Commission's financial and performance results provides transparency, builds accountability, encourages the CFTC and those we regulate to act responsibly, and promotes thoughtful dialogue within the markets we oversee. This report provides a year-long snapshot of the Commission's financial and performance reporting.

U.S. Derivatives Markets

The U.S. derivatives markets are the most open, transparent, and competitive in the world. The estimated 2024 notional value of U.S. derivatives markets is $29 trillion for U.S. futures and $315 trillion for U.S. swaps, which underscores the importance of our mission.

For over a century, the derivatives markets have played an integral role in the U.S. economy, facilitating risk management and price discovery, and contributing to financial stability and predictability of prices that impact the daily lives of all Americans. Through the Commodity Exchange Act (CEA), Congress both mandates and empowers the CFTC to implement rules and regulations aimed at fostering open, transparent, competitive, and financially sound markets; to prevent and deter misconduct and disruptions to market integrity; and to protect all market participants from fraud, manipulation, and abusive practices.

On October 23rd, we commemorated the 50th anniversary of the passage of the Commodity Futures Trading Commission Act of 1974, which established the CFTC as an independent agency with exclusive jurisdiction over futures trading in all commodities. In April, we will mark the 50th anniversary of the swearing in of our first four Commissioners and the official transfer of authority from our predecessor in the U.S. Department of Agriculture (USDA) to the CFTC. Reflecting upon the last five decades, I believe we have demonstrated unparalleled expertise and accountability in executing our mission. The CFTC has always been an agency that meets the challenges of constant change, transition, evolution, and unavoidable conflict with incomparable dedication towards addressing new market realities in the derivatives industry. In doing so, we have ensured that the U.S. derivatives markets remain the global benchmark for economic strength and market resilience.

The CFTC will continue to do everything it can to promote and protect the integrity of derivatives markets. With our work centered on customer protection and market resiliency, while supporting continued growth and innovation, we look forward to serving the American public for the next 50 years and beyond.

Role of the CFTC

The CFTC plays a unique role as the regulator of the U.S. derivatives markets. The agency has a rich history of principles-based regulation that allows us to foster innovation and adapt to changes in our markets.

CFTC staff fulfill the agency's mission with steadfast dedication. The U.S. derivatives markets have met historically unprecedented volume and volatility with the powerful benefits of central clearing, capital and margin requirements, data, and transparency. FY 2024 and recent years demonstrated that the post-2008 financial crisis reforms and constant vigilance in ensuring they remain fit for purpose and equip the agency and the marketplace in addressing events and externalities, such as the monetary and fiscal policy shifts, environmentally and geopolitically driven supply chain disruptions, and innovative growth, evolution, and risks across multiple asset classes. The CFTC continuously monitors and responds to emerging risks, utilizing every tool that it has, remaining flexible, and coordinating domestically and abroad from a market resiliency and financial stability standpoint.

FY 2024

This past fiscal year provided numerous opportunities to demonstrate the agency's strategic thinking about the growth and innovation in the U.S. derivatives markets and the various ways in which emerging risks present themselves. The CFTC 2022 – 2026 Strategic Plan, published in March 2022, addresses the new and significant impacts on derivatives markets manifesting through electronification, decentralized finance (DeFi), fintech, and artificial intelligence (AI). Ongoing hostilities overseas and extreme weather conditions also continue to present issues and opportunities to facilitate the transfer and mitigation of financial risk. The Commission thoughtfully and within the bounds of the CEA continues to address the organic growth in our historic markets, the introduction of new products, including the digital commodity asset class, the significant expansion of market participants, both institutional and retail, and the structural evolution moving towards more vertically integrated models.

As the Commission continues to incorporate risk identification, mitigation, and management into every aspect of operations, enforcement efforts detect, deter, and address misconduct that would otherwise undermine our jurisdictional markets and mission. This is especially true where the CFTC finds significant misconduct in the derivatives and underlying cash markets for digital commodity and other emerging assets increasingly designed and marketed to the general public.

While this message cannot provide a full description of the FY 2024 accomplishments of the CFTC and its staff, I would like to highlight a few areas where the CFTC has acted decisively to address challenges and align priorities for the years to come.

Enforcement

The CFTC's enforcement program continued to detect and deter misconduct by enforcing the law and the Commission's rules. In FY 2024, the CFTC filed 58 actions and obtained orders imposing over $17.2 billion in total monetary relief, including $2.7 billion civil monetary penalties (CMPs), and $14.5 billion in disgorgement and restitution.[2] Of these enforcement actions, 10 involved conduct related to digital asset commodities. Cooperation and coordination with criminal authorities and other regulatory partners strengthened the program's effectiveness. The Whistleblower Office (WBO) continued to process and analyze tips, complaints, and referrals. In FY 2024, the Commission granted 15 applications for whistleblower awards which totaled over $42 million to be paid to the individuals who voluntarily provided original information or analyses that led to successful enforcement actions. More than anything, the CFTC's enforcement program focuses on ensuring that markets function well and that bad actors and disruptive activities are dealt with in a manner that motivates compliance and incites deterrence.

Data

As the industry continues to migrate to the cloud, the agency is keeping pace with a cloud-based enterprise data analytics platform and toolset to give CFTC analysts access to needed analytical and data visualization tools. Last year, I directed our Division of Data (DOD) to transform the agency's analytics toolkit to leverage the cloud architecture with advancements in AI, machine learning (ML), and data analytics. This year, we continued on that trajectory with a focus on building a forward-looking data and analytics culture through talent. The CFTC hired its first Chief Data Scientist, whose duties include leading efforts to upskill CFTC staff. The CFTC also designated its first Chief Data & AI Officer, who is leading the development of the CFTC's enterprise data and AI strategy to further integrate CFTC's ongoing efforts to advance its data-driven capabilities. Embedded in all of the Division's objectives is a focus on opportunities to provide our already robust surveillance, enforcement, and monitoring capabilities with automated systems to help the Commission to find bad actors to ensure our markets have utmost integrity and transparency.

Additionally, CFTC staff through an AI Working Group issued a request for comment to better inform the Commission on the current and potential uses and risks of AI in the derivatives markets under CFTC oversight. It prioritizes promoting responsible innovation and ensuring that we understand AI applications and the associated risks and impacts in our jurisdictional markets and the larger financial system. This allows us to better align supervisory oversight and evaluate the need for future regulation, guidance, or other Commission action.

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[2] CMPs - monetary relief ordered in CFTC enforcement actions to further the Act's remedial purposes.

Restitution - monetary relief ordered in CFTC enforcement actions in the amount of losses sustained by persons that were proximately caused by defendant's/respondent's violation (in the amount of such losses).

Disgorgement - monetary relief ordered in CFTC enforcement actions in the amount of gains received by defendant/respondent in connection with their violations.

A Positive Agenda

Throughout 2024, the CFTC has worked to enhance oversight and protections in such areas as augmenting risk management and resilience across intermediaries, exchanges, and derivatives clearing organizations (DCOs); fostering sound and responsive practices regarding cybersecurity and the use of third-party vendors; strengthening customer protections; promoting efficiency and innovation; improving reporting and data policy; addressing duplicative regulatory requirements; and amplifying international comity and domestic coordination with both federal and state regulators.

In FY 2024, the Commission considered proposed and final rules as well as guidance addressing new and emerging issues, clarified long-standing policy and guidance, and responded to market structure and evolutionary changes. Additionally, we sought opportunities to engage more frequently with the public through requests for comments and information and meetings of the CFTC's advisory committees.

As an outgrowth of the increasing electronification and use of DeFi, the Commission continued to explore the growing trend towards vertical integration of the derivatives markets and the need to address how DeFi impacts conflicts of interest, the robustness of capital, margin and segregation requirements, the roles of and responsibilities of self-regulatory organizations (SROs), affiliate risk management, and customer protections. We are engaging with the public, our markets, and market participants to fully understand the range of issues.

Climate-Related Financial Risk

Climate change presents physical risk and transition risk, including possible sub-systemic shocks, that could negatively affect the U.S. financial system, the broader economy, and beyond. Towards the end of last year, the CFTC demonstrated its global position on the international stage at the COP28 United Nations Climate Change Conference where I introduced the Commission's proposed guidance regarding the listing of voluntary carbon credit (VCC) derivative contracts. Just prior to the close of FY2024, the Commission issued final guidance for CFTC designated contract markets that list derivatives on VCCs as the underlying commodity. This guidance is a critical step in support of the development of high-integrity voluntary carbon markets (VCMs) and represents the first issuance by a U.S. financial regulator of regulatory guidance for contract markets that list financial contracts aimed at providing tools to manage risk, promote price discovery, and foster the allocation of capital towards decarbonization efforts.

The publication of this final guidance marks the culmination of over five years of work with a diverse group of market participants, including agricultural stakeholders, ranchers, foresters, landowners, commercial end users, energy market stakeholders, emission-trading focused entities, carbon-credit rating agencies, crediting programs, CFTC-registered exchanges and clearinghouses, public interest groups, academics, and others. This guidance also represents a whole-of-government approach in coordination with our partners across the U.S. federal complex.

Dedication to our People

The CFTC continues its commitment towards implementing an approach to source more diverse talent into the CFTC workforce that both keeps pace with the evolving markets and taking full advantage of the deep expertise and knowledge across the diverse mission-critical disciplines. Current efforts in prioritizing human capital and strategic workforce planning, revitalizing retention and engagement programming, and enhancing technical and leadership development, work together with expanded programming under the Office of Minority and Women Inclusion (OMWI) focused on workplace equity, inclusion and strategic outreach and recruitment.

In FY 2024, the CFTC issued its first agency-wide Strategic Plan to Advance Diversity, Equity, Inclusion, and Accessibility (DEIA Strategic Plan). The DEIA Strategic Plan is focused on integrating workplace equity and inclusion into all aspects of talent and business operations and to foster an inclusive culture where all employees feel valued, safe, empowered, and respected.

Agency Financials

The Financial Section in this report includes the results of the independent audit of our FY 2024 Financial Statements, which I am pleased to report is an unmodified opinion. I can also report that no CFTC material internal control weaknesses exist and that the financial and performance data in this report are reliable and complete under OMB guidance. Key management assurances and further details about internal controls are provided in the Management's Discussion and Analysis section.

Conclusion

This report provides an overview of the CFTC's work over this past fiscal year. We remain firm and diligent in our enforcement and customer protection efforts. I thank CFTC staff and my fellow Commissioners for their hard work and dedication to our mission and to the American public.

Rostin Behnam

Chairman

November 15, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Commission

The CFTC is an independent agency of the U.S. government that oversees the U.S. derivatives markets, which include futures, options, and swaps (for a list of abbreviations and acronyms see page 150).

CFTC was established in 1974 to assume regulatory authority over commodity futures markets that had previously belonged to the USDA since the 1920s.

These markets have existed since the 1860s, beginning with agricultural commodities such as wheat, corn, and cotton.

The markets grew to include energy and metal commodities, such as crude oil, heating oil, gasoline, copper, gold, and silver.

Over time, financial instruments based on interest rates, stock indexes, foreign currency, and other products far exceeded agricultural contracts in trading volume.

In the aftermath of the 2008 financial crisis, the Commission's mandate was vastly expanded to include most over-the-counter (OTC) derivatives markets.

To learn more about the regulatory history of the U.S. futures industry – both before and after the CFTC was established - please visit the CFTC's website.

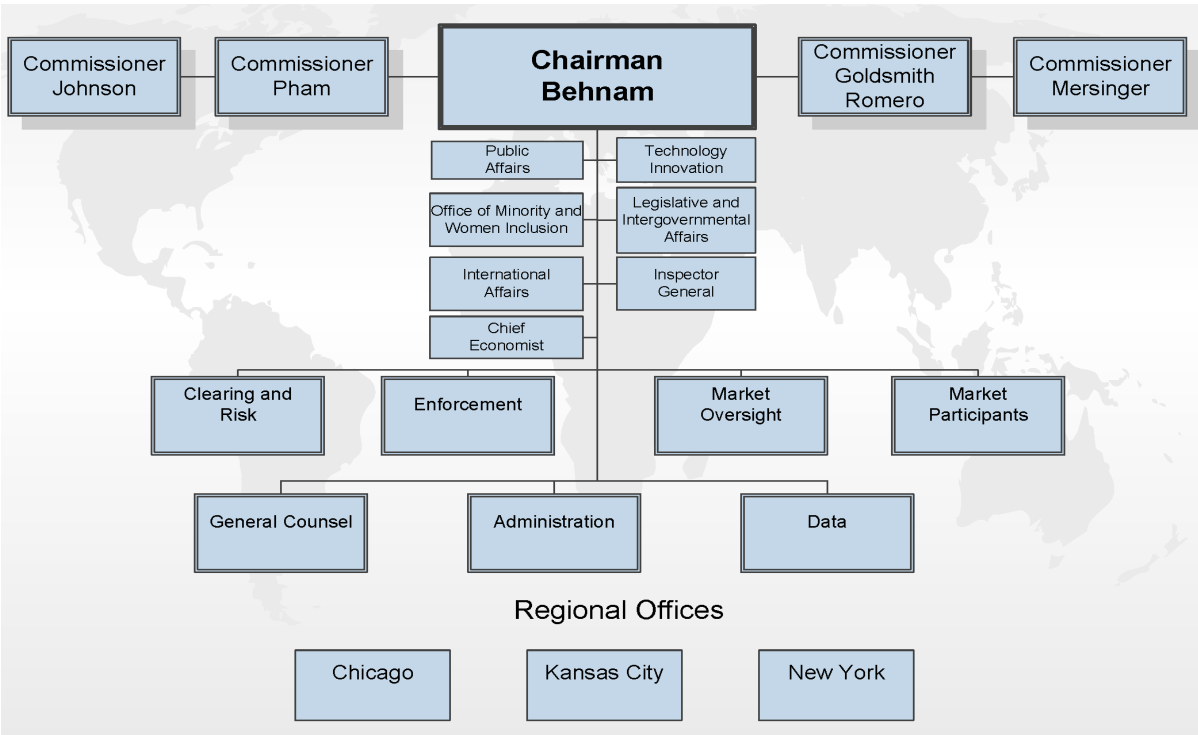
Why Are Derivatives Important to Me?

The futures and swaps markets are essential to our economy and the way that businesses and investors manage risk. The CFTC works to ensure that market participants can use markets with confidence. These markets also shape the prices we pay for food, energy, and a host of other goods and services. Please see *Why Are the Markets Important to Me* on page 144 for additional information on how futures and swaps work.

CFTC Organizational Structure

The Commission consists of five Commissioners, who are appointed by the President and confirmed by the Senate 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.[3]

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. During FY 2024, the Commission was structured as shown in the organizational chart below and described in the sections that follow. The Office of the Chairman includes: The Office of Public Affairs (OPA), the Office of Legislative and Intergovernmental Affairs (OLIA), the Office of Technology Innovation (OTI), and OMWI.



During FY 2024, the four programmatic divisions were the Division of Clearing and Risk (DCR), the Division of Enforcement (DOE), the Division of Market Oversight (DMO), and the Market Participants Division (MPD). The programmatic divisions are supported by several divisions and offices, including the Office of the Chief Economist (OCE), the Division of Administration (DA), the Office of General Counsel (OGC), the Office of International Affairs (OIA), and DOD. The Office of the Inspector General (OIG) is an independent office of the Commission. A summary of each CFTC division and office as they operated in FY 2024 follows.[4]

[3] Information about the CFTC's Chairman & Commissioners can be found at: https://www.cftc.gov/About/Commissioners/index.htm

[4] More information on the CFTC's responsibilities, divisions, and offices can be found at https://www.cftc.gov/About/CFTCOrganization/index.htm

Offices of the Chairman and the Commissioners

The Office of the Chairman consists of the CFTC's Chairman and Chief Executive and his or her dedicated staff. Led by the Chairman, these officials direct the day-to-day management of the agency, coordinate Commission business, and shape the CFTC's regulatory and enforcement agenda.

Executive Leadership Team

The CFTC's Executive Leadership Team consists of the heads of each operating division and office, the agency's Chief of Staff/Chief Operating Officer, and the CFTC Chairman in his or her capacity as the agency's Chief Executive. These individuals are responsible for carrying out the CFTC's administrative, regulatory, and enforcement agenda as directed by the Chairman.

Division of Clearing and Risk

The DCR oversees DCOs, DCO clearing members, other market participants that may pose risk to the clearing process, and the clearing of swaps, futures, and options on futures.

Division of Enforcement

The DOE investigates and prosecutes alleged violations of the CEA and Commission regulations. Potential violations include fraud, manipulation, and other abuses concerning commodity derivatives and swaps that harm market integrity, market participants, and the general public. Within DOE is the WBO, which administers the CFTC's Whistleblower Program.

Whistleblower Program

The CFTC's Whistleblower Program provides monetary incentives to individuals who report possible violations of the CEA that lead to a successful enforcement action. It also provides as privacy, confidentiality, and anti-retaliation protections for whistleblowers.

Division of Market Oversight

The DMO fosters open, transparent, fair, competitive, and secure markets through oversight of derivatives platforms and swap data repositories (SDRs). DMO reviews new applications for designated contract markets (DCMs), swap execution facilities (SEFs), SDRs, and foreign boards of trade (FBOT) and examines existing trading platforms and SDRs to ensure their compliance with the applicable core principles and other regulatory requirements, including system safeguards.

Market Participants Division

The MPD primarily oversees derivatives market intermediaries, including commodity pool operators (CPOs), commodity trading advisors (CTAs), futures commission merchants (FCMs), introducing brokers (IBs), retail foreign exchange dealers (RFEDs), swap dealers (SDs), and major swap participants (MSPs), as well as designated self-regulatory organizations (SROs).

Division of Data

The DOD is responsible for the Commission's enterprise data strategy and data governance approaches. DOD creates data architecture and centers of excellence for analytics, visualization, and storage of data. In addition, DOD supports the Commission's strategic objectives with respect to data and analytics through collaboration with other Divisions and Offices, including ingest of data from registered entities pursuant to the CEA and Commission regulations, as well as integration of that data with other data sources.

Division of Administration

The DA directs the internal management of the Commission's business, personnel, financial, technological, security, and strategic operational resources. The Division's role is to effectively and efficiently ensure the fulfillment of the Commission's mission through continued success in continuity of operations, while providing the required resources for regulating the derivatives markets.

Office of Proceedings

The Office of Proceedings operates the CFTC's Reparations Program. This program provides an inexpensive, expeditious, and fair forum to resolve disputes between derivatives customers and registered trading professionals.

Office of the Chief Economist

The OCE provides economic support and advice to the Commission, conducts research on policy issues facing the Commission, and educates and trains Commission staff. OCE plays an integral role in the implementation of new financial market regulations by providing economic expertise and cost-benefit considerations underlying those regulations.

Office of the General Counsel

The OGC provides legal services and support to the Commission and all of its programs. These services include: representing the Commission in appellate, bankruptcy, and other litigation; assisting in the performance of adjudicatory functions; providing legal advice and support for Commission programs; drafting and assisting in preparation of Commission regulations; interpreting the CEA; advising on legislative, regulatory, and operational issues. The OGC also houses the Freedom of Information Act, Ethics, Secretariat, Privacy, Records, Library, and E-discovery programs of the Commission.

Office of International Affairs

The OIA advises the Commission regarding international regulatory issues and initiatives; represents the Commission in international fora such as the International Organization of Securities Commissions (IOSCO), OTC Derivatives Working Group, and OTC Derivatives Regulators Group; coordinates Commission policy as it relates to policies and initiatives of major foreign jurisdictions, such as the G20, Financial Stability Board (FSB), and U.S. Treasury Department; negotiates cooperative arrangements; and provides technical assistance to foreign market authorities, including advice, training, and an annual meeting and symposium.

Office of Public Affairs

The OPA is the Commission's primary public-facing office that provides honest, timely and useful information across all communication platforms in order to serve internal and external stakeholders in all sectors to accomplish and facilitate the Commission's mission. OPA proactively conducts outreach and creates messages designed to raise awareness of the CFTC brand in order to promote public trust.

Office of Customer Education and Outreach

The OCEO, housed in OPA, develops and administers the CFTC's customer and public education initiatives. The office is responsible for helping the public spot, avoid, and report fraud that involves commodities or derivatives trading.

Office of Legislative and Intergovernmental Affairs

The OLIA provides support on matters before the U.S. Congress and serves as the Commission's official liaison with Members of Congress, federal agencies, and the Administration. In this role, OLIA develops and executes legislative strategy on behalf of the Chairman and Commission, manages congressional testimony, and works with the various divisions to provide technical assistance on legislation.

Office of Minority and Women Inclusion

The OMWI leads the CFTC's civil rights, equal employment opportunity, and diversity and inclusion programs, including supporting the Commission's seven employee affinity groups.

Office of Technology Innovation

The OTI serves as the CFTC's financial technology innovation hub, driving change and enhancing knowledge. OTI fosters innovation in CFTC's regulatory oversight and mission critical functions by supporting the operating divisions and the Commission's participation in domestic and international coordination. OTI regularly advocates for the advancement of responsible innovation, industry collaborations, and public outreach and education.

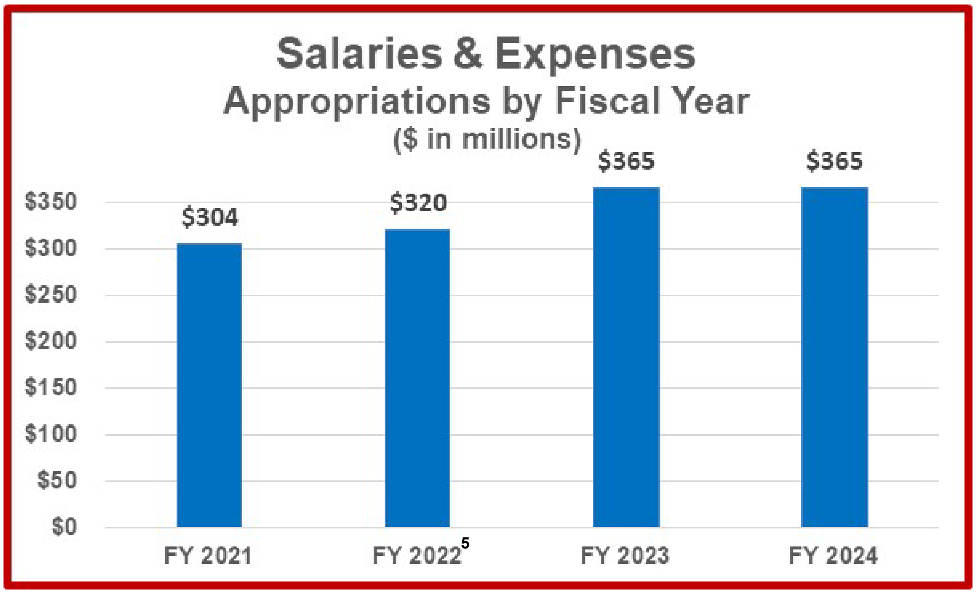
Office of the Inspector General

The OIG is an independent organizational unit of the CFTC. Its mission 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, the OIG issues semiannual reports detailing its activities, findings, and recommendations.

CFTC Staffing and Funding Resources

The CFTC is funded through the Salary and Expenses (S&E) Appropriation and the Customer Protection Fund (CPF). The S&E Fund is appropriated annually and provides for the general operating expenses for the Commission to carry out its responsibilities under the CEA. The CPF consists entirely of the monetary sanctions the CFTC levies and collects in enforcement actions; no taxpayer money is included. The CPF is a permanent appropriation, but it must be apportioned annually by OMB (See the Appendix for more information on the CPF).

Salaries & Expenses Appropriations by Fiscal Year

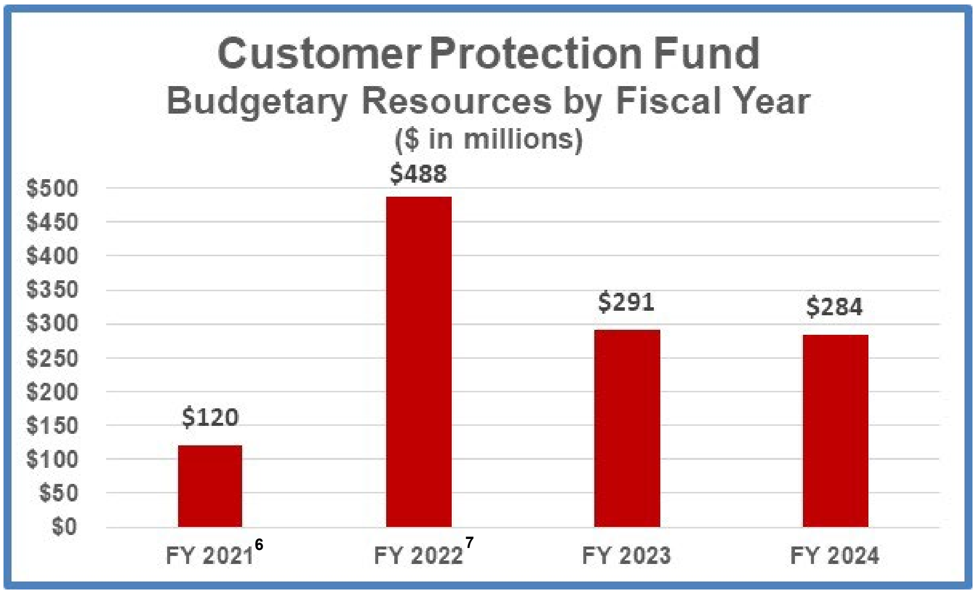


[5] In addition to the $320 million annual budget, the CFTC received a one-time, no-year appropriation of $62 million in FY 2022 to cover the move, replication, and related costs associated with the replacement leases for CFTC headquarter facility, resulting in a grand total of $382 million. The $62 million has been omitted from the FY 2022 S&E amount in the chart above to provide a more consistent comparison with the appropriations of past fiscal years that did not contain such major, one-time investments.

CFTC Industry Oversight

The Commission is committed to carrying out its mission to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation. For more details on the types and numbers of regulated entities, see page 147.

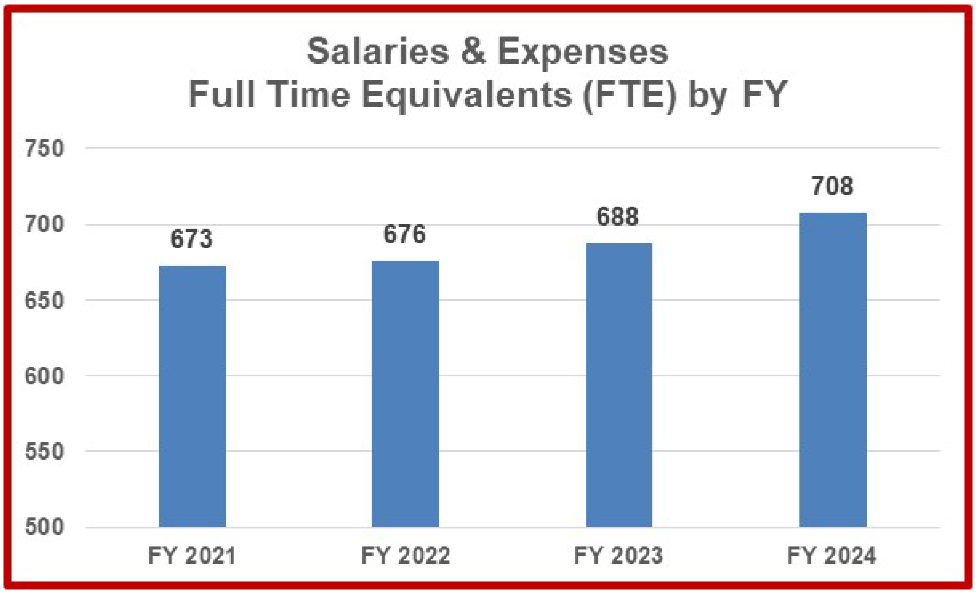
Customer Protection Fund Budgetary Resources by Fiscal Year



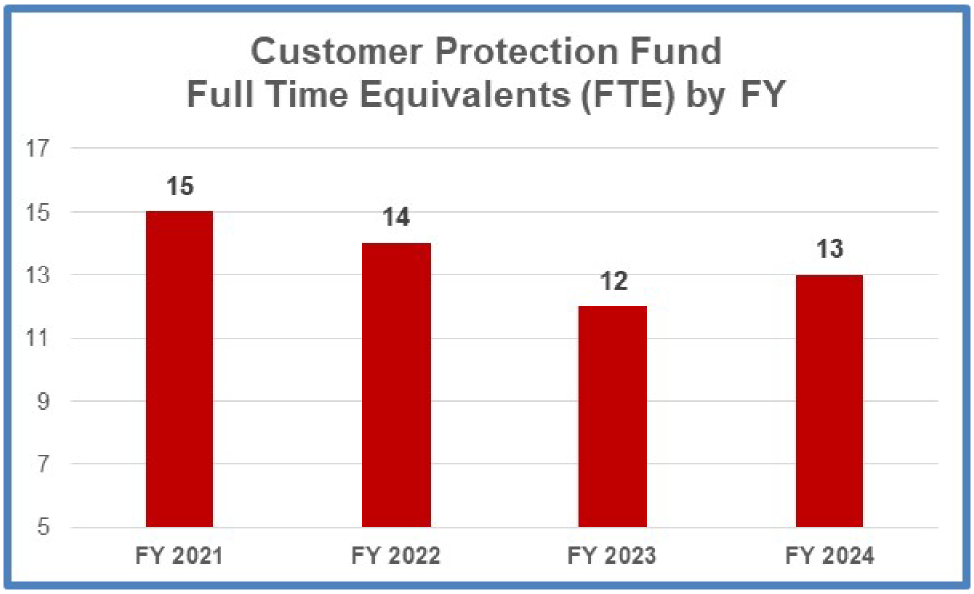
[6] Passed in July 2021, Public Law 117-25 provided the CFTC with one-time authority to set aside $10 million from the primary CPF fund into a separate, multi-year account to fund non-whistleblower awards costs (e.g., payroll, contracts, etc.) whenever the unobligated balance of the CPF is insufficient. The Commission used existing budgetary resources to establish the $10 million account in September 2021. Per Public Law 117-328, these resources are available until October 1, 2024, at which time all unobligated amounts will be returned to the primary CPF fund.

[7] Per the Dodd-Frank Act, whenever the CPF balance falls below $100 million, qualified transfers within that fiscal year are allowed. In FY 2022, the CPF received a transfer of $398 million from CFTC's Civil Monetary Penalties, Fines and Administrative Fees receipt account which covered the payment of significantly large whistleblower awards. Prior to this, the most recent transfer into the CPF was in FY 2014.

Salaries & Expenses Full Time Equivalents (FTE) by Fiscal Year



Customer Protection Fund Full Time Equivalents (FTE) by Fiscal Year



CFTC Fiscal Year 2024 Highlights

Final Commission Rulemakings

In FY 2024, the Commission:

- Adopted Part 143 final rule: Annual Adjustment of CMPs to Reflect Inflation – 2024.
    - The Commission amended its rule that governs the maximum amount of CMPs imposed under the CEA, to adjust for inflation. This rule sets forth the maximum, inflation-adjusted dollar amount for CMPs assessable for violations of the CEA and Commission rules, regulations and orders thereunder. The rule, as amended, implements the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended.
- Adopted Chapter I final rule: Form Private Fund (PF); Reporting Requirements for All Filers and Large Hedge Fund Advisers
    - The CFTC and the Securities and Exchange Commission (SEC) adopted amendments to Form PF, the confidential reporting form for certain SEC-registered investment advisers to private funds, including those that also are registered with the CFTC as a CPO or CTA. The amendments are designed to enhance the Financial Stability Oversight Council's (FSOC) ability to monitor systemic risk as well as bolster the SEC's regulatory oversight of private fund advisers and investor protection efforts.
- Adopted Parts 23 and 37 final rules: Swap Confirmation Requirements for SEFs
    - The Commission amended its SEF regulations related to uncleared swap confirmations and made associated technical and conforming changes.
- Adopted Part 23 final rule: Capital and Financial Reporting Requirements for SDs and MSPs
    - The CFTC adopted amendments to certain of the CFTC's regulations that impose minimum capital requirements and financial reporting obligations on SDs and MSPs. The amendments are consistent with previously issued staff letters addressing the Tangible Net Worth Capital Approach for calculating capital under the applicable CFTC regulation and alternative financial reporting by SDs subject to the capital requirements of a prudential regulator. The amendments to certain regulations applicable to SDs address areas including the required timing of certain notifications, the process for approval of subordinated debt for capital, and the revision of financial reporting forms to conform to the rules. The amendments are intended to facilitate SDs' compliance with the CFTC's financial reporting obligations and minimum capital requirements.

- Adopted Part 17 final rule: Large Trader Reporting Requirements
  - The Commission amended certain regulations setting forth large trader position reporting requirements for futures and options. The amendments, among other things, remove the 80-character submission standard and delegate authority to the DOD Director to designate a modern submission standard for reports required to be submitted, and replace certain data fields previously with an appendix specifying and adding certain applicable data elements.
- Adopted Part 146 final rule: Privacy Act Regulations
  - The Commission adopted amendments to certain of its regulations regarding exemptions for certain systems of records from one or more provisions of the Privacy Act of 1974 (Privacy Act) in order to better conform to the requirements of the Privacy Act and the guidance contained in OMB Circular A-108, Federal Agency Responsibilities for Review, Reporting, and Publication Under the Privacy Act (OMB A-108). The final rule more specifically identifies the systems of records currently included in the regulation, adds additional systems of records that the Commission is exempting, enumerates the sections of the Privacy Act from which the Commission is exempting each system of records, sets forth the reasons for those exemptions, and reorganizes the regulations for ease of reference.
- Adopted Part 48 final rule: Foreign Boards of Trade
  - The Commission amended its regulations to permit an FBOT registered with the Commission to provide direct access to its electronic trading and order matching system to an identified member or other participant located in the United States and registered with the Commission as an IB for submission of customer orders to the FBOT's trading system for execution. The Commission also established a procedure for an FBOT to request revocation of its registration, and removing certain outdated references to "existing no-action relief."
- Adopted Parts 1, et al. final rule: Incorporation of Changes in the Commission's Administrative Structure, Remove Superfluous Verbiage, and Correct Inaccurate Text
  - The CFTC's Divisions and Offices were reorganized at the Chairman's direction, and with prior notification to relevant congressional committees. To ensure the CFR reflects these changes, the Commission adopted technical changes to various provisions within its regulations in order to align with its change in administrative structure, remove superfluous verbiage, and correct inaccurate text. In addition to the administrative changes required due to the realignment, the Commission adopted technical changes to ensure consistency in reference to Commission addresses, deleting references to positions that have changed and updating the positions to align with the current Commission structure, correct typographical errors, and other technical changes.
- Adopted Parts 1, 3, 4, 30, 43, and 75 final rules: CPOs, CTAs, and Commodity Pools Operated: Updating the "Qualified Eligible Person" Definition; Adding Minimum Disclosure Requirements for Pools and Trading Programs; Permitting Monthly Account Statements for Funds of Funds; Technical Amendments

- The Commission adopted amendments to certain provisions of its regulations that update the Portfolio Requirement thresholds within the "Qualified Eligible Person" definition; include revisions that are consistent with long-standing Commission exemptive letters addressing the timing of certain pools' periodic financial reporting; and make several technical amendments related to the structure of the regulations that are the subject of the final rule.

- Adopted Parts 37, 38, and 40: Amendments to Provisions Common to Registered Entities
  - The Commission adopted amendments to its regulations under the CEA that govern how registered entities submit self-certifications, and requests for approval, of their rules, rule amendments, and new products for trading and clearing, as well as the Commission's review and processing of such submissions. The amendments are intended to clarify, simplify and enhance the utility of those regulations for registered entities, market participants and the Commission.

Effective Enforcement

In FY 2024, the Commission:

- The CFTC's DOE filed 58 enforcement actions charging fraud, manipulation, and other significant violations in diverse markets, including digital assets and swaps markets, resulting in record of over $17.2 billion in total monetary relief, including $2.7 billion in CMPs and $14.5 billion in disgorgement and restitution.
- The CFTC cemented its reputation as a premier enforcement agency in the digital asset space. It filed high-profile complaints addressing frauds by major exchanges, individual Ponzi-schemers, and others; obtained a first-of-its-kind litigation victory against a decentralized autonomous organization; charged and won another litigation victory against a digital asset futures platform; brought an innovative litigation involving cross-market manipulation in blockchains; and continued its efforts to protect the public in the DeFi space. In FY 2024, the CFTC brought 10 actions involving conduct related to digital asset commodities.
- In an action related to fraud, manipulation, spoofing, or other forms of disruptive trading, and false reporting, DOE simultaneously filed and settled charges against Trafigura Trading LLC, for trading on misappropriated nonpublic information (physical and derivative gasoline transactions) and manipulation (fuel oil benchmark; Platts's U.S. Gulf Coast High Sulphur Fuel Oil benchmark). The CFTC imposed a $55 million CMP.
- In an action related to business practices, DOE simultaneously filed and settled charges against J.P. Morgan Securities LLC, a registered SD and FCM, for failing to diligently supervise its business as a CFTC registrant, resulting in it failing to capture billions of orders in its surveillance systems. J.P. Morgan was ordered to pay a $200 million CMP.
- In an action related to trade practice violations, DOE simultaneously filed and settled charges against Merrill Lynch Commodities, Inc. for exceeding the federal and ICE

Futures U.S. position limits in contracts that reference natural gas futures traded on the New York Mercantile Exchange and for SD supervision and position limit monitoring failures. The CFTC imposed a $1.5 million CMP.

- In an action related to misconduct involving confidential information, DOE Simultaneously filed and settled misappropriation-based fraud charges against Freepoint Commodities LLC, a commodities merchant, involving unlawful misconduct designed to obtain material non-public information from a South American state-owned enterprise in connection with the purchase and sale of fuel oil the integrity of U.S. and global oil markets. The order requires Freepoint to pay more than $91 million in CMPs and disgorgement.
- In an action related to customer protection, DOE charged defendants who claimed to operate an online platform that allowed customers to buy with engaging in a scheme to defraud thousands of customers in at least 14 states in the manner of a Ponzi scheme.

Improvements to Commission Data and AI Capacity

In FY 2024, the Commission:

- Has accomplishments in each of the four goals of its strategic data and AI action plan: (1) strengthen data governance; (2) develop and deploy sophisticated enterprise analytics and AI capabilities; (3) modernize and streamline data analytics tools and technologies; and (4) promote a data-informed workforce to improve mission and operational performance.
- Released the CFTC Data Hub, a centralized data cataloging tool providing users the capability to explore information regarding the data collected by the Commission. The CFTC Data Hub tool is available to all users within CFTC.
- Established an integrated Chief Data and AI Officer position, which also serves as the DOD Director. The CFTC also established the Enterprise Data Analytics Section within DOD, under the CFTC's Chief Data Scientist. This section is focused on advancing achievement of the CFTC mission through data analytics and AI, by developing and implementing CFTC's enterprise data and AI product roadmap, providing analytics services to divisions and offices, and promoting the use of new transformative AI technologies like generative AI.
- Has been working to establish a cloud-based enterprise data analytics platform and toolset to improve analyst access to needed tools, data and computation. After data migration to the cloud, the Commission is making the data platform more accessible to CFTC analysts through role-based access and equipping the platform with a set of data visualization and data science tools.
- Improved the standardization and quality of data it provides to mission staff. The CFTC recently implemented standard Universal Product Indicators in SDR data, which brings increased standardization and specificity to swaps product identification, providing the Commission with increased transparency into market activity and making it easier for staff to use swaps data.

- Upskilled CFTC staff, which is critical to optimizing our enhanced analytics and AI functionalities in the coming years. DOD hosted 9 data skills training sessions on topics related to CFTC data, data science, programming languages, and cloud-based tools, with over 300 unique CFTC employees participating.

Addressing Diversity and Inclusion

In FY 2024, the Commission:

- Issued the CFTC's first Strategic Plan to Advance Diversity, Equity, Inclusion and Accessibility (DEIA Plan). This 2-year Strategic Plan, aligned to the CFTC's 2022-2026 Strategic Plan, focuses on the following six goals: 1) Inclusive Workplaces, 2) Partnerships and Recruitment, 3) Paid Internships, 4) Professional Development and Advancement, 5) Data, and 6) Equity in Procurement and Customer Education and Outreach.

  To ensure the effective implementation of the DEIA Plan, the Commission launched an internal Executive Council to support and guide implementation efforts. The Council is made up of senior leaders from all CFTC divisions and offices, and is Co-Chaired by the Commission's Chief Diversity, Equity, Inclusion and EEO Officer and the Chief Human Capital Officer.

- Took several steps to ensure compliance with equal employment opportunity (EEO) statutes and the regulations of the Equal Employment Opportunity Commission (EEOC) and to revitalize the CFTC EEO program, including:
  - Enhancing visibility and awareness of EEO by placing updated *EEO Know Your Rights* posters on bulletin boards and other common areas in all CFTC buildings, updating the required No FEAR Act notice on CFTC.gov, and creating a dedicated email address for employees to initiate complaints.
  - Processing all complaints within regulatory timeframes and submitted all required EEO compliance reports.
  - Promoting special emphasis months through the CFTC Intranet and launching associated resource pages. In FY 2024, the Commission held 8 observance events with a total of 1260 attendees.

- Developed a comprehensive Recruitment and Talent Sourcing Plan based on CFTC's workforce demographics data, the Commission's MD-715 report, mission-critical occupations, executive orders and Federal regulations. Recruitment strategies are grounded in analysis of data from the Census Bureau, Minority Serving Institutions (MSI) and the American Bar Association. The plan's implementation represents a strategic approach to talent acquisition, focusing on engaging students and recent graduates from MSI, schools of law, rural states and professionals from all segments of society. As a result:
  - In FY 2024, the Commission participated in 45 in-person and virtual recruitment events, including 17 events hosted or coordinated by the CFTC.

    - The Commission extended online outreach and engagement – data indicates the CFTC reached approximately 283,000 students and recent graduates, including a 2024 recruitment video, *Ignite Your Career: Join the CFTC!*, that was viewed approximately 600 times.
- Launched an Inclusive Culture Leadership Training series for executives, supervisors and emerging leaders to provide them with the tools to lead diverse teams, foster inclusive and respectful work environments and address disruptive, disrespectful, uncivil behaviors. The series included four brown bag sessions on the CFTC's revised Anti-Harassment Policy and Reasonable Accommodation Policy and training all CFTC executives, managers, and supervisors on EEO rights and responsibilities.

Addressing Systemic Risk in the Clearing Process

In FY 2024, the Commission:

- Completed its fourth supervisory stress test which analyzed the effects of extreme market shocks on 11 clearing services at nine DCOs, spanning four major asset classes (futures and options on futures, cleared interest rate swaps, credit default swaps, and foreign exchange products). This exercise found that all included DCOs held sufficient resources to withstand extreme and often implausible price shocks together with, at times, the default of all clearing member (CMs) with losses. In addition to this analysis, the report examined the level of interconnectedness between DCOs, finding that extreme losses at one were not commonly paired with extreme losses at others. This fourth stress test report can be found here. Supervisory stress tests play a crucial role in ensuring the stability of derivatives markets. The CFTC uses these essential exercises to determine whether DCOs hold sufficient resources, both individually and as a group, to withstand: 1) extreme market shocks and 2) multiple CM defaults.
- Has three rulemakings in progress to address risk in the clearing process. Specifically:
    - The first rulemaking focuses on Separate Accounts and will protect CM funds by extending many of the existing protections for customer funds to CM funds at intermediated and disintermediated DCOs. The rule will also ensure CM funds are protected and available to be distributed to them in the event the DCO enters bankruptcy.
    - The second rulemaking addresses member property and will protect the ability of clients, such as pension funds, to invest their funds using diversified strategies, by codifying guidance permitting FCMs to allow clients to treat different portions of their accounts (which may be managed by separate money managers through different strategies) as separate accounts.
    - The third rulemaking examines central counterparty (CCP) recovery and wind-downs and will enhance the safety of DCOs by setting standards for the planning process for recovery and orderly wind-down plans for systemically important DCOs and other self-selected DCOs. It would also establish a requirement for orderly wind-down plans for all other DCOs.

- Continued to carefully monitor CME's long-term project to move its technology infrastructure to the cloud. The Commission has enhanced its program for monitoring operational changes by DCOs, such as CME, that are in the process of migrating their systems to cloud services.

Registrant and Intermediary Oversight

In FY 2024, the Commission:

- Issued, after an extensive assessment of the comparability of applicable non-U.S. jurisdictions and the CFTC's capital and financial reporting requirements, four orders establishing a program of substituted compliance for nonbank SDs domiciled in the European Union (France or Germany), Japan, Mexico, or the United Kingdom (UK). The orders permit the nonbank SDs to comply with their home country capital and financial reporting requirements in lieu of the Commission's SD capital and financial reporting requirements. To ensure appropriate ongoing supervision, the nonbank SDs must file periodic financial reports and regulatory notices with the CFTC and the National Futures Association (NFA),[8] the Commission's designated registered futures association, and they remain subject to CFTC and NFA examination and enforcement actions. These SDs may also be subject to multiple regulatory authorities in different national jurisdictions.
- Approved final amendments to its capital and financial reporting requirements for SDs and MSPs. The amendments are consistent with staff no-action letters that were issued to clarify certain capital and reporting obligations contained in CFTC regulations and provide greater legal certainty to existing and potential future SD and MSP registrants.
- Approved for public comment a proposed rule proposing that SDs and FCMs (covered entities) establish and implement an operational resilience framework (ORF) comprised of three key components: an information and technology security program, a third-party relationship program, and a business continuity and disaster recovery plan. Approved for public comment proposed revisions to the list of investments that FCMs and DCOs may enter into with customer funds (Permitted Investments). The proposal would revise the list of Permitted Investments to exclude commercial paper, corporate notes, and corporate bonds, and limit investments in money market funds to certain defined government money market funds. The proposal would also add to the Permitted Investments certain foreign sovereign debt and exchange-traded funds that are passively managed to replicate a published short-term U.S. Treasury index. The proposal contains conditions intended to ensure that investments meet the general obligation of preserving principal and maintaining liquidity of customer funds.
- Approved final guidance to assist DCMs in listing for trading VCC derivative contracts and adopted four final rulemakings to amend market oversight regulations. These rulemakings enhance regulations that: govern the filing requirements of DCMs and SEFs when they list products for trading and the filing requirements of DCMs, SEFs,

[8] The NFA is the SRO for the U.S. derivatives industry and designated by the CFTC as a registered futures association.

SDRs and DCOs when they adopt new rules or amend existing rules; relate to data reporting requirements for large traders; address confirmation requirements for swaps executed on SEFs; and focus on how certain persons located in the United States may trade on FBOT registered with the Commission. Additionally, the Commission proposed regulations for notice and comment and is continuing to work on final regulations that focus on conflicts of interest and governance, data reporting, and event contracts.

Innovation and Fintech

In FY 2024, the Commission:

- Made critical strides in developing a CFTC AI and ML Roadmap grounded in filling the Commission's current gaps in AI/ML capabilities and knowledge. Key initiatives related to the integrated data and AI strategy include moving to the cloud for data operations, encouraging the expansion of AI/ML techniques within the Commission through pilot use cases, including exploring the use of generative AI to enhance workforce efficiency, production deployment of a machine-learning anomaly detection algorithm focused on improving data quality, and a project using AI/ML techniques to identify spoofing behavior in CFTC data. The CFTC also provided training on a range of data and AI related topics to ensure our workforce is prepared for the technological shifts AI will bring.
- Created an internal AI working group and released a request for information seeking public comment on the use and risks of AI in markets regulated by the Commission. The comments have been received and will be used to inform CFTC's regulatory approach to AI. The Commission also teamed with U.S. Agency for International Development to develop materials for a consulting trip to Ho Chi Minh City to advise Vietnam's State Securities Commission on AI in the financial markets. The Commission also advised the South African Reserve Bank using a condensed version of the materials developed for Vietnam.

Collaboration and Coordination

In FY 2024, the Commission:

- Negotiated the UK's grant of equivalence to the CFTC's regulatory regime for clearing, fostering deference to and collaboration with CFTC as to US DCOs operating in the UK. This determination, recognizing that the CFTC's regulatory regime for clearinghouses is equivalent to the UK's regime in terms of outcomes, allows CFTC-registered DCOs to operate in the UK.
- Published three consultations related to international derivatives margin. These consultations, arising from work that the Commission co-chairs with the Bank of England, put forward policy proposals and recommendations to enhance derivatives margin operation performance during potential periods of extreme market stress in recent years. The consultations emphasized responsiveness, transparency, and smooth

processing; specifically addressing cleared and non-cleared swaps, initial margin (collateral used to cover potential future exposure), and variation margin (collateral used to cover current exposure).

- Finalized two memoranda of understanding (MOUs) with foreign counterparts. These supervisory cooperation arrangements enhance the Commission's cross-border supervision of foreign registrants and registered entities and foster cross-border regulatory deference between the CFTC and its foreign counterparts. One MOU is with the French financial market regulator, and fosters cooperation with French SDs registered with the CFTC. Another MOU, with the Taiwan financial market regulator, relates to cooperation with a Taiwanese clearinghouse operating cross-border.
- Through the combined efforts of CFTC customer education, technology, and enforcement experts, launched an innovative, whole-of-government initiative to focus attention to the growing problem of relationship investment scams (known by operators as pig butchering). In July the CFTC held a conference with federal regulators and criminal authorities to brainstorm actionable initiatives and priorities and share best practices, tools, methods, and techniques. Over 300 attendees from more than 25 criminal and civil agencies participated. The Commission is convening four working groups resulting from this conference to focus on partnerships, outreach, enforcement, and technology disruption and develop initiatives to address relationship investment scams.
- Piloted a new outreach program to raise awareness about relationship investment scams. An event conducted in conjunction with the SEC and the Brooklyn District Attorney's Office aimed to inform members of Brooklyn's Asian American community, who have been frequent targets, about the growing threat of these scams.
- Translated the CFTC's Learn and Protect customer education webpage on CFTC.gov and advisories into Spanish to reach a broader audience.

Improving Market Oversight

In FY 2024, the Commission:

- Reviewed and analyzed the applications of entities seeking designation as contract markets and registration as SEFs. The Commission granted two new exchanges designation as contract markets, creating two more trading venues that may list contracts for trading under the CFTC's oversight. In FY 2024, DCMs and SEFs collectively filed over 600 rule submissions with the Commission regarding their platforms and how their products can trade in a manner that complies with the CEA and Commission regulations.
- Analyzed, on an ongoing basis, DCM and SEF compliance with system safeguards and other foundational requirements that are designed to promote liquidity, fairness, and financial security in the trading on these facilities. These trading facilities provide a means for managing and assuming price risks, discovering prices, and disseminating pricing information. These trading environments are bolstered by the Commission's periodic examinations of how the DCMs and SEFs enforce their rules.

- Regularly analyzed a broad range of products that trade on DCMs and SEFs and how these products trade on these platforms. Products include contracts based on underlying commodities ranging from agriculture, metal, energy, carbon credits and other environmental contracts, to interest rates, cryptocurrencies and event contracts. In FY 2024, DCMs and SEFs collectively filed over 750 product submissions with the Commission so they could list these new products on their CFTC-regulated trading platforms.

Economic Research

In FY 2024, the Commission:

- Published *Observations on the Treasury Cash-Futures Basis Trade* to examine the behavior of large hedge funds responsible for a majority of "short futures – long cash" activity that has increased sharply in recent years and is commonly called "the basis trade." Basis trading may increase Treasury market efficiency by reducing market segmentation and improving overall market liquidity. However, it may also increase the Treasury market's vulnerability to funding shocks or breakdowns in historical correlations. The research combined different regulatory datasets to present improved estimates of the size and patterns of this hedge fund activity. In aggregate, the funds held a notional market value of $1.1 trillion in short Treasury futures at the end of calendar 2023 and simultaneously held long Treasury securities worth $1 trillion.
- Published a report examining the response of various commodity traders to the COVID-19 market volatility, describing the channels through which equity market shocks impact commodity trading. The research evaluated both the activity in the futures market as well as trading in commodity swaps. The research concluded that index swaps traders reduced their net long positions in response to tightening financial conditions, while commercial swaps traders absorbed some of this risk by decreasing their net short positions.
- Examined the usage of interest rate swaps by U.S. public defined-benefit pension plans, their role in interest rate risk management, and transparency to the public. U.S. public pension funds invest approximately $5.1 trillion in assets to fund the retirement of over 30 million state and local government employees. Collectively, pensions hold material positions in interest rate swaps, although the holdings are concentrated in a minority of funds and are small relative to the liabilities often assumed to be hedged.
- Examined the behavior of individual traders, which has expanded significantly since the pandemic. A recent Commission paper focused on individual traders' behavior in futures markets and found that these small traders holding positions overnight were not as prevalent in futures markets as they appear to be in equity markets. In the two years of data examined, traders typically held small positions requiring a few thousand dollars of initial margin, maintained positions for a few days, and traded only a handful of times. A majority had gains or losses of a few hundred dollars before exiting the market.

Improving Operational and IT Effectiveness

In FY 2024, the Commission:

- Successfully transitioned its cloud services to a new, better structured contract with enhancements to support increased operational requirements and strengthen cybersecurity efforts. Also, the Commission upgraded its productivity suite to the cloud-based Microsoft 365 (M365), which ensures the Commission has the most up-to-date capabilities and features that support collaboration and integration with agency production systems, such as SharePoint and OneDrive.
- Made significant progress in executing its Zero-Trust Architecture (ZTA) strategy and is well positioned to complete the ZTA implementation in FY 2025. In FY 2024, one notable achievement was successfully transitioning the Commission's public-facing websites and services to a more secure cloud infrastructure. Another achievement was enhancing the agency's network capabilities that leverage a modern virtual private network solution and eliminates the need to rely on a dedicated hardware-based private network. These efforts strengthen the agency's ability to protect against cyber threats, while improving the speed, reliability and resilience of our Internet properties.
- Successfully replaced its legacy IT ticketing system with a modern application, providing a more user friendly and secure platform. The CFTC is leveraging this system to support other internal functions, including human resources and facility operations. This action is foundational to many other automation opportunities in the future.
- Initiated a CFTC-wide succession planning program to identify critical roles across the agency that can inform emergency hiring during hiring freezes as well as strategic hiring decisions under normal budget conditions. Succession planning is also focused on enhancing knowledge transfer efforts from employees in critical roles to employees in the talent pipeline.
- Expanded the Pathways Program and establishing the Commission Honors Attorney Program to attract candidates early in their career, with the goal to hire and develop a diverse workforce to support CFTC mission accomplishment.
- Established an IT investment review board to improve IT resource management and enhance IT, data, and cybersecurity investment transparency. The Commission also implemented a budget position management system that streamlined FTE funding decisions. This system will provide a faster hiring timeline for current vacancies and new positions.

What is on the Horizon?

This goal structure reflects the CFTC 2022 – 2026 Strategic Plan, adopted in March 2022.

GOAL 1: STRENGTHEN DERIVATIVES MARKETS & FOSTER THEIR VIBRANCY

Strengthening derivatives markets and protecting their participants increases confidence in market soundness. Open and competitive markets unaltered by fraud, manipulation, or other abuses bolsters confidence in their integrity and fosters economic growth.

GOAL 2: REGULATE DERIVATIVES MARKETS IN INTEREST OF ALL AMERICANS

The Commission's vital role in regulating derivatives markets and their financial instruments benefits all Americans. Sound regulation and oversight of these markets impacts all of us – enabling businesses to provide stable and predictable prices for everything from groceries to gasoline and from heating bills to home mortgages.

GOAL 3: ENCOURAGE INNOVATION & ENHANCE REGULATORY EXPERIENCE OF ALL

The Commission aims to develop regulations that keep pace with and encourage responsible innovation. When crafting and implementing regulations we will be guided by the important outcomes of improving derivatives markets' integrity, resiliency, and avoiding systemic risk.

GOAL 4: BE TOUGH ON THOSE WHO BREAK THE RULES

The CFTC is committed to protecting the public from misconduct in our markets, including manipulation, spoofing, disruptive trading, and other fraudulent actions. The Commission detects, investigates, and prosecutes misconduct and fraud. Doing so leads to improved confidence in the integrity of derivatives markets.

GOAL 5: FOCUS ON UNIQUE MISSION & IMPROVE OPERATIONAL EFFECTIVENESS

Achieving the CFTC's crucial mission requires exceptional operational effectiveness, information technology management, and advanced data analysis. This strategic goal recognizes the vital role business management and related service play in protecting derivatives markets and taxpayer dollars.

The CFTC's mission is to *promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation*. As derivatives markets continually evolve and grow, the CFTC remains committed to embodying the global standard for sound derivatives regulation by ensuring that the derivatives markets are responsive to emerging risks, technologies, trends, and issues through supporting legislation, promulgating rules, issuing guidance, and establishing policies that promote innovation while protecting market participants and users, as well as the economy at large. The Commission holds itself accountable for working with fellow regulators, regulatory bodies and market participants domestically and abroad towards ensuring the U.S. derivatives markets are efficient, competitive, and free from fraud, manipulation, and other disruptive or abusive practices. The Commission also continues to build on its efforts to attract and retain diverse top talent at the CFTC and implement a DEIA vision and strategy that reflects the CFTC's commitment to DEIA as a strategic priority critical to CFTC mission success.

The Commission's work furthers strategic goals outlined in the CFTC 2022-2026 Strategic Plan. These goals support the CFTC's mission by focusing talent and resources towards improving the strength, integrity and resiliency of the U.S. derivatives markets to the benefit of all Americans while encouraging growth and innovation domestically and abroad. The goals also prioritize compliance with the CEA and Commission regulations through clear, equitable, and transparent rules and guidance, targeted surveillance, and operating an enforcement program that roots out fraud, manipulation, and market abuse, sending a strong, clear message to bad actors that misconduct will not be tolerated. Focusing on our unique mission and proficiency, the CFTC continuously improves upon its collection, use, analysis, and protection of data and seeks to maximize performance and efficiency through promoting a workforce comprised of the best and brightest and regularly cooperating and collaborating with fellow regulators, SROs, trade groups, and other stakeholders.

When compared to previous years, such as 2020 and 2022, derivatives markets experienced lower volatility in FY 2024. That is not to suggest the year has been entirely calm. Volatility resulted from, for example, shipping challenges, such as the Mississippi River's and Panama Canal's low water levels and hostilities that diverted ships in the Red Sea around Africa. These shipping challenges impacted the movement of commodities, transit times, supply chains and ultimately commodity prices domestically and abroad. Additionally, extreme weather continues to impact world crop yields, creating significant uncertainty that could affect global commodity markets. While the above conditions contributed to some market fluctuations, extreme market shifts were mostly limited to a few isolated days or products, such as the large equity swings in early August, and provided stark reminders of the need for continued oversight and vigilance.

The importance of the CFTC's vigilance may grow as we move toward, and beyond, the end of calendar 2024. For instance, previous monetary responses to lower inflation and hiring have also been periods of comparatively less predictable market shifts and trading behavior. Market participants use previous extreme events to better estimate their potential liquidity needs during future periods of stress. However, the Commission must continue to monitor firms' risk preparations, because future extreme events are rarely exact mirrors of prior events and the potential for novel and extreme shocks persists. Finally, the world faces significant geopolitical risks, such as wars and trade sanctions, that could impact commodity markets as well as the broader worldwide economy.

For these reasons, the CFTC must stay focused on using its regulatory flexibility to be responsive to the needs of market participants while establishing appropriate risk tolerances and guardrails. Our market structures, regulations, and thoughtful yet assertive approach to oversight will continue to serve the American people and markets as intended, continuing to provide business certainty to farmers, ranchers, large manufacturers, pension funds, and other commercial end-users. A strong and stable CFTC allows farmers and ranchers to continue locking in prices during planting season to protect themselves from the price fluctuations that would otherwise result from weather-related conditions, geopolitics and other factors beyond their control. A strong and stable CFTC also facilitates large manufacturers, pension funds, and other commercial end-users to rely on the derivatives markets to manage for currency, interest rate and other risks, as they sell American-made goods across the globe.

The CFTC will continue to ensure the U.S. derivatives markets remain sound through strong oversight of the registrants, products, and market participants within the CFTC's jurisdiction and commitment to remaining nimble and vigilant in identifying and addressing risks and uncertainties that may undermine its abilities to achieve its mission and long-term goals.

Strategic Goal 1 – Strengthen the Resilience and Integrity of our Derivatives Markets While Fostering Their Vibrancy

The CFTC registers and oversees different types of entities that are the foundation of the U.S. derivatives markets. Among others, these entities range from CCPs and exchanges to the intermediaries through which market participants access the markets. The CFTC will continue to strengthen the resilience and integrity of the derivatives markets while fostering their vibrancy in both broad and targeted ways.

<u>Strong and Resilient DCOs</u>

The CFTC focuses on promoting the strength and resilience of Commission-registered CCPs (known as DCOs) through regular examinations, stress testing, capital requirements, financial reporting obligations, and ongoing risk monitoring. CCPs provide crucial risk management services and reduce counterparty risk. One of the Commission's regulatory responsibilities is to conduct supervisory stress tests. Stress tests determine what combinations of market moves and member defaults could potentially exhaust a CCP's resources. Stress tests verify which CCPs are sufficiently robust to withstand highly stressful market conditions, including extreme and often implausible price shocks, and simultaneously, multiple defaults of their CMs. In July 2024, the CFTC published its most recent Supervisory Stress Test of CCPs (the fourth of these reports). This report quantified that all participating DCOs (11) would be able to withstand the most extreme of these highly stressful market conditions.

The growth in clearing around the world and across multiple asset classes speaks to the value of system-wide reviews of market risks and the resources held to protect against these risks. The next few years are likely to continue this trend. For example, the SEC recently adopted rules requiring a central clearing mandate for U.S. Treasury cash transactions and associated repurchase and reverse repurchase activity. The growing links between derivatives and securities clearing, such as cross-margining programs across CCPs, highlight the increasing value and importance of coordination and information sharing within and across regulatory agencies. A failure or disruption to the functioning of a CCP could create or increase the risk of liquidity or credit problems which, in turn, could spread at a systemic level to other financial institutions.

System-wide reviews will also grow in importance as the number of registered DCOs continue to increase. The three new DCOs the CFTC registered in FY 2024 increased the number of registered DCOs from 15 to 18. The Commission is also reviewing three pending DCO applications. While an increase in the number of DCOs will reduce concentration, it will also increase competition and may encourage DCOs to compromise risk management to gain a competitive edge.

Robust DCO risk management is particularly critical because of the systemic nature of clearinghouses and the integral role that DCOs have in promoting financial stability. Near-term actions that will aid in strengthening clearing include finalizing rules on protection of CM funds, investment of customer funds, recovery and orderly wind-down plans, as well as codification of guidance. In addition to this ongoing agency work, the CFTC continues to participate in international bodies focused on ensuring coordination and consistency of risk oversight across geographical regions. Ongoing international efforts focus on coordinating global cleared and uncleared margin regimes and updating guidance for how DCOs address general business risks.

Technological innovation such as AI, blockchain, and machine learning, along with operational changes such as the increased use of cloud technology, will impact the design and methodology of DCOs' system safeguards and cyber resiliency programs. The Commission has enhanced its program for monitoring operational changes by DCOs that are in the process of migrating their systems to cloud services. The Commission also is evaluating tools that use these emerging technologies to augment its examination process.

<u>Strong and Resilient Exchanges</u>

Commission-registered exchanges ensure the financial integrity of transactions entered into on or through their markets. The CFTC focuses on promoting the strength and resilience of Commission-registered exchanges through regular examinations, financial resource requirements, financial reporting obligations, and system safeguards requirements to protect against operational and cybersecurity risks. Increased internal CFTC capabilities will provide for sounder derivatives regulation and oversight. Designated contract markets and SEFs further provide crucial competitive, open and efficient markets and mechanisms for executing transactions that protect the price discovery process of trading in centralized markets. A failure or disruption to the functioning of an exchange inhibits price discovery and could constrain market participants hedging their risks, leaving farmers, ranchers, and other market participants exposed to financial risks due to weather, interest rate changes and other uncontrollable variables.

It is essential that exchanges' governance arrangements and conflicts of interest standards evolve to match the pace and complexity of the evolution of their risk landscape. This risk landscape includes novel market structures, new product innovation, and emerging risks, such as climate change. In response, in May 2024, the Commission proposed for public comment new rules and amendments to its existing regulations for CFTC-regulated exchanges that would establish governance and fitness requirements with respect to market regulation functions, as well as related conflict of interest standards. The Commission is working to finalize these requirements in the near-term.

In recent years, the Commission has observed an increased interest in contract market designation from entities that seek to offer trading in event contracts. Event contracts are a type of derivative contract that is based on the outcome of an underlying occurrence or event. The Commission has also recently observed an expansion in the types of event contracts that designated contract markets seek to offer for trading. In response to these developments, in May 2024, the Commission proposed for public comment amendments to its event contract regulations. The proposed amendments are intended to further clarify the types of event contracts that can, and cannot, be offered for trading by CFTC-regulated derivatives exchanges. This clarity could assist designated contract markets and applicants for designation make informed decisions regarding contract design, which would help to support responsible market innovation. Staff currently are reviewing the public comments on the Commission's proposal.

Additional recent and future actions will strengthen the integrity of our markets and promote vibrancy. These include implementing amendments to how exchanges list new products (part 40) and the guidance for CFTC-regulated exchanges regarding VCC derivative contracts issued in September.

<u>Strong Oversight of Intermediaries</u>

Also essential to the stability of the derivatives markets are financial requirements for registered market participants, FCMs and SDs, which are critical market intermediaries in the derivatives marketplace. Commission regulations require FCMs to maintain minimum levels of capital to ensure that they meet their obligations to customers, clearing organizations, and market participants. To protect customers in the unlikely event of an insolvency, FCMs must also segregate customer funds from their own funds. FCMs are also subject to financial reporting to the Commission and SROs. Additionally, the Commission has adopted robust capital and financial reporting requirements for SDs, including margin obligations on certain uncleared swap transactions. These comprehensive financial and reporting requirements give the Commission and SROs the ability to monitor SDs and FCMs to ensure that they hold required capital amounts and that they retain the financial resources to support their dealing activities with existing counterparties and brokerage activities for their customers respectively. The Commission will continue to work with SROs, other U.S. regulators, and existing intermediaries to ensure that all capital and financial reporting requirements remain balanced and appropriate given natural developments in the derivatives marketplace.

The CEA and CFTC's system safeguards regulations require CFTC registered DCOs, DCMs, SEFs, and SDRs to have appropriate system safeguards, controls, and testing to address all types of cybersecurity and operational risk to the reliability, security, and capacity of their automated systems and to support the confidentiality, integrity, and availability of their data. They must also maintain and test appropriate business continuity and disaster recovery plans and resources. It is crucial that SDs and FCMs similarly have operations and information systems that are reliable, secure, and have adequate scalable capacity. To that end, the Commission proposed a rule in December 2023 to address FCM, SD, and MSP operational resilience, further fortifying CFTC markets against cyber-attacks and strengthening their ability to withstand successful attacks. The proposed rule would require SDs and FCMs to establish and maintain an operational resilience framework, incorporating certain baseline risk management practices to manage information and technology security, third-party relationships, business continuity and disaster recovery. The proposal further expands upon existing SD and FCM risk management regulatory requirements and will enhance their ability to manage risks that could potentially impact themselves, their customers and counterparties, and the financial system as a whole. The Commission is actively analyzing comments and will soon consider a final rule. Once enacted, these policies would complement the suite of system safeguards currently in place for CFTC registered DCOs, DCMs, SEFs, and SDRs.

<u>International Coordination and Collaboration</u>

Safeguarding the stability of the U.S. and global financial system requires ongoing international coordination and collaboration in a way that neither compromises the Commission's capital and financial reporting requirements nor unduly defers to a foreign regulatory authority. In 2020 the Commission adopted a regulatory substituted compliance framework for non-U.S. domiciled nonbank SDs. Substituted compliance allows, after application and approval, non-U.S. domiciled SDs to satisfy certain CEA and CFTC capital and financial reporting requirements through a program of substituted compliance with home-country capital and financial reporting requirements. A precondition for substituted compliance is a determination by the Commission that the capital and financial reporting requirements of the non-U.S. jurisdiction are comparable in purpose and effect with the Commission's corresponding SD capital and financial reporting requirements. Once a determination is made, the Commission still retains examination and enforcement authority over non-U.S. SDs, as well as all financial and event specific reporting so that the CFTC can maintain direct oversight of nonbank SDs located in non-U.S. jurisdictions.

The Commission is in the process of reviewing new applications for comparability determinations for the applicable SD capital requirements in the UK and the European Union. This builds upon the four approved SD comparability determinations for capital requirements substituted for Japan, Mexico, the European Union (specifically France and Germany), and the UK (Prudential Regulation Authority) in 2024. As the future unfolds, the CFTC will continue to partner with international counterparts to identify and address the potential impacts of developments associated with emerging issues.

CFTC rules requiring margin for uncleared swaps, and similar rules around the world, are a foundation of derivatives market integrity. Margin requirements provide confidence in times of market stress and volatility, ensuring that collateral is available to offset potential counterparty losses, as well as the daily exchange of collateral to cover current market losses. As such, margin requirements are a necessary back-stop, protecting customers, bolstering the safety and soundness of SDs and MSPs, and safeguarding the integrity of the financial system. Since the fall of 2022, after a series of six phases of increasing breadth, this margin exchange has been required for all but the smallest participants active in uncleared derivatives. Requirements to post margin discourage firms from taking on excessive risk and provide collateral to cover counterparty risk.

Having these crucial rules in place does not, by itself, guarantee financial system integrity. Continued efficient and stable functioning of derivatives markets requires sound implementation of and faithful adherence to margin and capital requirements. The Commission will continue to collaborate with registered SDs and the NFA to promote compliance with these requirements. In addition to establishing and effectively implementing margin and capital requirements domestically, the Commission will team with international counterparts to analyze the impact of various margin practices in centrally and non-centrally cleared markets.

The Commission will also participate in--and sometimes lead-- standard-setting bodies to advance strong, effective, and practicable standards at a global level. This is the case for noncleared swap margin, margin more broadly in the derivatives ecosystem, policymaking for CCPs, general business losses, and more novel areas like VCMs. The Commission expects to retain these leadership roles and will continue to advance sound and appropriate international policy for the derivatives and associated areas of financial markets. Moreover, the Commission's bilateral engagement with key counterparts aims to address cross-border regulatory matters to advance robust and appropriate participation in one another's markets. Fortifying these efforts, the Commission continues to negotiate supervisory cooperation arrangements to facilitate supervision of dually registered entities. The Commission also looks forward to providing continued technical assistance to emerging jurisdictions to advance vibrant, rule-of-law-based markets globally.

Strategic Goal 2 – Regulate our Derivatives Markets to Promote the Interests of All Americans

CFTC ensures that derivatives markets work in the best interest of all Americans, supporting a market-based system for price discovery and risk management. The U.S. derivatives markets continue to serve the needs of everyday Americans and touch all corners of the real economy – from farmers and ranchers who need to hedge grain and cattle prices, to manufacturers and exporters who need to manage other market risks. The U.S. derivatives markets are always rapidly evolving, whether driven by technological innovations or in response to emerging areas of regulatory awareness.

The Commission's origins in the agricultural markets manifest in a strong and longstanding commitment to the agricultural community and its stakeholders to ensure the integrity of agricultural derivatives markets, and to understand and address issues that have the potential to negatively impact these markets. Agricultural derivative products' hedging utility is especially critical as the world's farmers and ranchers will continue to face adverse impacts in their daily operations due to the uncertainty caused by extreme weather and geopolitical events. Recent events highlight the continuing need for agricultural derivative markets' integrity – floods in China and Brazil and droughts in Africa and Asia impacted crop yields, while shipping issues caused by drought and conflict impacted commodity flows. Higher costs of capital and other increasing costs of production and crop prices at multi-year lows have led to a sharp downturn in U.S. farm income over the past two years. This economic downturn for farmers, makes the use of futures markets for risk transfer and price discovery vital for these end users.

It is important that the CFTC recognize and address the specific needs of end-users who are hedging commercial risk in the derivatives markets with the goal of maintaining strong, competitive businesses and providing affordable goods and essentials, such as food and fuel to the American people. The Commission continues to work with the House and Senate Agriculture Committees on legislation to update the agency's authorizing statute, the CEA. Updating the CEA will help foster innovation and competitiveness globally and ensure that our governing statute is current in how it addresses risk to the U.S. derivatives markets and the U.S. financial system. Additionally, an updated CEA will ensure the ongoing success of critical programs such as the CPF (supporting the WBO and OCEO), and the agency's OMWI.

The Agriculture Advisory Committee (AAC) continues to play an integral role in advising the Commission on issues involving agricultural commodity futures and options trading and facilitating communications between the Commission, the agricultural community, and agriculture-related organizations. Future AAC agendas will focus on topics related to the agricultural economy, such as geopolitical issues, sustainability, technology advancements, and risk management practices. A spring 2025 AAC meeting is in the final planning stages and will be announced soon.

As the Commission has done in recent years through the several Agricultural Commodity Futures Conferences, it will continue to look for other opportunities to engage with experts and stakeholders in the agricultural community to discuss ways to foster healthier markets, lower prices, and build a stronger economy.

The Commission works to ensure that regulated persons provide retail persons the information they need to make educated decisions regarding their use of derivatives. For example, the Commission recently adopted amendments that will become effective soon to emphasize the importance of exchanges clearly describing and explaining the terms and conditions of the products listed on their exchanges, enabling retail persons and other market participants to understand the products available and determine suitability. As another example, the Commission's regulations have long required the preparation and dissemination of detailed disclosure documents and financial reporting regarding investments in commodity pools offered to retail participants. Similar regulatory requirements apply to communications by CTAs regarding offered trading programs and registered foreign exchange dealers and FCMs regarding Foreign Exchange (FX) and futures accounts, respectively.

In September 2024, the Commission finalized amendments to a regulation originally adopted in 1992 and widely used today by the majority of registered CPOs and CTAs for compliance relief with respect to their commodity pools and trading programs offered to sophisticated investors. The Commission articulated its goals of modernizing and reorganizing the provision in recognition of the increasing complexity and novelty of commodity interest investment products in its October 2023 proposal. The amendments were designed to account for the wide spectrum of bargaining power sophisticated investors hold to demand information and to address the need to ensure a minimum level of disclosure to all participants. While the Commission continues to consider regulatory alternatives with respect to establishing minimum disclosures for sophisticated investors, the recently finalized amendments achieved important goals advancing effective intermediary regulation and customer protection.

The Commission will soon finalize amendments revising its regulations regarding the investment of customer funds by DCOs and FCMs. The amendments ensure that CFTC regulations remain relevant and reflect changes in laws that made certain provisions obsolete. The amendments also respond to petitions submitted by market participants identifying additional investments that help FCMs and DCOs to mitigate certain risks of holding foreign currencies for customers while also being consistent with the overall objectives of preserving the principal and liquidity of customer funds.

Through its OCEO, the CFTC develops content to educate customers on new and novel fraud trends that are identified through data and active engagement with the public. The CFTC uses social and traditional media, and hosts events to inform customers about prevalent fraud instances and trends. As part of educational efforts, the CFTC partners with other regulators and financial educators, such as the Department of Justice, the Consumer Financial Protection Bureau and the Defense Department's Office of Financial Readiness, to pool resources and expand its reach.

In FY 2025 and beyond, the Commission looks forward to continuing its efforts to add fraud prevention content to CFTC.gov, as well as highlight and share that information with customers on social media and in the press. The CFTC plans to explore additional programming that focuses on retail speculators, specifically in the areas of digital assets, over-the-counter (OTC) foreign exchange trading, and precious metals investing. To reach more Americans, the Commission translated its website and fraud awareness materials into Spanish and will work to translate its materials into other languages in the coming years. The CFTC will continue to play a crucial role in helping customers avoid being defrauded.

The CFTC is uniquely poised as the regulator at the forefront of climate-related risk management, as firms and individuals will increasingly turn to the derivatives markets to mitigate climate change-induced physical and transition risk and seek price discovery for new and evolving risk management products.

In December 2023, the Commission proposed for public comment guidance for CFTC-regulated exchanges regarding VCC derivative contracts. As described above, in September 2024, the Commission finalized the guidance which outlines factors for DCMs to consider when addressing certain DCM Core Principle requirements in the CEA and CFTC regulations that are relevant to the listing for trading of VCC derivative contracts. The guidance also outlines factors for consideration when addressing certain requirements under the CFTC's Part 40 regulations that relate to the submission of new derivative contracts, and contract amendments to the CFTC.

This guidance reflects insight that the Commission gained from two CFTC VCM Convenings held in 2022 and 2023, public comment on the CFTC's 2022 Request for Information on Climate-Related Financial Risk, and public comment on the Commission's December 2023 proposed guidance. The final guidance marks the culmination of several years of collaboration with a diverse group of market participants in the derivatives market and the VCM. The Commission will continue its focus to ensure that market participants are equipped to manage their risks from increasingly severe and frequent weather events as well as the transition to a net-zero, low-carbon economy.

Strategic Goal 3 – Encourage Innovation and Enhance the Regulatory Experience for Market Participants at Home and Abroad

Technological innovation is drastically changing financial markets, including the derivatives markets the CFTC regulates. The growing adoption of derivatives involving digital assets, AI, and other technologies present novel issues for applying and enforcing the CFTC's regulations.

The clear intersection between financial innovation and our markets required a dedicated strategy and office within the Commission. Therefore, CFTC created the OTI, providing a channel to inform the Commission's understanding of emerging technologies. It operates as a focal point for the development and implementation of regulatory policy within the FinTech space. As such, the OTI incorporates innovation and technology into the Commission's regulatory oversight mission, supporting staff with resources, education, and opportunities to collaborate internally and externally, domestically and abroad.

AI has recently gained prominence with the release of ChatGPT, a Large Language Model. AI is evolving quickly, and the CFTC will need to keep pace with the use cases and risks associated with the use of AI in the financial markets. As part of the CFTC's integrated data and AI strategy fully detailed in Strategic Goal 5, the DOD has been working to help Commission staff pilot generative AI to improve workforce productivity. CFTC kicked off some early pilots in FY 2024 to explore how OpenAI's models can enhance employees' general knowledge, including HR, public affairs, coding, and legal research. To empower employees through the use of generative AI, in FY 2025 CFTC plans to implement Microsoft Copilot with staff training, guidance on best practices, and technical enablement. The CFTC's AI Working Group released an AI request for comment (RFC) and will continue to build upon the results going forward.

One area of continual innovation is with respect to digital assets and the use of DeFi. Compared to the historical intermediation by regulated entities, DeFi is characterized by the use of computer protocols in peer-to-peer issuance, exchange, and settlement. Another emerging area is the move toward tokenization of assets, a process of creating digital tokens representing physical or digital assets including derivatives. Tokenization of assets could have a material impact on markets the CFTC regulates.

However, digital asset commodity cash markets, which have significant speculative retail participation and rely heavily on platform-based custody arrangements are outside of the traditional regulated banking sector and are outside the CFTC's jurisdiction, as well. Although many participants in these markets perceive themselves to be interacting with exchanges and intermediaries structured and regulated like those in other financial markets, the reality is quite different. The lack of a comprehensive regulatory regime means that traditional market-based disclosures and bankruptcy protections are frequently absent, and such arrangements increase the likelihood of disruptions involving conflicts of interest, data reporting, and cybersecurity breaches resulting in unprotected customer losses.

The CFTC's efforts related to digital assets have evolved with the market, and the Commission is now engaged in a more proactive and comprehensive effort across the agency to prosecute fraud in these markets with the tools currently available to us, including emerging threats such as scams referred to as "pig butchering" by the perpetrators. Also, many digital asset-related companies now operate CFTC-registered exchanges, and CFTC is regularly reviewing products tied to digital assets both from these new entrants and from more traditional registrants.

Strategic Goal 4 – Be Tough on Those Who Break the Rules

The CFTC's enforcement program's mission is to protect the public and preserve market integrity by detecting, investigating, and prosecuting violations of the CEA and the Commission's regulations. The Commission's enforcement program works to ensure that U.S. derivatives markets operate free from fraud, manipulation, and other trading abuses to maintain public and market participant confidence (including retail customers), who depend on the futures and swaps marketplace. As part of those efforts, Commission staff:

- Develop and use sophisticated systems to analyze trade data,
- Respond to outlying events to help identify trading or positions that warrant further enforcement inquiry, and
- Prosecute cases of individuals, markets, firms, and others subject to the Commission's oversight that fail to meet their obligations.

The Commission judiciously uses its enforcement authority by being tough on those who break the rules, while being fair and consistent.

This authority extends to any commodity in interstate commerce, as well as futures and options contracts and other derivatives, including swaps. While the CFTC does not have direct statutory authority to regulate cash markets, the CFTC maintains anti-fraud, false reporting, and anti-manipulation enforcement authority over commodity cash markets in interstate commerce. When the CFTC becomes aware of potential fraud or manipulation in an underlying market, we investigate and address misconduct through our enforcement authority. In particular, courts have recognized that (non-security) digital assets are commodities and, since 2014, the CFTC has aggressively exercised its enforcement authority in this program area. The CFTC also has recently brought enforcement actions involving fraud in connection with VCCs, acting to ensure the integrity of the underlying and derivatives carbon credit markets. The CFTC will continue to thoughtfully and appropriately use its enforcement authority over commodity cash markets to ensure customers and markets are protected.

To the extent that market integrity preservation and protecting the public relies on deterrence, there is a strong case for ensuring that every matter we file, and public action we take, brings about greater compliance and makes the next violation less likely to occur. This makes the Commission's enforcement success a function of not only authority, but also professionalism, dedication, and staff commitment to honing its investigative and analytical craft. The craft of regulatory enforcement includes developing leads and forming relationships that bring conduct—good and bad—to the surface, expanding cooperative efforts, and providing more clarity and transparency to markets and market participants.

The Commission maintains a robust market surveillance and forensic data analytics program that uses sophisticated systems to analyze trade data and respond to outlying events. To enhance its capability in this area, in FY 2024 the Commission established the Surveillance and Enforcement Data Analytics Office in its enforcement program. The purpose of this office is to detect, identify and prevent market manipulation, other trading abuses, misuses of material nonpublic information, and other manipulative or fraudulent activities. These nefarious activities could lead to market disruptions, undermine market integrity, and harm customers and other market participants. The Enforcement Data Analytics Office also undertakes matter-specific analysis of trading activity and develops and applies tools to detect potential unlawful trading activity.

Strategic Goal 5 – Focus on our Unique Mission and Improve our Operational Effectiveness

Operational effectiveness is fundamental to carrying out the CFTC's critical mission. The Commission makes effective operations a priority, and pursues it by leveraging technology, enhancing agency stewardship of taxpayer dollars, and actively managing the organization to address mission challenges. Our dedicated workforce continues to rise to any challenge through thoughtful communication strategies, continual workforce engagement, and innovative technology solutions.

Minority and Women Inclusion

In its ongoing effort to attract, retain, and promote a diverse workforce, OMWI includes a program focused on workplace equity, inclusion and strategic outreach and recruitment. The CFTC's vision embraces diversity as a strength, with transparency, fairness, and equity guiding decision-making.

The CFTC issued its first agency-wide DEIA Strategic Plan. The DEIA Strategic Plan is focused on integrating workplace equity and inclusion into all aspects of talent and business operations and to foster an inclusive culture where all employees feel valued, safe, empowered, and respected.

To drive implementation of this Plan, the Commission has launched an Executive Council, co-chaired by the Chief Diversity, Equity, Inclusion and EEO Officer and Chief Human Capital Officer, with working groups consisting of employees from across CFTC divisions and offices. These working groups will play a key role in supporting the implementation of the Plan, ensuring accountability and embedding equitable and inclusive practices throughout the agency.

Additionally, the CFTC is implementing strategic outreach and recruitment strategies aimed at building a diverse talent pipeline. These strategies include leveraging modern communication approaches and fostering relationships with law schools, universities (including rural and minority-serving institutions), professional associations, and other educational organizations. The goal is to ensure that the CFTC's hiring process is not only equitable and transparent but also results in the recruitment of the best and brightest candidates, regardless of background.

Information Security

The CFTC's Information Security Program mitigates risks and enhances the information security posture in a world of rapidly expanding threats and evolving complex regulations. The Commission is actively engaged in protecting confidential trading and clearing data held by the CFTC and the entities we regulate. In accordance with Executive Order 14028, Improving the Nation's Cyber Security, the CFTC continues to modernize and address security vulnerabilities in the Commission's IT infrastructure. The CFTC plans to implement three programs to support the cybersecurity focus areas outlined in various executive orders:

- Zero Trust Architecture to provide network-level protections against attackers pivoting from a compromised system.
- Data Protection Program to establish data loss prevention technologies and processes to manage access to sensitive data to ensure it is tightly controlled and monitored.
- Examine the application of generative AI and ML in cybersecurity threat protection and detection to mitigate against exploits that may put the CFTC data and infrastructure at risk.
- In addition, the Commission will continue to ensure the protection of sensitive market participant data through continuing to implement the Federal Information Security Modernization Act (FISMA) and related OMB security mandates.

Enterprise Risk Management

Required by OMB Circular A-123, Enterprise Risk Management (ERM) provides an enterprise-wide, strategically aligned view of organization risks that promotes improved planning and decision-making through a structured analysis of opportunities and threats. The CFTC's ERM program strives to proactively identify, manage, and mitigate risks that threaten achievement of the CFTC's strategic objectives and mission. The CFTC ERM program is a priority that aims to comply with federal requirements to mature its program and support the Commission's strategic, organizational, and operational goals. The Commission will create an enterprise risk committee to oversee the establishment of the Commission's risk profile, regular assessment of risks, and development of appropriate risk response. Also, in collaboration with CFTC staff, the ERM program will develop, monitor, and implement risk mitigation plans.

Data Analysis and Artificial Intelligence

The Commission is continuing to make significant investments to enhance its data- and AI-enabled approach to policy making, supervision, and enforcement. These investments include hiring the Commission's first Chief Data & AI Officer (CDAIO) as the Director of the DOD, establishing an enterprise data analytics team under the Chief Data Scientist within DOD, and developing and implementing a strategic data and AI approach that is focused on four key goals: (1) strengthen data governance; (2) develop and deploy sophisticated enterprise analytics and AI capabilities; (3) modernize and streamline data analytics tools and technologies; and (4) promote a data-informed workforce to improve mission and operational performance.

Human Capital Planning

The CFTC must take full advantage of its incredible institutional knowledge. The Commission has deep expertise, skills, and knowledge in a variety of mission-necessary disciplines. However, in many of these areas, we do not have a "deep bench." Additionally, our skills must move in lock step with quickly evolving markets. As such, the Commission is prioritizing the need for robust human capital planning that includes comprehensive strategic workforce planning, a detailed and strategic succession planning program, a revitalized retention and engagement program, and enhanced technical and leadership development, among other initiatives. These efforts will serve as a roadmap to ensure the CFTC workforce is equipped with the necessary knowledge, skills, and abilities to meet its mission now and in the future.

Performance Highlights

Verification and Validation of Performance Data – Key Results for Strategic Goals

The following are results with selected representative indicators from each Strategic Goal. The completeness and reliability of performance indicators are important to the Commission. The CFTC works to ensure performance indicators for public reporting demonstrate progress toward achieving the strategic objectives they support.

Strategic Goal 1: Strengthen the Resilience and Integrity of Our Derivatives Markets While Fostering Their Vibrancy

Public Benefit

Derivatives markets are designed to provide a means for market users to offset price risks inherent in their businesses and to act as a public price discovery platform from which prices are broadly disseminated for public use. The CFTC adds to the strength and resilience of derivatives markets through regular examinations, stress testing, capital requirements, financial reporting obligations, and ongoing risk monitoring.

Costs for Strategic Goal 1

In FY 2024, the Commission invested $65.4 million.

Key Indicator Performance Results

Objective 1.1: Ensure our central counterparties remain among the soundest and most resilient in the world.

Performance Indicator: Aggregate cleared swaps, futures, and options positions into a comprehensive risk surveillance process and conduct analysis for each material market participant
Why this is relevant: The systemic nature of clearinghouses and the integral role DCOs have in promoting financial stability make robust DCO risk management and the Commission's ongoing risk monitoring critical. CFTC risk monitoring includes system-wide reviews of market risks as well as the resources held by DCOs to protect against these risks. In addition to the Supervisory Stress Tests the Commission performs every few years (see pages 23 & 31), and weekly (or commonly daily) reviews of DCO/FCM exposures in key benchmark products, the CFTC also has a comprehensive annual program to assess how significant DCOs (in terms of size and trading volume) would respond to a variety of potential risk scenarios. This annual risk monitoring is the focus of this indicator and involves risk surveillance analysis of market participants' aggregated futures and options positions. The Commission continues to improve procedures to aggregate swap positions across multiple DCOs and asset classes so that these annual analyses more closely resemble potential real-world scenarios. Once improvement of these procedures is complete, the Commission will be positioned to accurately assess systemic risk based on the aggregated risk of market participants' futures, swaps, and options trades.
Data Source: For futures, options on futures, and swaps, the primary source of trader and exposure data is currently Part 39 margin and position data that the Commission receives daily from DCOs. DCR has now worked with DCOs to ensure the transmission of account level data with their Part 39 transmissions. This work is now complete as all DCOs submit account level data. DCR also

receives supplementary data, such as delta ladders for swaps, which is used for valuation and stress testing purposes			
Verification and Validation: External tools can stress test futures position positions (e.g., Standard Portfolio Analysist of Risk application) and swaps positions (e.g., Bloomberg/Eikon) for validation purposes.			
Target: DCR will continue to expand on tools analyzing the aggregate risk of market participants' interest rate swap & interest rate (IR) futures positions.			
FY 2021	FY 2022	FY 2023	FY 2024
Aggregated the risk of thousands of accounts across multiple asset classes*	**Aggregated the risk of thousands of accounts across multiple asset classes***	**Aggregated the risk of thousands of accounts across multiple asset classes* and regularly estimated aggregate losses for major accounts under extreme market conditions.**	**Aggregated the risk of thousands of accounts across multiple asset classes, including portfolios with both futures and swaps positions, and regularly estimated aggregate losses for major accounts under extreme market conditions. This ongoing analysis was paired with a more substantial evaluation of risk across multiple asset classes in the fourth Supervisory Stress Test.**

*The Risk Surveillance Branch conducts stress tests of all material futures, options and swaps accounts on a regular basis. These stress tests are aggregated by market participants across DCO. Market participant risk is then monitored across asset classes and DCOs.

Strategic Goal 2: Regulate our Derivatives Markets to Promote the Interests of All Americans

Public Benefit

CFTC ensures that derivatives markets work in the best interest of all Americans, supporting a market-based system for price discovery and risk management. The U.S. derivatives markets continue to serve the needs of everyday Americans and touch all corners of the real economy – from farmers and ranchers who need to hedge grain and cattle prices, to manufacturers and exporters who need to manage exchange-rate fluctuations.

Costs for Strategic Goal 2

In FY 2024, the Commission invested $61.6 million.

Key Indicator Performance Results

Objective 2.3: Increase protections for customer assets and information.

Performance Indicator: Examine compliance by exchanges, DCOs, and SDRs with the system safeguards and cybersecurity requirements of the CEA Core Principles and Commission regulations, prioritizing systematically important entities.
Why this is relevant: Using both risk-based and Core Principles-based approaches, the Commission conducts comprehensive examinations of system safeguards and cybersecurity programs at exchanges, DCOs, and SDRs, preparing examinations reports when deficiencies are identified. Exchanges, DCOs, and SDRs are notified, and staff monitor their remediation efforts. A system safeguards examination (SSEs) has four main stages: 1) Initiating letter; 2) On-site exam, includes data review and interviews with both senior staff and technical expert staff; 3) Review of initial observations, follow up questions, followed by development of examination report with findings

<table>
<tr><td colspan="4">and recommendations and an overall rating; and 4) Presentation of findings/recommendations to Commission for Commission "acceptance," followed by transmittal of report to entity.</td></tr>
<tr><td colspan="4">Data Source: DMO and DCR maintain a list of SSEs commenced and completed each year.</td></tr>
<tr><td colspan="4">Verification and Validation: Management record keeping.</td></tr>
<tr><th>FY 2021</th><th>FY 2022</th><th>FY 2023</th><th>FY 2024</th></tr>
<tr>
<td>• 3 entity SSEs initiated, staff interviews conducted
• 3 entity SSEs with staff interviews conducted and report issued
• 3 additional entity SSEs initiated.
• 9 entity Targeted Maturity Assessments [TMA – a new type of DMO review] with on-site interviews conducted and report issued
• 3 additional entity TMAs initiated</td>
<td>• 2 systemically important DCO SSEs
• 1 SSE at another DCO
• 1 DCO & 1 DMO application for entities that wish to clear or hold crypto products
• 5 entity SSEs initiated, staff interviews conducted
• 3 entity SSEs with staff interviews conducted and report issued
• 8 entity TMAs initiated
• 8 designation or registration reviews initiated, with 4 completed system safeguards portion of the checklist complete</td>
<td>• 4 SSEs completed and issued (1 DCM, 5 SEFs, and 1 SDR)
• 4 SSEs initiated and staff interviews completed (1 DCM and 4 SEFs)
• 2 additional SSEs initiated, with staff interviews pending (1 DCM and 1 SEF)
• 7 designation or registration reviews completed (7 DCMs)
• 2 systemically important DCO SSEs
• 2 data center reviews
• 6 DCO application reviews</td>
<td>• 6 SSEs completed and issued (2 DCMs, 3 SEFs, 1 SDR)
• 2 SSEs initiated and staff interviews completed (3 DCMs, 1 SEF)
• 2 designation reviews completed (2 DCMs)
• 5 designation reviews in progress (5 DCMs)
• 2 registration reviews in progress (2 SEFs)
• 2 systemically important DCO SSEs
• 3 DCO SSEs
• 3 Operational Resiliency Reviews for cloud migration of clearing services
• 1 Amended DCO Application SSE review
• 1 New DCO application SSE review
• 1 Continuation of a DCO application review from a previous reporting period</td>
</tr>
</table>

*DCR also conducts comprehensive SSEs for central clearing counterparties (CCPs), also known as clearing houses. During FY 2021 DCR completed systems examinations for 2 systemically important CCPs and 2 additional CCPs.

Strategic Goal 3: Encourage Innovation and Enhance the Regulatory Experience for Market Participants at Home and Abroad

Public Benefit

CFTC will continue to encourage innovation and enhance the regulatory experience for market participants at home and abroad. Technological innovation is drastically changing financial markets, including the derivatives markets the CFTC regulates. The growing adoption of derivatives involving digital assets, and the use of distributed ledgers and other technologies present novel issues for applying and enforcing the CFTC's regulations.

Costs for Strategic Goal 3
In FY 2024, the Commission invested $49.0 million.

Key Indicator Performance Results
Objective 3.2 Ensure that the CFTC's actions result from well-defined, transparent, and consistent processes, with regulatory development that complies with applicable laws and regulations and is consistent with standards agreed upon by international bodies.

<table>
<tr><th colspan="4">Performance Indicator: Percentage of contract and rule submissions received by the CFTC through the organizations, products, events, rules, and actions (OPERA) portal.</th></tr>
<tr><td colspan="4">Why this is relevant: This indicator captures the efficiency with which staff can receive and process exchange submissions related to contracts and rules. Through the portal, exchanges can electronically file submissions directly with the Commission. This decreases the time it takes for the Commission to make information about new contracts and amendments available to the public. Portal submissions also increase data accuracy, as they reduce the need to manually add data elements into the Filings and Actions (FILAC) database. Finally, automatic routing of submissions to relevant staff increases operational efficiency and accuracy by reducing staff time spent on manual routing and improves ability to identify high impact contract and rule submissions in preparation for reviews of new or amended contracts and rule filings.</td></tr>
<tr><td colspan="4">Data Source: The FILAC database indicates whether a filing was made via email or the OPERA portal.</td></tr>
<tr><td colspan="4">Verification and Validation: The OPERA portal automatically assigns a submission number to all filings made through the portal. Filings made via email are not assigned a submission number.</td></tr>
<tr><th>FY 2021</th><th>FY 2022</th><th>FY 2023</th><th>FY 2024</th></tr>
<tr><td>99%</td><td>99%</td><td>99.7%</td><td>99%</td></tr>
</table>

Strategic Goal 4: Be Tough on Those Who Break the Rules

Public Benefit
The CFTC remains vigilant against those who violate the CEA or CFTC regulations. The CFTC's strong enforcement program emphasizes being tough on those who break the rules, but also being fair and consistent. A tough enforcement program is vital to maintaining public confidence in financial markets. The Commission uses its authority to deter fraudulent and manipulative conduct and to ensure that markets, firms, and participants subject to the Commission's oversight meet their obligations.

Costs for Strategic Goal 4
In FY 2024, the Commission invested $161.4 million.

Key Indicator Performance Results
Objective 4.2: Leverage the CFTC's expertise and resources by coordinating with other criminal and civil enforcement authorities.

Performance Indicator: Leverage the impact of its enforcement program through coordination with SROs and active participation in domestic and international cooperative enforcement efforts.			
Why this is relevant: This indicator reflects the Commission's continued participation in regular meetings with the SROs and with domestic and international cooperative partners. The Commission's enforcement program regularly meets with the SROs to discuss matters of common interest; including investigations, enforcement actions, and the sanctioning of violative conduct. The Commission's enforcement program also works cooperatively with both domestic and international authorities to maximize its ability to detect, deter, and bring sanctions against wrongdoers involving U.S. markets, registrants, and customers. These cooperative efforts bolster the effectiveness of the enforcement program by allowing it to investigate and litigate more efficiently, and seek penalties that provide the appropriate punitive and deterrent effect.			
Data Source: Meeting Records			
Verification and Validation: Management record keeping.			
FY 2021	FY 2022	FY 2023	FY 2024
Participated in 73 domestic and international cooperative enforcement meetings, task forces, etc.	**Participated in 92 domestic and international cooperative enforcement meetings, task forces, etc.**	**Participated in 96 domestic and international cooperative enforcement meetings, task forces, etc.**	**Participated in 106 domestic and international cooperative enforcement meetings, task forces, etc.**

Objective 4.3: Focus market surveillance on areas where fraud and manipulation are most likely.

Performance Indicator: Develop comprehensive communication strategy, geared for internal and external stakeholders, relating to role of whistleblowers and the function of the WBO.
Why this is relevant: The Commission participates in public forums and trade shows annually, including the national Futures Industry Association Conference. This measure reflects the need of the WBO to communicate effectively to external audiences. Outreach is an essential part of the program. The WBO sends the message that the program is in place and emphasize in its message the rewards and protections offered by Section 23 of the CEA and the Commission regulations. Whistleblowers provide the Commission with the opportunity to receive timely information relating to potential violations of the CEA that may not otherwise be available.
Data Source: www.whistleblower.gov/news/events; https://www.whistleblower.gov/whistleblower-alerts
Verification and Validation: Management record keeping

FY 2021	FY 2022	FY 2023	FY 2024
Presented virtually at 5 public events, posted one new "trending topic" alert to WBO website	**Presented at 4 public events, 3 virtual and 1 live**	**Presented or exhibited at 5 public events, attended 4 other public events, and posted two new "trending topic" alerts to WBO website: romance scams and manipulation in the carbon markets**	**Attended or presented at 5 public events**

Strategic Goal 5: Focus on our Unique Mission and Improve our Operational Effectiveness

Public Benefit

Operational effectiveness is fundamental to carrying out the CFTC's critical mission. The Commission makes effective operations a priority, and pursues it by leveraging technology, enhancing agency stewardship of taxpayer dollars, and actively managing the organization to address mission challenges. The Commission is striving to become a model Federal employer in promoting workforce DEIA, which is not only the right thing to do, but it will result in a more effective CFTC, better equipped to achieve its mission.

Costs for Strategic Goal 5

In FY 2024, the Commission invested $103.6 million.

Key Indicator Performance Results

Objective 5.1: Embracing and embedding equal opportunity, DEIA principles and best practices into all Commission operations.

Performance Indicator: Number of Special Emphasis Programs observed within the Commission.			
Why this is relevant: Special Emphasis Programs focus special attention on groups that are not well represented or have less than expected participation rates in specific occupational categories or grade levels within the agency's workforce. These programs demonstrate affirmative steps to provide equal opportunity to everyone in all areas of employment and to eliminate discriminatory practices and policies. Observances of Special Emphasis Programs were designed for the purpose of providing cultural awareness to everyone through commemorative activities that are educational and employment-related. As such, observances improve the workplace environment by promoting and fostering diversity through awareness and educating employees and others to appreciate, value, understand, and celebrate social and cultural similarities and differences. Some of the observance activities are virtual and others are in person/hybrid.			
Data Source: Meeting records			
Verification and Validation: Management record keeping			
FY 2021	FY 2022	FY 2023	FY 2024
8	8	7	8

Financial Highlights

Financial Overview

The following table presents an overview of the Commission's financial position, net costs, and budgetary resources as of and for the fiscal years ending September 30, 2024, and September 30, 2023.

	2024	2023
CONDENSED BALANCE SHEETS		
Fund Balance with Treasury	$ 351,657,576	$ 210,945,449
Investments	253,000,000	279,441,910
Accounts Receivable, Net	23,568	50,312
Custodial Fines and Interest Receivable, Net	949,402,654	123,954,833
General Property, Plant, and Equipment, Net	30,372,076	34,683,576
Advances and Prepayments	3,861,295	13,309,672
TOTAL ASSETS	**$ 1,588,317,169**	**$ 662,385,752**
Accounts Payable	$ 19,324,247	$ 26,227,638
Accrued Payroll and Unfunded Annual Leave	22,893,956	28,685,262
FECA and Unemployment Liabilities	478,998	533,322
Liability to the General Fund of the U.S. Government for Custodial Assets	949,402,654	123,954,833
Liability for Non-Fiduciary Deposit Funds	151,525,064	205,143
Deferred Lease Liabilities	3,553,186	11,248,874
Liability for Whistleblower Awards	43,759,511	31,464,775
Total Liabilities	**$ 1,190,937,616**	**$ 222,319,847**
Unexpended Appropriations - Funds from Other than Dedicated Collections	$ 171,667,251	$ 170,059,674
Cumulative Results of Operations - Funds from Dedicated Collections	216,716,950	263,291,994
Cumulative Results of Operations - Funds from Other than Dedicated Collections	8,995,352	6,714,237
Total Net Position	**$ 397,379,553**	**$ 440,065,905**
TOTAL LIABILITIES AND NET POSITION	**$ 1,588,317,169**	**$ 662,385,752**
CONDENSED STATEMENTS OF NET COST		
Gross Costs	$ 441,059,695	$ 391,880,359
Earned Revenue	(5,919)	(166,018)
TOTAL NET COST OF OPERATIONS	**$ 441,053,776**	**$ 391,714,341**
NET COST BY STRATEGIC GOAL		
Strategic Goal 1: Strengthen Derivatives Markets & Foster their Vibrancy	$ 65,380,148	58,000,047
Strategic Goal 2: Regulate Derivatives Markets in Interest of All Americans	61,595,591	57,552,037
Strategic Goal 3: Encourage Innovation & Enhance Regulatory Experience of All	49,044,765	46,661,951
Strategic Goal 4: Be Tough on Those Who Break the Rules	161,421,378	139,657,096
Strategic Goal 5: Focus on Unique Mission & Improve Operational Effectiveness	103,611,894	89,843,210
TOTAL NET COST OF OPERATIONS	**$ 441,053,776**	**$ 391,714,341**
CONDENSED STATEMENTS OF BUDGETARY RESOURCES		
Prior Year Budget Authority	$ 328,092,280	$ 304,772,904
New Budget Authority	378,440,029	377,576,086
TOTAL BUDGETARY RESOURCES	**$ 706,532,309**	**$ 682,348,990**
New Obligations and Upward Adjustments	$ 429,495,669	$ 356,004,047
Apportioned, Unexpired Accounts	278,280,392	349,995,605
Unapportioned, Unexpired Accounts	(13,868,597)	(35,103,079)
Expired Unobligated Balances	12,624,845	11,452,417
TOTAL BUDGETARY RESOURCES	**$ 706,532,309**	**$ 682,348,990**
Agency Outlays, Net	$ 398,672,157	$ 333,039,255

The above overview is supplemented with brief descriptions of the nature of each required financial statement and its relevance. Significant balances or conditions featured in the graphic presentation are explained in each section to help clarify their relationship to Commission operations. Readers are encouraged to gain a deeper understanding by reviewing the Commission's financial statements and notes and the accompanying audit report presented in the Financial Section of this report.

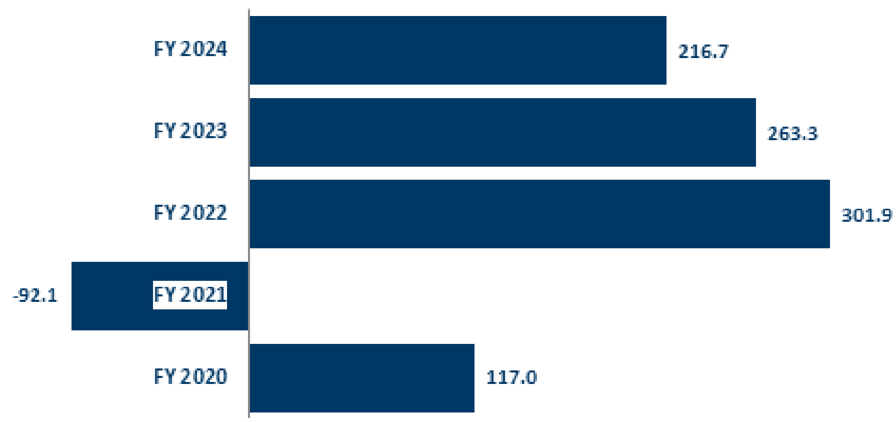
Understanding the Financial Statements

The CFTC prepares annual financial statements and notes in accordance with U.S. generally accepted accounting principles (GAAP) for Federal government entities and in the form and content requirements of OMB Circular A-136, *Financial Reporting Requirements*. The CFTC's current year and prior year financial statements and notes are presented in a comparative format. The table below presents changes in key financial statement line items, as of and for, the fiscal year ended September 30, 2024, compared to September 30, 2023.

Key Financial Statement Line Items		2024		2023		$ Change	% Change
Total Assets	$	1,588,317,169	$	662,385,752	$	925,931,417	139.79%
Total Liabilities	$	1,190,937,616	$	222,319,847	$	968,617,769	435.69%
Total Net Position	$	397,379,553	$	440,065,905	$	(42,686,352)	(9.70%)
Total Net Cost of Operations	$	441,053,776	$	391,714,341	$	49,339,435	12.60%
Total Budgetary Resources	$	706,532,309	$	682,348,990	$	24,183,319	3.54%
New Obligations and Upward Adjustments	$	429,495,669	$	356,004,047	$	73,491,622	20.64%
Apportioned	$	278,280,392	$	349,995,605	$	(71,715,213)	(20.49%)
Unapportioned	$	(13,868,597)	$	(35,103,079)	$	21,234,482	60.49%
Agency Outlays, Net	$	398,675,998	$	333,039,255	$	65,636,743	19.71%
Custodial Receivables/Liabilities	$	949,402,654	$	123,954,833	$	825,447,821	665.93%

To better comprehend the Commission's financial statements and the reasons for changes from year to year, it is important to understand that the Commission's financial statements report on the operations of the Commission as well as its Customer Protection Fund ("Fund"). As discussed in Note 1A to the financial statements, the Fund is available to pay whistleblower awards and fund customer education initiatives to help investors protect themselves against fraud. Amounts in the Fund are invested until needed to fund whistleblower awards, customer education initiatives, or operating expenses of the Fund. As shown in the chart below, the balance in the Fund can change significantly as a result of transfers of eligible collections into the Fund and large whistleblower awards. These awards are made to individuals in exchange for the voluntary disclosure of information that leads to the successful enforcement by the CFTC of a covered judicial or administrative action in which monetary sanctions exceeding $1.0 million are imposed.

Customer Protection Fund Net Position
($ in millions)



The $46.6 million decrease in the net position of the Fund in FY 2024 was due to $60.8 million in expenses for whistleblower awards and administrative costs to operate the fund, partially offset by $14.2 million in investment interest earned. When the available balance in the Fund is less than or equal to $100.0 million, the Fund is replenished by eligible sanctions collected by the Commission in accordance with the provisions of the Dodd-Frank Act. The last eligible collection transferred into the Fund was $242,819,443 received on June 8, 2022, when the available balance of the Fund was $51,098,139.

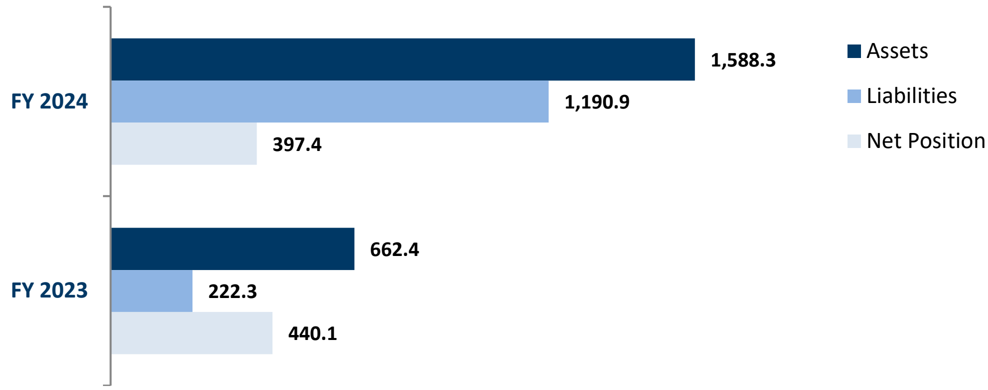
As of September 30, 2024, the available balance of the Fund, which consists of amounts apportioned for use but not yet obligated for other purposes, was $226,061,043.[9] The Fund's individual balance sheets, statements of net cost, and statements of changes in net position are reported separately in Note 12, Funds from Dedicated Collections, and its statements of budgetary resources are reported in the "Customer Protection Fund" column of the Combining Statements of Budgetary Resources by Major Account in the Required Supplementary Information section immediately following the notes to the financial statements.

Balance Sheets

The Balance Sheets present, as of a specific point in time, the assets and liabilities retained or managed by the Commission. The difference between assets and liabilities represents the net position of the Commission.

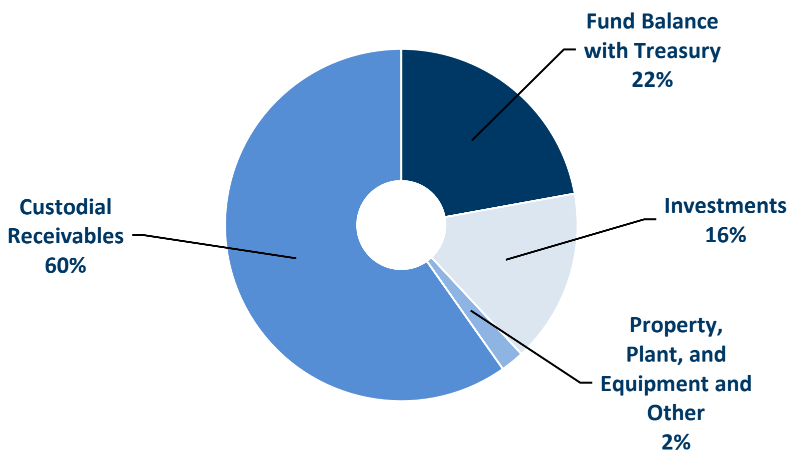
[9] The apportioned balance on the Fund's Statement of Budgetary Resources totals $234,943,020, consisting of $226,061,043 in the Fund and $8,881,977 that was, as of September 30, 2024, set aside in a separate account to fund non-whistleblower costs when the unobligated balance of the Fund was insufficient. The Commission transferred the remaining unobligated balance in the separate account back to the Fund in October 2024 as directed by Pub. L. 117-25, 135 Stat. 297 (July 6, 2021) and Pub. L. 117-328, 136 Stat. 5984 (Dec. 29, 2022).

Balance Sheets
($ in millions)



Total Assets: As of September 30, 2024, the Balance Sheet reflects total assets of $1,588.3 million. This is an increase of $925.9 million, or 139.8 percent, over FY 2023, primarily due to increases of $825.4 million in Custodial Receivables and $140.7 million in Fund Balance with Treasury, offset by decreases of $26.4 million in Investments, $9.4 million in Advances and Prepayments, and $4.3 million in Property, Plant, and Equipment.

FY 2024 Total Assets
(Composition)



The $825.4 million, or 665.9 percent, increase in Custodial Receivables was due to an increase in the amount of receivables for civil monetary sanctions that are estimated to be collectible as of September 30, 2024. The collectible amount of receivables for civil monetary sanctions is driven by enforcement actions and the violators' ability to pay in any given fiscal year.

The $140.7 million, or 66.7 percent, increase in Fund Balance with Treasury is made up of a $154.4 million increase in the non-Customer Protection Fund balance, slightly offset by a $13.7 million decrease in the Customer Protection Fund balance. The non-Customer Protection Fund balance primarily increased due to $151.5 million in civil monetary sanction collections retained in the deposit fund due to a joint stipulation, $6.4 million excess of appropriations and other offsetting collections over outlays due to a $45.0 million increase in appropriations received in FY 2023 and the timing of cash payments, less $3.3 million in Fund Balance with Treasury returned to the U.S. Department of the Treasury from the 2019 canceled appropriations. The Customer Protection Fund balance primarily decreased due to disbursements of $48.5 million for whistleblower awards, $4.0 million for payroll, and $1.9 million for contract payments, partially offset by $26.4 million in investment redemptions and $14.2 million in investment interest collected.

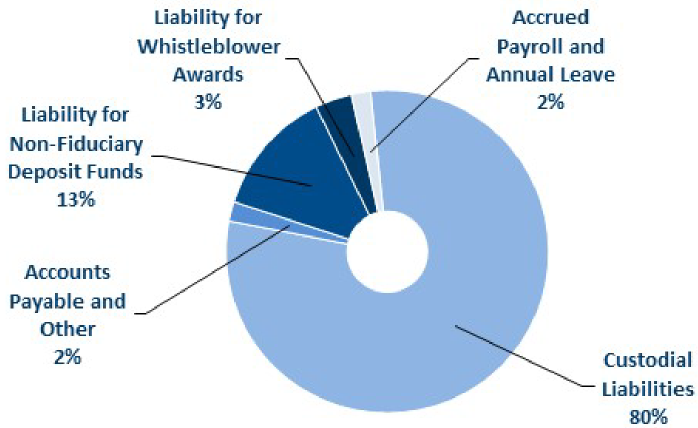
Excluding Custodial Receivables, Investments of $253.0 million comprised approximately 39.6 percent of the Commission's total assets as of September 30, 2024. This significant asset represents the balance of the Customer Protection Fund that is not needed to pay whistleblower awards or fund customer education initiatives and operating expenses of the Fund. The $26.4 million, or 9.5 percent, decrease in Investments was due to the redemption of investments to cover eligible expenses and obligations of the Customer Protection Fund in excess of investment interest collected during FY 2024.

The $9.4 million, or 71.0 percent, decrease in Advances and Prepayments was primarily due to a $9.8 million decrease in prepayments to the Department of the Interior for contract support, mainly for transition to the cloud environment, partially offset by more subscriptions and maintenance agreements prepaid in FY 2024 than FY 2023.

The $4.3 million, or 12.4 percent, decrease in Property, Plant, and Equipment was the result of depreciation and disposals exceeding new asset purchases, primarily due to disposal of servers as part of the move to the cloud environment.

Total Liabilities: As of September 30, 2024, the Balance Sheet reflects total liabilities of $1,190.9 million. This is an increase of $968.6 million, or 435.7 percent, over FY 2023. The increase was primarily due to increases of $825.4 million in Custodial Liabilities, $151.3 million in Liability for Non-Fiduciary Deposit Funds, $12.3 million in Liability for Whistleblower Awards, and $1.3 million in Unfunded Annual Leave, partially offset by decreases of $7.7 million in Deferred Lease Liabilities, $7.1 million in Accrued Payroll, and $6.9 million in Accounts Payable.

FY 2024 Total Liabilities
(Composition)



The $825.4 million, or 665.9 percent, increase in Custodial Liabilities was directly related to the increase in Custodial Receivables discussed previously. Custodial liabilities are recorded to offset the custodial receivables balance and increase or decrease to reflect outstanding receivables for civil monetary sanctions at any given point in time. Once custodial receivables are collected, the Commission transfers eligible collections to the Customer Protection Fund whenever the available balance of the Fund is less than or equal to $100.0 million at the time the collection is received. Remaining amounts collected are transferred to the U.S. Department of the Treasury on September 30th each year.

The $151.3 million, or 73,763.1 percent, increase in Liability for Non-Fiduciary Deposit Funds is because CFTC transferred $151.5 million in collections from civil monetary sanctions into the deposit fund as the result of a joint stipulation, which requires the Commission hold onto certain amounts collected on an FY 2024 sanction until at least November 15, 2024, pending a future legal determination.

The $12.3 million, or 39.1 percent, increase in Liability for Whistleblower Awards is directly related to an increase in the estimated amount of pending awards for valid whistleblower claims that are in preliminary determination status as of the end of the reporting period. The amount of whistleblower awards is driven by the amount of sanctions actually collected on the related judgments and the extent to which information provided by the whistleblowers contributed to the cases. Additional information on whistleblower awards is discussed in the *Annual Report on the Whistleblower Program and Customer Education Initiatives* available at https://www.whistleblower.gov/reports.

The increase in Unfunded Annual Leave of $1.3 million, or 7.7 percent, was primarily due to a 7.5 percent increase in average salary plus a 1.7 percent increase in the number of employees with annual leave balances, partially offset by a 1.9 percent decrease in the average number of annual leave hours accrued per employee.

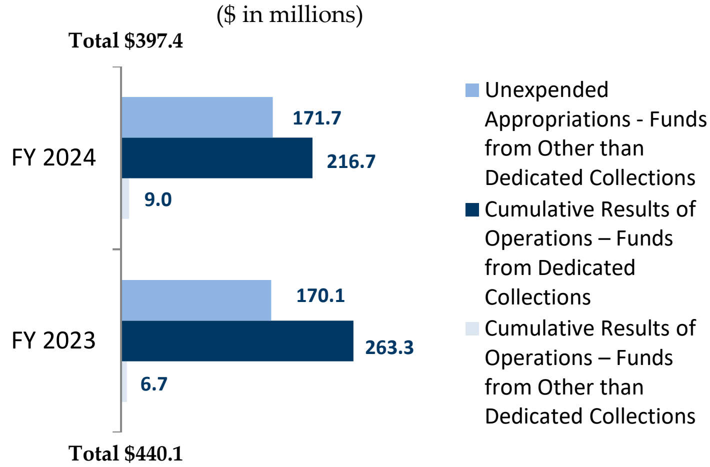
Deferred Lease Liabilities were recorded to recognize costs spread over the life of the Commission's lease for its headquarters office in D.C. (non-federal) and occupancy agreements with the General Services Administration (GSA) for its regional offices in Chicago, Kansas City, and New York (federal). The $7.7 million, or 68.4 percent, decrease in deferred lease liabilities is primarily due to implementation of Statement of Federal Financial Accounting Standards (SFFAS) 54 - *Leases*, whereby rental increases, decreases, incentives, and concessions that were previously amortized over the life of the lease were recognized in the period incurred prospectively. The remaining balance of deferred lease liabilities as of September 30, 2024, equals the unamortized tenant improvements that were either financed through the occupancy agreements with GSA (intragovernmental) or provided by the landlord (with the public). Additional information is included in Notes 1X and 7 accompanying the financial statements.

The $7.1 million, or 57.6 percent, decrease in Accrued Payroll (includes the Accrued Funded Payroll, Funded Employee Benefits, Employer Contributions and Payroll Taxes Payable, and Social Security and Medicare Taxes Payable line items) is primarily due to a nine-day decrease in the number of unpaid days accrued (six days accrued in FY 2024 versus 15 days for FY 2023), partially offset by a 7.2% increase in salary over FY 2023 plus a 1.3% increase in number of employees.

The $6.9 million, or 26.3 percent, decrease in Accounts Payable is primarily the result of a $5.9 million decrease in final whistleblower awards outstanding at the end of FY 2024 and the timing of cash payments.[10] The Commission estimates the unbilled amounts and records an accrual for goods and services received but not yet paid for as of the end of each reporting period.

Total Net Position

($ in millions)



[10] Whistleblower awards that have been signed by the Secretary of the Commission and issued as final are obligated and reported as Accounts Payable until paid. Whistleblower awards that have not yet been issued as final awards, but are in preliminary determination status (i.e., the recommended award amount has been communicated to the whistleblower(s) but not yet approved by the Commission), are reported in the unfunded Liability for Whistleblower Awards.

Total Net Position: As of September 30, 2024, the Balance Sheet reflects a total net position of $397.4 million, a decrease of $42.7 million, or 9.7 percent, over FY 2023. The changes in each of the three components of the Commission's net position (Unexpended Appropriations—Funds from Other than Dedicated Collections, Cumulative Results of Operations—Funds from Dedicated Collections, and Cumulative Results of Operations—Funds from Other than Dedicated Collections) are discussed separately below.

Unexpended Appropriations—Funds from Other than Dedicated Collections increased by $1.6 million, or 1.0 percent, due primarily to FY 2024 appropriations received of $365.0 million in excess of appropriations used of $360.1 million as a result of the $45.0 million increase in FY 2023 appropriations and the timing of actual cash payments. In addition, approximately $3.3 million unexpended appropriations in cancelled funds were returned to Treasury on September 30, 2024.

Cumulative Results of Operations—Funds from Dedicated Collections decreased by $46.6 million, or 17.7 percent, due to Customer Protection Fund expenses of $60.8 million for whistleblower awards and administrative costs to operate the Fund and implement customer education initiatives, partially offset by $14.2 million in investment interest revenue.

Cumulative Results of Operations—Funds from Other than Dedicated Collections increased by $2.3 million, or 34.0 percent, due to total financing sources exceeding net cost of operations. The FY 2024 beginning balance of cumulative results of operations increased by $6.7 million due to the reduction in unfunded deferred lease liabilities for intragovernmental and short-term leases as a result of implementation of SFFAS 54. This change was implemented prospectively, as required, so the change in the beginning balance of Cumulative Results of Operations—Funds from Other than Dedicated Collections is presented on the Statement of Changes in Net Position only; the prior year Balance Sheet is presented as previously issued.

Statements of Net Cost

The Statements of Net Cost present the components of the Commission's gross and net cost of operations. Net cost is the gross cost incurred less any revenues earned from Commission activities. The Commission experienced a $49.3 million, or 12.6 percent, increase in the total net cost of operations over FY 2023.

Excluding increases of $7.8 million in whistleblower awards and $11.0 million for unfunded payroll-related accruals and depreciation, FY 2024 gross costs increased by a total of $30.4 million over FY 2023. This increase was due to increases of $18.2 million for payroll and $13.1 million for contracts for goods and services, offset by decreases of $642.7 thousand for leases and $237.6 thousand for travel. This overall increase in non-whistleblower award expenses is deemed reasonable given the $45.0 million increase in FY 2023 appropriations and the timing of cash payments.

In line with the Strategic Plan in effect for both FY 2024 and FY 2023, the Commission allocates expenses reported in the Statement of Net Cost to the following five Strategic

Goals:

- Strategic Goal One – Strengthen Derivatives Markets & Foster Their Vibrancy
- Strategic Goal Two – Regulate Derivatives Markets In Interest Of All Americans
- Strategic Goal Three – Encourage Innovation & Enhance Regulatory Experience Of All
- Strategic Goal Four – Be Tough On Those Who Break The Rules
- Strategic Goal Five – Focus On Unique Mission & Improve Operational Effectiveness

To aid the financial statement reader in more fully understanding the Commission's strategic focus and how it changed from FY 2023 to FY 2024, the table below presents the gross costs by Strategic Goal excluding whistleblower awards. In FY 2024, CFTC allocated slightly more costs to Strategic Goals One, Four, and Five and less costs to Strategic Goals Two and Three. After adding back the whistleblower awards, the total gross costs in the table below ties to the total gross costs on the Commission's Statements of Net Cost for FY 2024 and FY 2023.

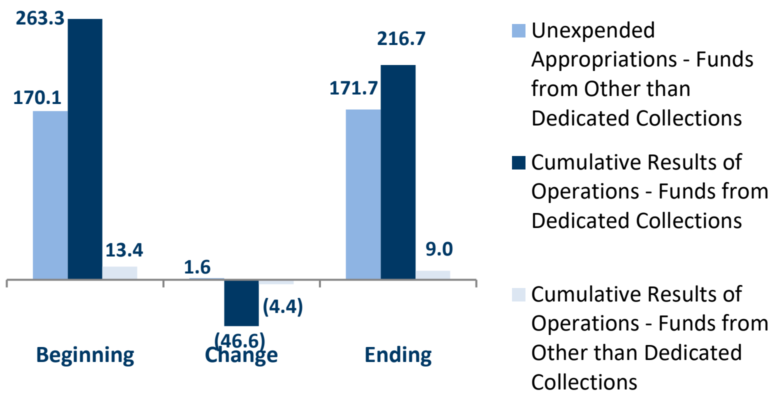
Gross Costs by Strategic Goal

	2024	2023	2024%	2023%	% Change	$ Change
Strategic Goal One *Strengthen Derivatives Markets & Foster Their Vibrancy*	$ 65,381,149	$ 58,027,988	16.93%	16.83%	0.10%	7,353,161
Strategic Goal Two *Regulate Derivatives Markets In Interest Of All Americans*	$ 61,596,535	$ 57,579,762	15.95%	16.70%	(0.75%)	4,016,773
Strategic Goal Three *Encourage Innovation & Enhance Regulatory Experience Of All*	$ 49,045,517	$ 46,684,430	12.70%	13.54%	(0.84%)	2,361,087
Strategic Goal Four *Be Tough On Those Who Break The Rules* (excluding Whistleblower Awards)	$ 106,548,489	$ 92,610,324	27.59%	26.86%	0.73%	13,938,165
Strategic Goal Five *Focus On Unique Mission & Improve Operational Effectiveness*	$ 103,613,481	$ 89,886,491	26.83%	26.07%	0.76%	13,726,990
Gross Costs Excluding Whistleblower Awards	**$ 386,185,171**	**$ 344,788,995**	**100.0%**	**100.0%**		**$ 41,396,176**
Whistleblower Awards	$ 54,874,524	$ 47,091,364				$ 7,783,160
Gross Costs	**$ 441,059,695**	**$ 391,880,359**				**$ 49,179,336**

Statements of Changes in Net Position

The Statements of Changes in Net Position present the Commission's cumulative net results of operations and unexpended appropriations for the fiscal year. The components of the changes in the Commission's Net Position shown below are explained in the Total Net Position discussion in the Balance Sheets section.

Statements of Changes in Net Position
($ in millions)



Statements of Budgetary Resources

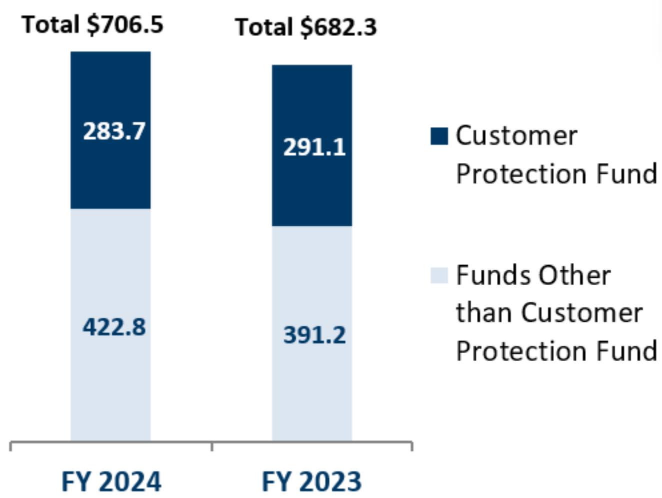
The Statements of Budgetary Resources provide information about the provision of budgetary resources and its status as of the end of the year. Information in this statement is consistent with budget execution information and the information reported in the *Budget of the U. S. Government*, FY 2024.

The changes in the Commission's total budgetary resources from September 30, 2023, to September 30, 2024, can mostly be explained by the following three events:

- The Commission received an appropriation of $365.0 million for both FY 2024 and FY 2023. In FY 2024, $80.0 million of the appropriation was three-year funding, of which $17.5 million was carried forward and will be available for obligation in FY 2025 and FY 2026. In FY 2023, $20.0 million of the appropriation was two-year funding, of which $16.8 million was carried forward and available for obligation in FY 2024. In addition, the Commission received $45.0 million more in annual appropriations for salaries and expenses in FY 2023 than FY 2022. The timing of appropriations and obligations affects future year outlays as the underlying work is performed.
- The Commission received a no-year appropriation of $62.0 million in FY 2022 for move, replication, and related costs associated with replacement leases for the Commission's DC location. The Commission obligated $34.5 million of those funds for design and construction related services during FY 2024 but had not received any services as of September 30, 2024.
- The Commission reduced its outstanding unfunded lease deficiency by $19.3 million in FY 2024 and $19.0 million in FY 2023 (see Note 10 for additional information). As lease payments are funded through annual appropriations and subsequently paid, the abnormal balance in Unapportioned, Unexpired Accounts is reduced and the Unobligated Balance from Prior Year Budget Authority, Net increases in the subsequent fiscal year.

Total Budgetary Resources[11]

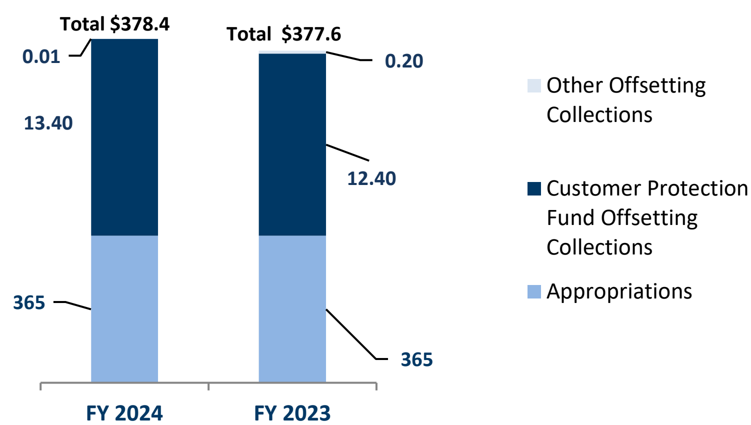
($ in millions)



For the year ending September 30, 2024, the Commission's Total Budgetary Resources increased by $24.2 million, or 3.5 percent. This increase is due to a $23.3 million increase in unobligated balances brought forward plus an $863.9 thousand increase in new budget authority.

New Budget Authority

($ in millions)



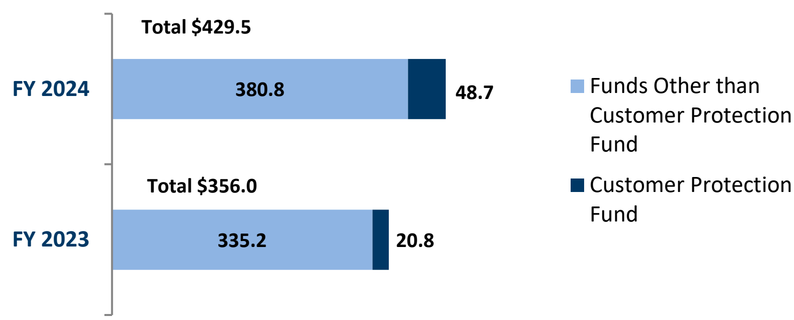
[11] "Customer Protection Fund" includes the no-year revolving fund that is used to pay whistleblowers and administrative and customer education expenses as well as the separate three-year account that may be used to pay administrative and customer education expenses when the balance of the no-year fund is insufficient. "Funds Other than Customer Protection Fund" include salaries and expenses, reimbursable, office space relocation, and remaining unobligated amounts set aside for Information Technology appropriations received in FY 2019 and prior.

Unobligated Balance from Prior Year Budget Authority, Net increased by $23.3 million, or 7.7 percent, primarily due to a $19.0 million reduction in negative unapportioned amounts for lease deficiency obligations that were funded in FY 2023 through current year appropriations. In addition, unobligated amounts brought forward increased by $16.2 million in prior year appropriations ($16.8 million of the total $30.4 million unobligated prior year funds were available for new obligations in FY 2024), partially offset by an $8.4 million decrease in unobligated amounts in the Customer Protection Fund due to obligations for whistleblower awards and operating expenses in excess of investment interest collected, a $449.9 thousand decrease in relocation fund due to amounts obligated and/or expended, and $3.0 million budgetary authority in cancelled funds returned to Treasury.

As noted previously, the Commission received an appropriation of $365.0 million for both FY 2024 and FY 2023. Therefore, the Commission's new budget authority increased by only $863.9 thousand, or 6.9 percent, due to an increase in investment interest collected.

New Obligations and Upward Adjustments

($ in millions)

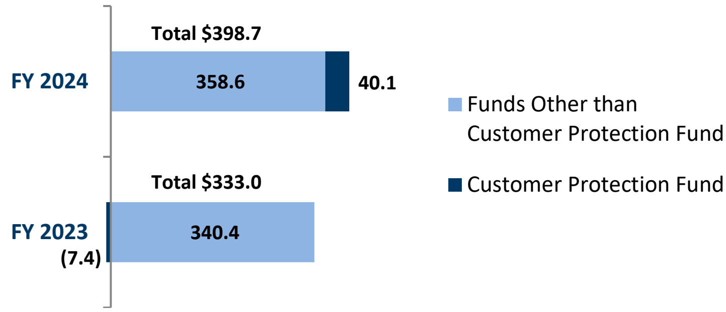


New Obligations and Upward Adjustments increased by $73.5 million, or 20.6 percent. This increase was primarily the result of increases in amounts obligated for whistleblower awards, leases and other contracts, and payroll of $26.9 million, $29.0 million, and $17.7 million, respectively, slightly offset by a decrease in amounts obligated for travel of $89.1 thousand. The $29.0 million increase in lease and other contract obligations is composed of a $34.5 million increase in the relocation fund for the DC lease design partially offset by a $6.4 million decrease in the S&E funds. Due to the flat funding received in FY 2024, increases in payroll must be offset by decreases in contract and other obligations.

The $71.7 million, or 20.5 percent, decrease in Apportioned, Unexpired Accounts, is made up of decreases of $37.2 million in the Customer Protection Fund and $34.9 million in the relocation fund as a result of amounts obligated and/or expended, slightly offset by a $417.4 thousand increase in the annual and multi-year S&E funds due to appropriated amounts received in excess of amounts obligated and/or expended.

The $21.2 million, or 60.5 percent, increase in Unapportioned, Unexpired Accounts was primarily the result of the $19.3 million reduction in unfunded lease obligations. As noted previously, the Commission reduced its outstanding unfunded lease deficiency through funding from current year appropriations of $19.3 million. As reported in prior years, the total Unapportioned, Unexpired Accounts balance is negative because no funds have been appropriated or apportioned to fund the remaining lease obligations through FY 2025. The total unfunded lease obligations remaining as of September 30, 2024, and 2023, are $19.7 million and $39.1 million, respectively. In addition, Unapportioned, Unexpired Accounts increased by $1.9 million in the Customer Protection Fund due to FY 2024 investment interest collected in excess of what was anticipated and apportioned for use.

Agency Outlays, Net
($ in millions)

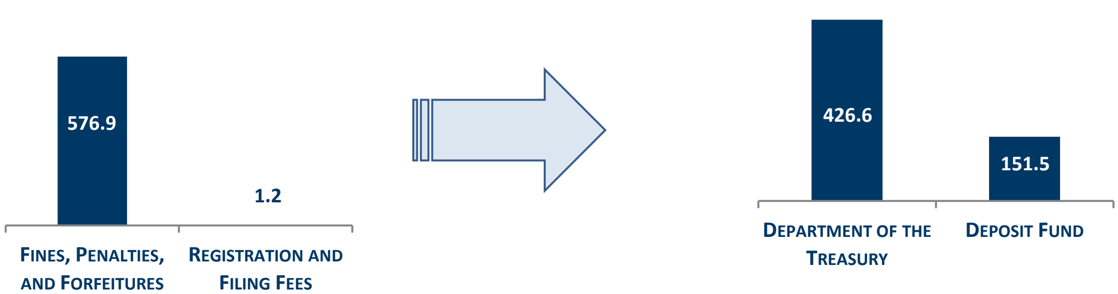


The $65.6 million, or 19.7 percent, increase in Agency Outlays, Net primarily resulted from increases in outlays for whistleblower awards and payroll of $47.8 million and $26.2 million, respectively, partially offset by a decrease in outlays for leases and other contracts and travel of $7.2 million and $181.0 thousand, respectively. In addition to an approximately 8.5 percent increase in payroll due to increased salary and number of employees, outlays for payroll in FY 2024 included an extra nine unpaid days accrued for FY 2023 payroll (six days accrued in FY 2024 versus 15 days accrued for FY 2023 payroll). Outlays in any given fiscal year are impacted by such things as appropriations available for obligations in the current and prior fiscal year, timing of cash payments, level of FTE, and whistleblower award activity.

Statements of Custodial Activity

FY 2024 Total Cash Collections[12]
($ in millions)

FY 2024 Total Disposition of Collections
($ in millions)



[12] Total cash collections include $3.8 thousand, or <$0.1, in general proprietary receipts.

This statement provides information about the sources and disposition of collections. All collections received during the fiscal year that are not transferred to the Customer Protection Fund when the available balance is less than or equal to $100.0 million are transferred to the Treasury general fund on September 30th. Collections primarily consist of fines, penalties, and forfeitures assessed and levied against businesses and individuals for violations of the CEA or Commission regulations. They also include other non-exchange revenues such as miscellaneous general receipts and registration, filing, and appeal fees. The Statement of Custodial Activity reflects total cash collections for FY 2024 in the amount of $578.1 million, a decrease of $474.9 million, or 45.1 percent, over FY 2023. These custodial collections are driven by enforcement actions in any given fiscal year as well as the violators' ability to pay. Of the $578.1 million in FY 2024 cash collections, $426.6 million was transferred to the Treasury general fund and $151.5 million was transferred to the deposit fund (see Note 1P for additional information).

An allowance for uncollectible accounts has been established and included in the accounts receivable on the Balance Sheet. Although historical experience has indicated that a high percentage of custodial receivables prove uncollectible, the Commission determines the collectability of each individual judgment based on knowledge of the financial profile of the debtor obtained through the course of the investigation and litigation of each case, including efforts to identify and freeze assets at the beginning of cases, when any remaining assets are most likely to be recoverable. Accounts are re-estimated quarterly based on account reviews and the agency's determination that changes to the net realizable value are needed.

Financial Risks Occurring During the Reporting Period

With the increase in payments to whistleblowers, the Commission may encounter the possible risk of time lag in making payments to whistleblowers if the balance of the Customer Protection Fund is not sufficient to make timely payments to whistleblowers. This risk is minimized in that there is a level of due process involved in approving whistleblower claims that should provide the Commission with sufficient time to replenish the Customer Protection Fund, as necessary. However, given the current requirement for the Commission to make whistleblower payments on related matters for which another agency collected the sanctions, there is a risk that the Customer Protection Fund would have to cease normal operations until such time that funds are made available to continue.

On July 6, 2021, Public Law (P.L.) 117-25 helped temporarily mitigate this risk by providing the Commission with one-time authority to set aside $10.0 million from the Customer Protection Fund in a separate account to fund non-whistleblower costs (e.g., payroll, contracts, etc.) when the available balance of the Fund is insufficient to pay non-awards expenses and expenses for customer education initiatives. On December 29, 2022, P.L. 117-328 extended the availability of the separate account to October 1, 2024, and provided the Commission with discretionary authority to transfer an additional $10.0 million from the Customer Protection Fund to the separate account, if needed. In October 2024, the Commission transferred the remaining unobligated balance in the separate account of $8,881,977 back to the Customer Protection Fund since no additional extension was authorized.

In October 2021, the Commission issued a final whistleblower award of nearly $200.0 million, resulting in an obligation that exceeded the available balance of the Fund. The Commission has the authority to make obligations for whistleblower awards without taking into consideration the available balance of the Fund under the provisions of the Dodd-Frank Act. As a result, the Commission obligated non-whistleblower costs from this separate account until the negative balance in the Fund was offset by current year collections of eligible sanctions. This separate account, of which $8,881,977 million remained unexpended as of September 30, 2024, is no longer available for the Commission's use beginning October 2, 2024.

There were no unanticipated financial risks occurring during the reporting period.

Limitations of Financial Statements

Management has prepared the accompanying financial statements to report the financial position and results of operations for the CFTC for FY 2024 and FY 2023 consistent with the requirements of Title 31 of the U.S. Code, Section 3515 (b).

These statements have been prepared from the records of the Commission in accordance with GAAP for federal entities and the formats prescribed by OMB Circular A-136, *Financial Reporting Requirements*. Reports used to monitor and control budgetary resources are prepared from the same records.

The statements should be read with the understanding that they represent a component of the U.S. Federal government. One implication of this is that the liabilities presented herein cannot be liquidated without the enactment of appropriations, and ongoing operations are subject to the enactment of future appropriations.

Management Assurances

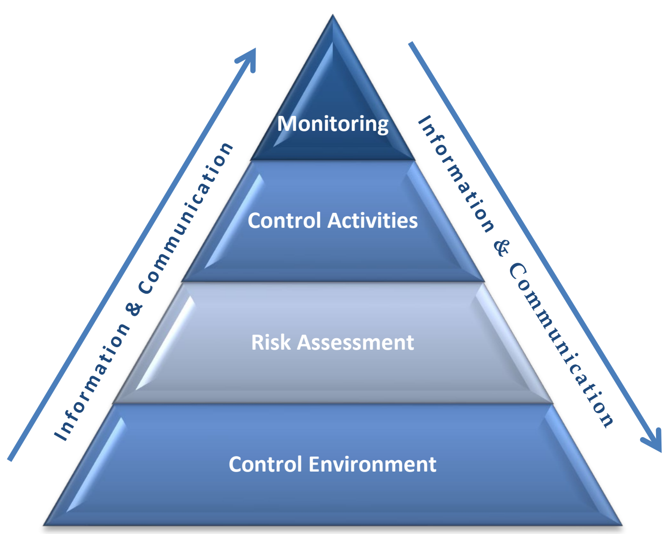
Analysis of CFTC's Systems, Controls, and Legal Compliance

Management Overview

The CFTC is committed to management excellence and recognizes the importance of strong financial systems and internal controls to ensure accountability, integrity, and reliability. This operating philosophy has permitted the Commission to maintain a robust program documenting and testing its internal controls over reporting, as prescribed in OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. The graph below depicts all five components of the internal control process that must be present in an organization to ensure an effective internal control process.

- **Control Environment** is the foundation for an internal control system. It represents management's commitment to encourage the highest level of integrity and personal/professional standards, and promotes internal control through our leadership philosophy and operational style.
- **Risk Assessment** is the identification and analysis of risks associated with business processes, financial reporting, financial systems, controls and legal compliance in the pursuit of agency goals and objectives.
- **Control Activities** are the actions supported by management policies and procedures to address risk, e.g. performance reviews, status of funds reporting, and asset management reviews.
- **Information and Communication** ensure the agency's control environment, risks, control activities, and performance results are communicated throughout the agency.
- **Monitoring** is the assessment of internal control performance to ensure the internal control processes are properly executed and operating effectively in compliance with agency policies and procedures.

Internal Control Process



The Commission relies on its performance management and internal control framework to ensure:

- divisions and mission support offices achieve the intended strategic objectives and performance goals efficiently and effectively;
- maintenance and use of reliable, complete, and timely data for decision-making at all levels; and,
- compliance with applicable laws and regulations.

Statement of Assurance

The Statement of Assurance is required by the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. The assurance is for internal controls over operational effectiveness (we do the right things to accomplish our mission) and operational efficiency (we do things right).

Statement of Assurance

"CFTC management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). In accordance with OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, CFTC assessed the effectiveness of its internal controls and financial management systems to support reliable financial reporting, effective and efficient programmatic operations, and compliance with applicable laws and regulations and financial management systems requirements. Based on the results of this assessment, the CFTC can provide reasonable assurance that its internal controls and financial management systems met the objectives of FMFIA and were operating effectively as of September 30, 2024. No material weaknesses were found in the design or operation of CFTC's internal controls or financial management systems.

These reviews include an assessment of CFTC's safeguarding of assets, the use of budget authority, and other laws and regulations that could have a material effect on the financial statements, in accordance with the requirements of Appendix A to OMB Circular A-123, Management of Reporting and Data Integrity Risk. Based on the results of these reviews, the CFTC can provide reasonable assurance that its internal controls over reporting were operating effectively as of September 30, 2024. No material weaknesses were found in the design or operation of internal controls over reporting.

The CFTC also reviews the United States Department of Transportation Quality Control Review of Controls Over the Enterprise Services Center Report conducted in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Attestation Engagements (SSAE 18) provided by the shared service provider maintaining our financial management system. The report addresses requirements outlined in Appendix D of OMB Circular A-123, Compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA) and OMB Circular A-136. Based on the results of these reviews, the CFTC elects to provide reasonable assurance that its financial management systems comply with applicable provisions of the FFMIA as of September 30, 2024."

Rostin Behnam
Chairman
November 13, 2024

R. Behnam

Management's Assessment of Internal Control

The objectives of the Commission's internal controls are to provide reasonable assurance that:

- Obligations and costs comply with applicable laws;
- Assets are safeguarded against waste, loss, unauthorized use, or misappropriation;
- Revenues and expenditures applicable to Commission operations are properly recorded and accounted for to permit the preparation of accounts and reliable to financial and statistical reports and to maintain accountability over assets; and
- All programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

During FY 2024, the Commission reviewed key components of its internal controls and financial management systems, in accordance with FMFIA and OMB guidelines. As part of this review, the Commission evaluates information obtained from reviews conducted by the Government Accountability Office (GAO) and the Office of the Inspector General (OIG). These reviews are helpful in assessing whether the Commission's systems and controls comply with the standards established by FMFIA.

In addition, managers throughout the Commission are responsible for ensuring that effective controls are implemented in their areas of responsibility. Individual assurance statements from division and office heads serve as a primary basis for the Chairman's assurance that internal controls are adequate and operating effectively. The assurance statements are based upon each office's evaluation of progress made in correcting any previously reported problems, as well as new problems identified by the OIG, GAO, other management reports, and the management environment within each office. CFTC has worked vigorously to continually improve its controls program and assess its effectiveness at accomplishing the FMFIA requirements. Examples of some of the FY 2024 work performed to support the assessment of compliance with FMFIA and Internal Controls over Reporting (ICOR) include, but are not limited to, the following:

- Implementation of the Data Quality Plan (DQP) to ensure data quality, assessment, and reconciliation of quarterly spending data submitted in compliance with the Digital Accountability and Transparency Act of 2014 (Data Act);
- Continuous analysis of improper payment risk factors to identify and reduce the risk of improper payments based on the Payment Integrity Information Act of 2019;
- Pay and benefits assessment based on the authority of Section 10702 of the Public Law 107-171, Farm Security and Rural Investment Act of 2002;
- Management and internal control reviews conducted with the express purpose of assessing internal controls;
- Management control reviews conducted with the express purpose of assessing compliance with applicable laws, regulations, and government-wide policies; and
- Information security compliance as required by the Federal Information Security Modernization Act of 2014 (FISMA).

FMFIA Section 2, Management Control

The Commission has no declared material weaknesses under FMFIA for FY 2024 and FY 2023 in the administrative controls and internal controls over reporting that prevented reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations.

FMFIA Section 4, Financial Management Systems

The Commission declared no nonconformance within our financial systems under FMFIA during FY 2024 and FY 2023. The independent auditors' reports for FY 2024 and FY 2023 disclosed no instances of noncompliance or other matters within our financial systems that were required to be reported under Generally Accepted Government Auditing Standards (GAGAS) and OMB Bulletin 24-02, *Audit Requirements for Federal Financial Statements*.

FFMIA, Financial Management Systems

As an agency reporting under the Accountability of Tax Dollars Act of 2002, the Commission is not subject to the requirements of FFMIA. However, based on the robust assessments that the Commission has conducted to ensure compliance with FMFIA, CFTC is able to elect to provide reasonable assurance that its financial management systems comply with:

- Federal financial management system requirements;
- Applicable Federal accounting standards; and
- The U.S. Standard General Ledger (USSGL) at the transaction level.

Summary of Current Financial System and Future Strategies

Since FY 2007, the CFTC has leveraged a financial management systems platform operated by the U.S. Department of Transportation's Enterprise Services Center (ESC), an OMB-designated financial management service provider. The Commission implemented an integrated end-to-end procurement management system through ESC, which provides a timely, efficient and consistent contract management process and facilitates required DATA Act reporting. As a result, the CFTC is able to accumulate, analyze, and present reliable financial information, provide timely information for managing current operations and reporting financial information to central agencies, and comply with government-wide requirements. The Commission's financial management systems strategy for FY 2025 includes the continued monitoring, evaluation and oversight of the financial management system operated by its shared services provider.

FINANCIAL SECTION

A LETTER FROM THE CHIEF FINANCIAL OFFICER

REPORT OF THE INDEPENDENT AUDITOR

PRINCIPAL FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

A Letter from the Chief Financial Officer

On behalf of the CFTC, it is an honor to present the Commission's FY 2024 Agency Financial Report (AFR). The AFR provides essential financial, organizational, and performance information to the Congress and the American public about the CFTC's stewardship using, tracking, and managing public funds.

As in years past, the ability to authorize spending, oversee the execution of the budget, and ensure timely and accurate recording of financial events required strict adherence to federal reporting requirements and to agency policy and procedures.

I am pleased to report that the Office of the Inspector General's independent auditor has issued an unmodified opinion on our FY 2024 financial statements. The audit result represents the Commission's seventeenth unmodified opinion. I am also pleased to announce that the auditor's review of our internal controls revealed no material weaknesses or significant deficiencies in our controls' design or operations.

In 2024, the Commission was recognized by the AGA with the distinguished Certificate of Excellence in Accountability Reporting (CEAR) for its FY 2023 AFR.

In closing, I would like to thank the Commission's Leadership, the Financial Management team, and key staff across the agency for their diligence and dedication to public service. Their efforts, along with the committed work of CFTC staff, have left the agency to a place of improved financial management and greater accountability.

Joel Mattingley
Chief Financial Officer
November 15, 2024

Report of the Independent Auditor

Independent Auditor's Report

Chairman
U.S. Commodity Futures Trading Commission

Inspector General
U.S. Commodity Futures Trading Commission

In our audits of the fiscal years 2024 and 2023 financial statements of the U.S. Commodity Futures Trading Commission (CFTC), we found

- CFTC's financial statements as of and for the fiscal years ended September 30, 2024, and 2023, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed[1]; and
- no reportable noncompliance for fiscal year 2024 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes an emphasis-of-matter paragraph related to unfunded liability, required supplementary information (RSI)[2] and other information included with the financial statements[3]; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial Statements

Opinion
In accordance with *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Bulletin No. 24-02, *Audit Requirements for Federal Financial*

[1] A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.
[2] The RSI consists of the "Management's Discussion and Analysis" and the "Combined Statement of Budgetary Resources", which are included with the financial statements.
[3] Other information consists of information included with the financial statements, other than the RSI and the auditor's report.

WILLIAMS, ADLEY & COMPANY-DC, LLP
Certified Public Accountants/ Management Consultants
1016 16th Street, N.W. Unit 400 Washington, DC 20036 • (202) 371-1397 • Fax: (202) 371-9161
www.williamsadley.com

Statements, we have audited CFTC's financial statements. CFTC's financial statements comprise the balance sheets as of September 30, 2024, and 2023; the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended; and the related notes to the financial statements. In our opinion, CFTC's financial statements are presented fairly, in all material respects, CFTC's financial position as of September 30, 2024, and 2023, and its net cost of operations, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the U.S. and the U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CFTC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

CFTC management is responsible for

- the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles;

- preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles;

- preparing and presenting other information included in CFTC's Agency Financial Report, and ensuring the consistency of that information with the audited financial statements and the RSI; and

- designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CFTC's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

CFTC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in CFTC's Agency Financial Report. The other information comprises the Inspector General's Assessment, Summary of Audit and Management Assurances, and Civil

Monetary Penalty Adjustment for Inflation but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audits of CFTC's financial statements, we considered CFTC's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies[4] or to express an opinion on the effectiveness of CFTC's internal control over financial reporting. Given these limitations, during our 2024 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to CFTC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget audit guidance[5].

Responsibilities of Management for Internal Control over Financial Reporting

CFTC management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of CFTC's financial statements as of and for the fiscal year ended September 30, 2024, in accordance with U.S. generally accepted government auditing standards, we considered CFTC's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CFTC's internal control over financial reporting. Accordingly, we do not express an opinion on CFTC's internal control over financial reporting.

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[4] A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

[5] Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, issued on July 29, 2024. According to the guidance, for those controls that have been suitably designed and implemented, the auditor should perform sufficient tests of such controls to conclude on whether the controls are operating effectively (i.e., sufficient tests of controls to support a low level of assessed control risk). OMB audit guidance does not require the auditor to express an opinion on the effectiveness of internal control.

We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and

- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of CFTC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of CFTC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of CFTC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2024 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to CFTC. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

CFTC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to CFTC.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to CFTC that have a direct effect on the determination of material amounts and disclosures in CFTC's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to CFTC. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Williams, Adley & Company-DC, LLP

Washington, District of Columbia
November 8, 2024

Principal Financial Statements

Commodity Futures Trading Commission

BALANCE SHEETS

As of September 30, 2024 and 2023

		2024		2023
ASSETS				
Intragovernmental:				
Fund Balance With Treasury (Note 2)	$	351,657,576	$	210,945,449
Investments, Net:				
Federal Investments (Note 3)		253,000,000		279,400,000
Interest Receivable - Investments		-		41,910
Accounts Receivable, Net (Note 4)		-		31,599
Advances and Prepayments (Note 1H)		911,871		10,642,790
Total Intragovernmental	**$**	**605,569,447**	**$**	**501,061,748**
With the Public:				
Accounts Receivable, Net:				
Custodial Fines and Interest Receivable, Net (Note 4)	$	949,402,654	$	123,954,833
Accounts Receivable, Net (Note 4)		23,568		18,713
General Property, Plant, and Equipment, Net (Note 5)		30,372,076		34,683,576
Advances and Prepayments (Note 1H)		2,949,424		2,666,882
Total With the Public	**$**	**982,747,722**	**$**	**161,324,004**
TOTAL ASSETS	**$**	**1,588,317,169**	**$**	**662,385,752**
LIABILITIES				
Intragovernmental:				
Accounts Payable	$	474,000	$	665,783
Other Liabilities:				
Employer Contributions and Payroll Taxes Payable		967,244		2,253,469
Social Security and Medicare Taxes Payable		130,820		339,860
Unfunded FECA and Unemployment Liability (Note 1N)		75,504		80,539
Deferred Lease Liabilities (Note 7)		2,880,191		3,349,387
Liability to the General Fund of the U.S. Government for Custodial Assets		949,402,654		123,954,833
Total Intragovernmental	**$**	**953,930,413**	**$**	**130,643,871**
With the Public:				
Accounts Payable	$	18,850,247	$	25,561,855
Federal Employee Salary, Leave, and Benefits Payable:				
Accrued Funded Payroll		3,918,549		9,232,527
Unfunded Annual Leave		17,690,179		16,423,448
Funded Employee Benefits		187,164		435,958
Actuarial FECA Liabilities (Note 1N)		403,494		452,783
Other Liabilities:				
Liability for Non-Fiduciary Deposit Funds (Note 1P)		151,525,064		205,143
Deferred Lease Liabilities (Note 7)		672,995		7,899,487
Liability for Whistleblower Awards (Note 8)		43,759,511		31,464,775
Total With the Public	**$**	**237,007,203**	**$**	**91,675,976**
Total Liabilities	**$**	**1,190,937,616**	**$**	**222,319,847**
Contingent Liabilities (Note 9)				
NET POSITION				
Unexpended Appropriations - Funds from Other than Dedicated Collections	$	171,667,251	$	170,059,674
Total Unexpended Appropriations	**$**	**171,667,251**	**$**	**170,059,674**
Cumulative Results of Operations - Funds from Dedicated Collections	$	216,716,950	$	263,291,994
Cumulative Results of Operations - Funds from Other than Dedicated Collections		8,995,352		6,714,237
Total Cumulative Results of Operations	**$**	**225,712,302**	**$**	**270,006,231**
Total Net Position	**$**	**397,379,553**	**$**	**440,065,905**
TOTAL LIABILITIES AND NET POSITION	**$**	**1,588,317,169**	**$**	**662,385,752**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF NET COST

For the Years Ended September 30, 2024 and 2023

		2024		2023
NET COST BY STRATEGIC GOAL				
STRATEGIC GOAL 1: STRENGTHEN DERIVATIVES MARKETS & FOSTER THEIR VIBRANCY				
Gross Costs	$	65,381,150	$	58,027,988
Less: Earned Revenue		(1,002)		(27,941)
NET COST OF OPERATIONS -- STRATEGIC GOAL 1	**$**	**65,380,148**	**$**	**58,000,047**
STRATEGIC GOAL 2: REGULATE DERIVATIVES MARKETS IN INTEREST OF ALL AMERICANS				
Gross Costs	$	61,596,535	$	57,579,762
Less: Earned Revenue		(944)		(27,725)
NET COST OF OPERATIONS -- STRATEGIC GOAL 2	**$**	**61,595,591**	**$**	**57,552,037**
STRATEGIC GOAL 3: ENCOURAGE INNOVATION & ENHANCE REGULATORY EXPERIENCE OF ALL				
Gross Costs	$	49,045,517	$	46,684,430
Less: Earned Revenue		(752)		(22,479)
NET COST OF OPERATIONS -- STRATEGIC GOAL 3	**$**	**49,044,765**	**$**	**46,661,951**
STRATEGIC GOAL 4: BE TOUGH ON THOSE WHO BREAK THE RULES				
Gross Costs	$	161,423,011	$	139,701,688
Less: Earned Revenue		(1,633)		(44,592)
NET COST OF OPERATIONS -- STRATEGIC GOAL 4	**$**	**161,421,378**	**$**	**139,657,096**
STRATEGIC GOAL 5: FOCUS ON UNIQUE MISSION & IMPROVE OPERATIONAL EFFECTIVENESS				
Gross Costs	$	103,613,482	$	89,886,491
Less: Earned Revenue		(1,588)		(43,281)
NET COST OF OPERATIONS -- STRATEGIC GOAL 5	**$**	**103,611,894**	**$**	**89,843,210**
GRAND TOTAL				
Gross Costs	$	441,059,695	$	391,880,359
Less: Earned Revenue		(5,919)		(166,018)
TOTAL NET COST OF OPERATIONS	**$**	**441,053,776**	**$**	**391,714,341**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN NET POSITION

For the Years Ended September 30, 2024 and 2023

2024	Dedicated Collections	All Other Funds	Consolidated Total
UNEXPENDED APPROPRIATIONS:			
BEGINNING BALANCES	$ -	$ 170,059,674	$ 170,059,674
Appropriations Received	-	365,000,000	365,000,000
Other Adjustments (+/-)	-	(3,331,795)	(3,331,795)
Appropriations Used	-	(360,060,628)	(360,060,628)
Net Change in Unexpended Appropriations	-	1,607,577	1,607,577
TOTAL UNEXPENDED APPROPRIATIONS, ENDING	$ -	$ 171,667,251	$ 171,667,251
CUMULATIVE RESULTS OF OPERATIONS:			
BEGINNING BALANCES	$ 263,291,994	$ 6,714,237	$ 270,006,231
Changes in Accounting Principles (+/-) (Note 1X)	-	6,660,986	6,660,986
Beginning Balances, as Adjusted	$ 263,291,994	$ 13,375,223	$ 276,667,217
Appropriations Used	-	360,060,628	360,060,628
Nonexchange Interest Revenue (Note 3)	14,204,229	-	14,204,229
Imputed Financing Sources (Note 1M)	-	15,834,004	15,834,004
Net Cost of Operations	(60,779,273)	(380,274,503)	(441,053,776)
Net Change in Cumulative Results of Operations	(46,575,044)	(4,379,871)	(50,954,915)
TOTAL CUMULATIVE RESULTS OF OPERATIONS, ENDING	$ 216,716,950	$ 8,995,352	$ 225,712,302
NET POSITION	$ 216,716,950	$ 180,662,603	$ 397,379,553

2023	Dedicated Collections	All Other Funds	Consolidated Total
UNEXPENDED APPROPRIATIONS:			
BEGINNING BALANCES	$ -	$ 137,086,524	$ 137,086,524
Appropriations Received	-	365,000,000	365,000,000
Other Adjustments (+/-)	-	(2,595,302)	(2,595,302)
Appropriations Used	-	(329,431,548)	(329,431,548)
Net Change in Unexpended Appropriations	-	32,973,150	32,973,150
TOTAL UNEXPENDED APPROPRIATIONS, ENDING	$ -	$ 170,059,674	$ 170,059,674
CUMULATIVE RESULTS OF OPERATIONS:			
BEGINNING BALANCES	$ 301,921,114	$ 5,816,583	$ 307,737,697
Changes in Accounting Principles (+/-) (Note 1X)	-	-	-
Beginning Balances as Adjusted	301,921,114	5,816,583	307,737,697
Appropriations Used	-	329,431,548	329,431,548
Nonexchange Interest Revenue (Note 3)	13,202,110	-	13,202,110
Imputed Financing Sources (Note 1M)	-	11,349,217	11,349,217
Net Cost of Operations	(51,831,230)	(339,883,111)	(391,714,341)
Net Change in Cumulative Results of Operations	(38,629,120)	897,654	(37,731,466)
TOTAL CUMULATIVE RESULTS OF OPERATIONS, ENDING	$ 263,291,994	$ 6,714,237	$ 270,006,231
NET POSITION	$ 263,291,994	$ 176,773,911	$ 440,065,905

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF BUDGETARY RESOURCES

For the Years Ended September 30, 2024 and 2023

	2024	2023
BUDGETARY RESOURCES		
Unobligated Balance from Prior Year Budget Authority, Net (Note 10A)	$ 328,092,280	$ 304,772,904
Appropriations	365,000,000	365,000,000
Spending Authority from Offsetting Collections	13,440,029	12,576,086
TOTAL BUDGETARY RESOURCES	**$ 706,532,309**	**$ 682,348,990**
STATUS OF BUDGETARY RESOURCES		
New Obligations and Upward Adjustments	$ 429,495,669	$ 356,004,047
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	278,280,392	349,995,605
Unapportioned, Unexpired Accounts	(13,868,597)	(35,103,079)
Unexpired Unobligated Balance, End of Year	264,411,795	314,892,526
Expired Unobligated Balance, End of Year	12,624,845	11,452,417
Unobligated Balance, End of Year (Total)	277,036,640	326,344,943
TOTAL BUDGETARY RESOURCES	**$ 706,532,309**	**$ 682,348,990**
OUTLAYS, NET		
Outlays, Net	$ 398,675,998	$ 333,045,249
Distributed Offsetting Receipts	(3,841)	(5,994)
AGENCY OUTLAYS, NET	**$ 398,672,157**	**$ 333,039,255**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CUSTODIAL ACTIVITY

For the Years Ended September 30, 2024 and 2023

	2024	2023
TOTAL CUSTODIAL REVENUE		
SOURCES OF CASH COLLECTIONS:		
Registration and Filing Fees	$ 1,262,124	$ 1,650
Fines, Penalties, and Forfeitures	576,873,208	1,053,077,383
General Proprietary Receipts	3,841	5,994
Total Cash Collections	**578,139,173**	**1,053,085,027**
Change in Custodial Receivables	825,447,821	(535,235,348)
TOTAL CUSTODIAL REVENUE	**$ 1,403,586,994**	**$ 517,849,679**
DISPOSITION OF COLLECTIONS		
AMOUNTS TRANSFERRED TO:		
Department of the Treasury	$ (426,639,173)	$ (1,053,085,027)
Deposit Fund (Note 1P)	(151,500,000)	-
Total Disposition of Collections	**(578,139,173)**	**(1,053,085,027)**
Change in Custodial Liabilities	(825,447,821)	535,235,348
CUSTODIAL REVENUE LESS DISPOSITION OF COLLECTIONS	**$ -**	**$ -**

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2024 and 2023

Note 1 Reporting Entity and Summary of Significant Accounting Policies

A. Reporting Entity

The Commodity Futures Trading Commission (CFTC or Commission) is an independent agency of the executive branch of the Federal government. Congress created the CFTC in 1974 under the authorization of the Commodity Exchange Act (CEA) with the mandate to regulate commodity futures and option markets in the United States. The agency's mandate was renewed and expanded under the Futures Trading Acts of 1978, 1982, and 1986; the Futures Trading Practices Act of 1992; the CFTC Reauthorization Act of 1995; the Commodity Futures Modernization Act of 2000; and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act, or the Act). Congress passed the Food, Conservation, and Energy Act of 2008, which reauthorized the Commission through FY 2013. In the absence of formal reauthorization, the CFTC has continued to operate through annual appropriations.

The CFTC is responsible for ensuring the economic utility of futures markets by encouraging their competitiveness and efficiency, ensuring their integrity, and protecting market participants against manipulation, abusive trade practices, and fraud.

The Dodd-Frank Act significantly expanded the powers and responsibilities of the CFTC. According to Section 748 of the Act, there is established in the U.S. Department of the Treasury (Treasury) a revolving fund known as the CFTC Customer Protection Fund. The Customer Protection Fund shall be available to the Commission, without further appropriation or fiscal year limitation, for the payment of awards to whistleblowers; and the funding of customer education initiatives designed to help customers protect themselves against fraud or other violations of this Act or the rules and regulations thereunder.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations for the CFTC, as required by the Accountability of Tax Dollars Act of 2002. They are presented in accordance with the form and content requirements contained in OMB Circular A- 136, *Financial Reporting Requirements*.

The financial statements have been prepared in all material respects in conformity with U.S. generally accepted accounting principles (GAAP), as prescribed for the Federal government by the Federal Accounting Standards Advisory Board (FASAB). The application and methods for applying these principles are appropriate for fairly presenting the entity's assets, liabilities, financial position, net cost of operations, changes in net position, budgetary resources, and custodial activities. Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

The books and records of the agency served as the source of information for preparing the financial statements in the prescribed formats. All agency financial statements and reports used to monitor and control budgetary resources are prepared from the same books and records. The statements should be read with the understanding that they are for a component of the U.S. government.

The Balance Sheets present the financial position of the agency. The Statements of Net Cost present the agency's operating results and the Statements of Changes in Net Position display the changes in the agency's net position. The Statements of Budgetary Resources present the sources, status, and uses of the agency's resources and follow the rules for the Budget of the U.S. government. The Statements of Custodial Activity present the sources and disposition of collections for which the CFTC is the fiscal agent, or custodian, for the Treasury General Fund Miscellaneous Receipt accounts.

Throughout these financial statements, assets, liabilities, revenues and costs have been classified according to the type of entity with whom the transactions were made. Intragovernmental assets and liabilities are those from or to other federal entities. Intragovernmental earned revenues are collections or accruals of revenue from other federal entities, and intragovernmental costs are payments or accruals to other federal entities for goods and/or services provided. The CFTC does not transact business among its own operating units, and therefore, intra-entity eliminations were not needed.

C. Budgetary Resources and Status

The CFTC is funded through congressionally approved appropriations. The CFTC is responsible for administering the salaries and expenses of the agency through the execution of these appropriations.

Congress annually enacts appropriations that provide the CFTC with the authority to obligate funds within the respective fiscal year for necessary expenses to carry out program activities. All appropriations are subject to quarterly apportionment as well as Congressional restrictions.

The CFTC's budgetary resources for FY 2024 consist of:

- Unobligated balances of resources brought forward from the prior year,
- Recoveries of obligations made in prior years, and
- New resources in the form of appropriations and spending authority from offsetting collections.

Unobligated balances associated with resources expiring at the end of the fiscal year remain available for five years after expiration only for upward adjustments of prior year obligations, after which they are canceled and may not be used. All unused monies related to canceled appropriations are returned to Treasury and the canceled authority is reported on the Statements of Budgetary Resources and the Statements of Changes in Net Position.

D. Entity and Non-Entity Assets

Assets consist of entity and non-entity assets. Entity assets are those assets that the CFTC has authority to use for its operations. Non-entity assets are those held by the CFTC that are not available for use in its operations, such as deposit fund balances and custodial fines, interest, penalties, and administrative fees receivable.

E. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the CFTC's funds with Treasury in general, receipt, revolving, and deposit fund accounts. Appropriated funds recorded in general fund expenditure accounts are available to pay current liabilities and finance authorized purchases. Custodial collections recorded in the deposit fund and miscellaneous receipts accounts of the Treasury are not available for agency use. At fiscal year-end, receipt account balances that have not been transferred to the Customer Protection Fund are returned to Treasury.

The CFTC does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the agency on demand. Spending authority from offsetting collections is recorded in the agency's expenditure account and is available for agency use subject to certain limitations. Additional information regarding the CFTC's Fund Balance with Treasury is provided in Note 2, *Fund Balance with Treasury*.

F. Investments

The CFTC is authorized to invest the portion of the Customer Protection Fund that is not, in the Commission's judgment, required to meet the current needs of the Fund. The Commission invests available funds through the U.S. Department of the Treasury's Bureau of the Fiscal Service.

Investments are carried at their historical cost basis which approximates fair value due to their short-term nature.

Interest earned on the investments is a component of the Fund and is available to be used for expenses of the Customer Protection Fund. Additional information regarding Customer Protection Fund investments are provided in Note 3, *Investments*.

G. Accounts Receivable, Net

The CFTC's accounts receivable generally consists of amounts due from the public. The bulk of the CFTC's accounts receivable arise from the Civil Monetary Sanctions program and are reported on the Balance Sheet as "Custodial Fines and Interest Receivable, Net." The CFTC is responsible for collection, and recognizes a receivable, when an order of the Commission or a federal court directs payment to the CFTC. See Note 1T for additional information on the CFTC's custodial activity.

The remainder of the CFTC's accounts receivable, reported on the Balance Sheet as "Accounts Receivable, Net," consists of amounts owed to the CFTC by other federal agencies and employees. The CFTC's accounts receivable is valued net of an allowance for uncollectible amounts that is based on past experience in the collection of receivables and analysis of the outstanding balances. Additional information is provided in Note 4, *Accounts Receivable, Net*.

H. Advances and Prepayments

Advances and Prepayments consist of payments to federal and non-federal sources in advance of the receipt of goods and services. These payments are recorded as prepayments and recognized as expenses when the related goods and services are received. Intragovernmental prepayments reported on the Balance Sheet were made primarily to the U.S. Department of Interior for contract support. Prepayments to the public were primarily for software maintenance and subscription services.

I. General Property, Plant, and Equipment, Net

Furniture, fixtures, equipment, information technology hardware and software, and leasehold improvements are capitalized and depreciated or amortized over their useful lives. The CFTC capitalizes assets annually if they have useful lives of at least two years and an individual value of $25,000 or more. Bulk or aggregate purchases are capitalized when the individual useful lives are at least two years and the purchase is a value of $25,000 or more. Property, plant, and equipment that do not meet the capitalization criteria are expensed when acquired. Depreciation for equipment and amortization for software is computed on a straight-line basis using a 5-year life. Leasehold improvements are amortized over the remaining life of the lease. The Commission's assets are valued net of accumulated depreciation or amortization. Additional information is provided in Note 5, *General Property, Plant, and Equipment, Net*.

J. Liabilities

The CFTC's liabilities include actual and estimated amounts that are likely to be paid as a result of transactions covered by budgetary resources for which Congress has appropriated funds or are otherwise available from reimbursable transactions to pay amounts due.

In addition to those liabilities covered by budgetary resources in existing legislation, the CFTC's liabilities also include those not requiring budgetary resources, and those not yet covered by budgetary resources. The CFTC liabilities not requiring budgetary resources include deferred lease liabilities, deposit funds, and custodial revenue deemed collectible but not yet collected at fiscal year-end. Liabilities that are not yet covered by budgetary resources but will require budgetary resources in the future include:

- Intragovernmental Federal Employees' Compensation Act (FECA) liabilities,
- Annual leave benefits that will be funded by annual appropriations as leave is taken,
- Actuarial FECA liabilities,
- Liability for whistleblower awards,
- Contingent liabilities, and
- Advances received for reimbursable services yet to be provided.

Additional information is provided in Note 6, *Liabilities not Covered by Budgetary Resources*.

K. Accounts Payable

Accounts payable consists primarily of liabilities for amounts due for goods and services received as of the end of the reporting period but not yet paid and whistleblower awards finalized by the Commission but not yet paid.

L. Accrued Payroll and Benefits and Annual Leave Liability

The accrued payroll liability represents amounts for salaries and benefits owed for the time since the payroll was last paid through the end of the reporting period. Total accrued payroll is composed of amounts to be paid to CFTC employees as well as the related intragovernmental payable for employer contributions and payroll taxes. The annual leave liability is the amount owed to employees for unused annual leave as of the end of the reporting period. At the end of each quarter, the balance in the accrued annual leave account is adjusted to reflect current balances and pay rates. Sick leave and other types of non-vested leave are expensed as taken.

The agency's employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS.

For employees under FERS, the CFTC contributes an amount equal to one percent of the employee's basic pay to the tax-deferred Thrift Savings Plan and matches employee contributions up to an additional four percent of pay. FERS and CSRS employees can contribute a portion of their gross earnings to the plan up to Internal Revenue Service limits; however, CSRS employees receive no matching agency contribution.

M. Retirement Plans and Other Employee Benefits

The CFTC imputes costs and the related financing sources for its share of retirement benefits accruing to its employees that are in excess of the amount of contributions and withholdings from the CFTC and its employees, which are mandated by law. The Office of Personnel Management (OPM), which administers federal civilian retirement programs, provides the cost information to the CFTC. The CFTC recognizes the government's portion of the full cost of providing future pension and Other Retirement Benefits (ORB) for current employees as required by Statement of Federal Financial Accounting Standards (SFFAS) 5, *Accounting for Liabilities of the Federal Government*.

Full costs include pension and ORB contributions paid out of the CFTC's appropriations as well as costs financed by OPM. The amount financed by OPM is recognized as an imputed financing source. Reporting amounts such as plan assets, accumulated plan benefits, or unfunded liabilities, if any, is the responsibility of OPM.

Liabilities for future pension payments and other future payments for retired employees who participate in the Federal Employees Health Benefits Program and the Federal Employees Group Life Insurance Program are reported by OPM rather than CFTC.

N. FECA and Unemployment Liabilities

FECA provides income and medical cost protections to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims against the CFTC and subsequently seeks reimbursement from the CFTC for these paid claims. DOL's Unemployment Compensation For Federal Employees (UCFE) program provides unemployment compensation for Federal employees who lost their employment through no fault of their own. Accrued FECA and unemployment liabilities represent amounts due to DOL for claims paid on behalf of the agency.

In addition, the Commission's actuarial FECA liability represents the liability for future workers compensation benefits, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved cases. The Commission records an estimate for the FECA actuarial liability using the DOL's FECA model. The model considers the average amount of benefit payments incurred by the Commission for the past three fiscal years, multiplied by the medical and compensation liability to benefits paid ratio for the whole FECA program.

O. Leases

CFTC's leases consist of commercial property for the CFTC's headquarters that had 24 months remaining as of October 1, 2023, and interagency agreements with the General Services Administration for CFTC's regional offices and the Government Publishing Office for multifunction devices. Lease expenses for these short-term and intragovernmental leases are recognized in the period incurred. Additional information is provided in Note 1X, Reclassifications and Change in Accounting Principles, and Note 7, Leases.

P. Deposit Funds

Deposit funds are expenditure accounts used to record monies that do not belong to the Federal government. They are held awaiting distribution based on a legal determination or investigation. The CFTC Deposit Fund is primarily used to collect and later distribute collections of monetary awards to the appropriate victims as restitution. In September 2024, CFTC transferred $151,500,000 in collections from civil monetary sanctions into the deposit fund as the result of a joint stipulation, which requires the Commission hold onto certain amounts collected on an FY 2024 sanction until at least November 15, 2024, pending a future legal determination. The cash collections recorded in this fund are offset by a Deposit Fund liability. Activities in this fund are not fiduciary in nature because they are not legally enforceable against the government.

Q. Net Position

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations are appropriations that have not yet been used to acquire goods and services or provide benefits. Appropriations are considered expended, or used, when goods and services have been acquired by the CFTC or benefits have been provided using the appropriation authority, regardless of whether monies have been paid or payables for the goods, services, or benefits have been established.

Cumulative results of operations represent the excess of financing sources over expenses since inception. Cumulative results of operations are derived from the net effect of capitalized assets, expenses, and revenue and the balance can be negative when unfunded expenses exceed appropriations and other financing sources received as of the end of the reporting period.

R. Revenues

The CFTC receives reimbursement and earns revenue for the following activities:

- Reimbursement for travel, subsistence, and related expenses from non-federal sources for attendance at meetings or similar functions that an employee has been authorized to attend in an official capacity on behalf of the Commission;
- Reimbursement for Intergovernmental Personnel Act Mobility Program assignments from state and local governments, institutions of higher education, and other eligible organizations for basic pay, supplemental pay, fringe benefits, and travel and relocation expenses; and
- Reimbursement from non-federal sources for registration fees to cover the cost of expenses related to the CFTC's annual International Regulators Conference.

S. Net Cost of Operations

Net cost of operations is the difference between the CFTC's expenses and its earned revenue. The presentation of program results by strategic goal is based on the CFTC's current Strategic Plan established pursuant to the Government Performance and Results Act of 1993 (GPRA).

The mission of the CFTC is to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation. For FY 2024, this mission was accomplished through the following five strategic goals, each focusing on a vital area of regulatory responsibility:

- Strategic Goal 1: Strengthen Derivatives Markets & Foster Their Vibrancy
- Strategic Goal 2: Regulate Derivatives Markets in Interest of All Americans
- Strategic Goal 3: Encourage Innovation and Enhance Regulatory Experience of All
- Strategic Goal 4: Be Tough on Those Who Break the Rules
- Strategic Goal 5: Focus on Unique Mission and Improve Operational Effectiveness

T. Custodial Activity

The CFTC collects penalties and fines levied against firms for violation of laws as described in the CEA as codified at 7 U.S.C. § 1, *et seq*, and the Commodities Futures Modernization Act of 2000, Appendix E of Public Law 106-554, 114 Stat. 2763. Unpaid fines, penalties and accrued interest are reported as custodial receivables, with an offsetting custodial liability, and therefore do not affect CFTC's net cost or net position. The receivables and the liability are reduced by amounts determined to be uncollectible. Revenues earned and the losses from uncollectible accounts are reported to Treasury.

Collections made by the CFTC during the year are deposited and reported into designated Treasury miscellaneous receipt accounts for:

- Registration and filing fees,
- Fines, penalties and forfeitures, and
- General proprietary receipts.

At fiscal year-end, custodial collections made by the CFTC that were not transferred to the Customer Protection Fund are returned to Treasury. The CFTC does not retain any portion of custodial collections including reimbursement of the cost of collection.

U. Use of Management Estimates

The preparation of the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenues, expenses, and custodial activities. Actual results could differ from these estimates.

V. Reconciliation of Net Outlays and Net Cost of Operations

In accordance with OMB Circular A-136, the Commission reconciles its budgetary outlays with its net cost of operations (see Note 11).

W. Funds from Dedicated Collections

The Customer Protection Fund was established to operate a whistleblower program and support customer education initiatives. See Note 1A for a description of the purpose of the Customer Protection Fund and its authority to use applicable financing sources. Deposits into the Customer Protection Fund are credited from monetary sanctions collected by the Commission in a covered judicial or administrative action where the full judgment is in excess of $1,000,000 and the collection is not otherwise distributed to victims of a violation of the Dodd-Frank Act or the underlying rules and regulations, unless the balance of the Customer Protection Fund at the time the monetary judgment is collected exceeds $100,000,000.

No new legislation was enacted as of September 30, 2024, that significantly changed the purpose of the Customer Protection Fund or redirected a material portion of the accumulated balance. On July 6, 2021, Public Law (P.L.) 117-25 set aside $10,000,000 from the Customer Protection Fund in a separate account to fund non-whistleblower costs when the unobligated balance of the Customer Protection Fund is insufficient. This account was available for eligible costs until it expired, at which time all unobligated amounts were required to be returned to the Customer Protection Fund. On December 29, 2022, P.L. 117-328 extended the availability of the separate account to October 1, 2024, and provided the Commission with discretionary authority to transfer an additional $10,000,000 from the Customer Protection Fund to the separate account, if needed. In October 2024, the Commission transferred the remaining unobligated balance in the separate account of $8,881,977 back to the Customer Protection Fund since no additional extension was authorized.

In October 2021, the Commission issued a final whistleblower award of nearly $200,000,000, resulting in an obligation that exceeded the available balance of the Fund. The Commission has the authority to make obligations for whistleblower awards without taking into consideration the available balance of the Fund under the provisions of the Dodd-Frank Act. As a result, the Commission obligated non-whistleblower costs from this separate account in FY 2022 until the negative balance in the Customer Protection Fund was offset by eligible collections.

Additional information is provided in Note 2, *Fund Balance with Treasury*, and Note 12, *Funds from Dedicated Collections*.

X. Reclassifications and Change in Accounting Principles

Liabilities reported in the FY 2023 Balance Sheet have been reclassified and/or retitled to conform to the updated guidance provided in OMB Circular A-136 dated May 30, 2024.

In addition, in FY 2024, the Commission implemented SFFAS 54 – Leases, which resulted in a change in how the Commission accounts for rental increases and decreases, incentives, and concessions for intragovernmental and short-term leases. The Commission's lease payment amounts vary at negotiated times and reflect increases in rental costs, allowances or credits from landlords, and financed tenant improvements. As disclosed in Note 7 in FY 2023 and prior, the Commission accounted for all lease expenses on a straight-line basis to recognize expenses consistent with the utility of its office space. With the implementation of SFFAS 54 in FY 2024, rental increases and decreases, incentives, and concessions for short-term and intragovernmental leases are required to be recognized when incurred as increases/reductions to lease rental expense (SFFAS 54, pars. 23 and 31). This change was applied prospectively in FY 2024, as required by SFFAS 54 (par. 97a.), resulting in the following changes to the Commission's statements:

- Statement of Changes in Net Position – The FY 2024 beginning balance of cumulative results of operations increased by $6,660,986 due to the reduction in unfunded deferred lease liabilities for intragovernmental and short-term leases.
- Balance Sheet – The FY 2024 beginning balance of intragovernmental deferred lease liabilities decreased by $107,489 and the FY 2024 beginning balance of deferred lease liabilities with the public decreased by $6,553,497. The remaining balance of deferred lease liabilities as of September 30, 2024, equals the unamortized tenant improvements that are either financed through the occupancy agreements with GSA (intragovernmental) or provided by the landlord (with the public).

As required by SFFAS 54, par. 97a, FY 2023 statements have been presented as previously issued. SFFAS 54 also broadens the definition of lease to include contracts or agreements whereby one entity (lessor) conveys the right to control the use of property, plant, and equipment (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration (par. 6). This broader definition includes service contracts that contain a lease component ("embedded leases"). For contracts that meet the definition of lease under SFFAS 54, agencies are required to record a right-to-use lease asset and a lease liability for the present value of the full cost over the lease term (including all option periods deemed probable).

The Commission has reviewed its current contracts and agreements and has not identified any that would meet the definition of a lease under SFFAS 54 beyond its agreements with GSA and GPO for office space and printers (intragovernmental) or its last remaining non-federal lease for office space in DC that has 24 months or less remaining as of October 1, 2023 (short-term). Under SFFAS 62, Transitional Amendment to SFFAS 54, entities have until October 1, 2026, to implement paragraph 73 of SFFAS 54 regarding embedded leases. During the transitional period, entities may elect to account for contracts that include lease components, but are primarily attributable to non-lease components, as non-lease contracts. The Commission has elected to use the transitional period through October 1, 2026, to continue to review new and existing contracts and agreements to determine if there are any that have a lease component that needs to be recorded as a right-to-use lease asset in accordance with SFFAS 54.

Note 2 Fund Balance with Treasury

A. Reconciliation to Treasury

There are no differences between the fund balances reflected in the CFTC Balance Sheets and the balances in the Treasury accounts.

B. Fund Balance with Treasury

Fund Balance with Treasury as of September 30, 2024, and 2023, consisted of the following:

		2024		2023
Unobligated Fund Balance				
Available	$	63,789,016	$	97,359,270
Unavailable		14,732,953		12,831,921
Obligated Balance Not Yet Disbursed		121,610,543		100,549,115
Non-Budgetary Fund Balance with Treasury (Note 1P)		151,525,064		205,143
TOTAL FUND BALANCE WITH TREASURY	**$**	**351,657,576**	**$**	**210,945,449**

Obligated and unobligated balances reported for the status of Fund Balance with Treasury differ from the amounts reported in the Statement of Budgetary Resources due to the fact that budgetary balances are supported by amounts other than Fund Balance with Treasury. These amounts include Customer Protection Fund investments, uncollected payments from federal sources, and unfunded lease obligations. Beginning in FY 2024, investments were redeemed to pay whistleblower awards when the payment request was received, rather than when the award was signed, to maximize interest earned. Whistleblower awards that had been signed but not yet submitted for payment totaled $9,728,902 and $15,628,065 as of September 30, 2024, and 2023, respectively.

Available unobligated balances as of September 30, 2024, and 2023, include amounts available for new obligations of $51,164,171 and $85,906,853, respectively, as well as amounts in expired funds that are available only for upward adjustments to prior year obligations of $12,624,845 and $11,452,417, respectively.

Unavailable unobligated balances as of September 30, 2024, and 2023, include amounts in excess of what has been apportioned for use of $5,850,976 and $3,949,944, respectively, as well as the remaining balance of funds that were set aside in a separate account until October 1, 2024, to fund non-whistleblower costs only when the unobligated balance of the Customer Protection Fund was insufficient of $8,881,977. As disclosed in Note 1W, the Commission transferred the remaining unobligated balance in the separate account back to the Customer Protection Fund in October 2024 since no additional extension was authorized.

Note 3 Investments

The CFTC invests amounts deposited in the Customer Protection Fund in Treasury one-day certificates of indebtedness that are issued with a stated rate of interest to be applied to their par amount, mature on the business day immediately following their issue date, are redeemed at their par amount at maturity, and have interest payable at maturity.

The interest rates or prices of the one-day certificates of indebtedness are calculated based on market yields of Treasury financial instruments issued and trading in the Secondary Market (exchanges and OTC markets where securities are bought and sold subsequent to original issuance). The Commission may invest in other short-term or long-term Treasury securities at management’s discretion.

The Commission’s investments as of September 30, 2024, and 2023, were $253,000,000 and $279,400,000, respectively. Related nonexchange interest revenue for the years ended September 30, 2024, and 2023, was $14,204,229 and $13,202,110, respectively.

Intragovernmental Investments in Treasury Securities

The Federal government does not set aside assets to pay future claims or other expenditures associated with funds from dedicated collections deposited into the Customer Protection Fund. The dedicated cash receipts collected by the Commission as a result of monetary sanctions are deposited in the Treasury, which uses the cash for general Government purposes. As discussed above and in Note 1F, the Commission invests the majority of funds not needed for current operations of the Customer Protection Fund in Treasury securities. These Treasury securities are an asset of the Commission and a liability of the Treasury. Because the Commission and the Treasury are both components of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, the investments presented by the Commission do not represent an asset or a liability in the U.S. government-wide financial statements.

Treasury securities provide the Commission with authority to draw upon the Treasury to pay future claims or other expenditures. When the Commission requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same manner in which the Government finances all expenditures.

Note 4 Accounts Receivable, Net

Accounts receivable consist of amounts owed the CFTC by other Federal agencies and the public. Accounts receivable are valued at their net collectible values. Non-custodial accounts receivable (entity assets) primarily arise from unused advances to other agencies and repayment of employee benefits. Historical experience has indicated that most of the non-custodial receivables are collectible and that there are no material uncollectible amounts.

Custodial receivables (non-entity assets) are those for which fines and penalties have been assessed and levied against businesses or individuals for violations of the CEA or Commission regulations. Violators may be subject to a variety of sanctions including fines, injunctive orders, bars or suspensions, rescissions of illegal contracts, and disgorgements.

An allowance for uncollectible accounts has been established and included in accounts receivable on the balance sheets. Although historical experience has indicated that a high percentage of custodial receivables prove uncollectible, the Commission determines the collectability of each individual judgment based on knowledge of the financial profile of the debtor obtained through the course of the investigation and litigation of each case, including efforts to identify and freeze assets at the beginning of cases, when any remaining assets are most likely to be recoverable. Accounts are re-estimated quarterly based on account reviews and the agency's determination that changes to the net realizable value are needed.

Accounts receivable, net consisted of the following as of September 30, 2024, and 2023:

	2024	2023
Custodial Receivables, Net:		
Civil Monetary Penalties, Fines, and Administrative Fees	$ 5,385,618,450	$ 2,907,318,278
Civil Monetary Penalty Interest	170,472,601	45,422,858
Registration and Filing Fees	2,462,301	2,514,359
Less: Allowance for Loss on Penalties, Fines, and Administrative Fees	(4,439,560,648)	(2,786,412,564)
Less: Allowance for Loss on Interest	(169,590,050)	(44,888,098)
Less: Allowance for Loss on Registration and Filing Fees	-	-
TOTAL CUSTODIAL RECEIVABLES, NET	**$ 949,402,654**	**$ 123,954,833**
Other Accounts Receivable	23,568	50,312
TOTAL ACCOUNTS RECEIVABLE, NET	**$ 949,426,222**	**$ 124,005,145**

Note 5 General Property, Plant, and Equipment, Net

Property, Plant, and Equipment as of September 30, 2024, and 2023, consisted of the following:

2024 Major Class	Service Life and Method		Cost		Accumulated Amortization/ Depreciation		Net Book Value
Equipment	5 Years/Straight Line	$	24,070,377	$	(18,301,459)	$	5,768,918
IT Software	5 Years/Straight Line		34,290,670		(28,787,290)		5,503,380
Software in Development	Not Applicable		4,895,001		-		4,895,001
Leasehold Improvements	Remaining Life of Lease/Straight Line		35,599,924		(22,654,142)		12,945,782
Construction in Progress	Not Applicable		1,258,995		-		1,258,995
TOTAL GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET		**$**	**100,114,967**	**$**	**(69,742,891)**	**$**	**30,372,076**

2023 Major Class	Service Life and Method		Cost		Accumulated Amortization/ Depreciation		Net Book Value
Equipment	5 Years/Straight Line	$	35,549,052	$	(27,235,040)	$	8,314,012
IT Software	5 Years/Straight Line		30,058,287		(27,346,175)		2,712,112
Software in Development	Not Applicable		7,105,061		-		7,105,061
Leasehold Improvements	Remaining Life of Lease/Straight Line		35,475,140		(19,754,710)		15,720,430
Construction in Progress	Not Applicable		831,961		-		831,961
TOTAL GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET		**$**	**109,019,501**	**$**	**(74,335,925)**	**$**	**34,683,576**

Note 6 Liabilities not Covered by Budgetary Resources

As of September 30, 2024, and 2023, the following liabilities were not covered by budgetary resources:

		2024		2023
Liabilities Not Requiring Budgetary Resources:				
Intragovernmental - Liability to the General Fund of the U.S. Government for Custodial Assets	$	949,402,654	$	123,954,833
Intragovernmental - Deferred Lease Liabilities		2,880,191		3,349,387
Deferred Lease Liabilities		672,995		7,899,487
Liability for Non-Fiduciary Deposit Funds		151,525,064		205,143
Total Liabilities Not Requiring Budgetary Resources	$	1,104,480,904	$	135,408,850
Other Liabilities Not Covered by Budgetary Resources:				
Intragovernmental - Unfunded FECA and Unemployment Liability	$	75,504	$	80,539
Unfunded Annual Leave		17,690,179		16,423,448
Actuarial FECA Liabilities		403,494		452,783
Liability for Whistleblower Awards		43,759,511		31,464,775
TOTAL LIABILITIES NOT COVERED BY BUDGETARY RESOURCES	**$**	**1,166,409,592**	**$**	**183,830,395**

Liabilities not covered by budgetary resources of $1,166,409,592 and $183,830,395 represent 97.94 and 82.69 percent of the Commission's total liabilities of $1,190,937,616 and $222,319,847 as of September 30, 2024, and 2023, respectively.

Note 7 Leases

The CFTC has short-term and intragovernmental leases for its office space in Washington D.C., Chicago, Kansas City, and New York, as well as multi-function devices. Future estimated minimum lease payments for short-term and intragovernmental leases are not accrued as liabilities and rental increases, decreases, incentives, and concessions are expensed as incurred.

As of September 30, 2024, future estimated minimum lease payments for short-term and intragovernmental leases are as follows:

Fiscal Year		Non-Federal (Non-Cancellable)		Federal (Cancellable)		Total
2025		18,603,371		2,666,392		21,269,763
2026		-		2,666,392		2,666,392
2027		-		2,652,649		2,652,649
2028		-		2,501,481		2,501,481
2029		-		2,501,481		2,501,481
2030 - 2036		-		6,603,727		6,603,727
Total Future Scheduled Lease Payments	$	18,603,371	$	19,592,122	$	38,195,493
Future Lease-Related Operating Costs *(Estimated)*		1,116,202		7,557,838		8,674,040
TOTAL FUTURE MINIMUM LEASE PAYMENTS	**$**	**19,719,573**	**$**	**27,149,960**	**$**	**46,869,533**

The amounts in the table above include the future minimum lease payments for the Commission's existing lease arrangements described by location on the following page. In 2016, the Commission executed a memorandum of understanding with the General Services Administration (GSA) to address all of its future space needs. In its FY 2020 and 2022 appropriations, the Commission received an additional $31,000,000 and $62,000,000, respectively, for move, replication, and related costs associated with replacement leases for the Commission's facilities. As of September 30, 2024, the Commission has entered into occupancy agreements with GSA for space in Kansas City, Chicago, and New York. These agreements may be cancelled with 120 days' notice. The last remaining location to transition from a non-federal lease to a federal occupancy agreement (Washington, D.C.) is planned for FY 2025. GSA has notified the Commission that the terms of the occupancy agreement for its Washington, D.C. location will be non-cancellable.

In FY 2024, the Commission implemented SFFAS 54 – Leases, which resulted in a change in how the Commission accounts for rental increases and decreases, incentives, and concessions for intragovernmental and short-term leases. The Commission's lease payment amounts vary at negotiated times and reflect increases in rental costs, allowances or credits from landlords, and financed tenant improvements. As disclosed in FY 2023 and prior, the Commission accounted for all lease expenses on a straight-line basis to recognize expenses consistent with the utility of its office space. With the implementation of SFFAS 54 in FY 2024, rental increases and decreases, incentives, and concessions for short-term and intragovernmental leases must be recognized when incurred as increases/reductions to lease rental expense (SFFAS 54, pars. 23 and 31). This change was applied prospectively in FY

2024, as required by SFFAS 54 (par. 97a.). Federal deferred lease liabilities as of September 30, 2024, and 2023, were $2,880,191 and $3,349,387, respectively. Non-federal deferred lease liabilities as of September 30, 2024, and 2023, were $672,995 and $7,899,487, respectively. The significant decrease in non-federal deferred lease liabilities is a direct result of the implementation of SFFAS 54, whereby rental increases, decreases, incentives, and concessions that were previously amortized over the life of the lease were recognized in the period incurred prospectively. The remaining balance of deferred lease liabilities as of September 30, 2024, equals the unamortized tenant improvements that were either financed through the occupancy agreements with GSA (intragovernmental) or provided by the landlord (with the public).

The following table describes the Commission's existing lease arrangements for buildings and multifunction devices, including major asset categories by location and associated lease terms.

Non-Federal Building Leases (Short-Term, Non-Cancellable)	
Location	*Lease Terms*
Washington, D.C.	Lease of office space from October 5, 1995, through September 30, 2025, subject to annual escalation amounts[1] and including allowances for leasehold improvements and rent offsets.
Federal Building Leases (Cancellable)	
Location	*Lease Terms*
Kansas City	Occupancy Agreement with GSA for office space from February 1, 2021, through January 31, 2036.
New York	Occupancy Agreement with GSA for office space from February 28, 2022, through February 27, 2032.
Chicago	Occupancy Agreement with GSA for office space from March 1, 2022, through February 28, 2032.

Federal Multifunction Devices (Cancellable)	
Location	*Lease Terms*
Washington, D.C., New York, Chicago, and Kansas City	One-year rental of multifunction printers through the U.S. Government Publishing Office with four one-year options to renew ending August 31, 2027.

[1] If market rent were $100 per square foot with a 10 percent annual escalation and a $10 operating expense base, then 98 percent of the applicable market rent would be $98 per square foot with a 10 percent escalation and a $10 operating base.

Starting in FY 2024, Federal agencies are required to report a right-to-use lease asset and a corresponding lease liability for material non-intragovernmental, non-short-term contracts when the reporting entity has the right to control access to and/or obtain economic benefits from the use of real property, equipment, or other asset. As disclosed in Note 1X, the

Commission has reviewed its current contracts and agreements and has not identified any that would meet the definition of a lease under SFFAS 54 beyond its agreements with GSA and GPO for office space and printers (intragovernmental) or its last remaining non-federal lease for office space in DC that has 24 months or less remaining as of October 1, 2023 (short-term). Under SFFAS 62, Transitional Amendment to SFFAS 54, entities have until October 1, 2026, to implement paragraph 73 of SFFAS 54 regarding embedded leases. During the transitional period, entities may elect to account for contracts that include lease components, but are primarily attributable to non-lease components, as non-lease contracts. The Commission has elected to use the transitional period through October 1, 2026, to continue to review new and existing contracts and agreements to determine if there are any that have a lease component that needs to be recorded as a right-to-use lease asset in accordance with SFFAS 54.

Note 8 Liability for Whistleblower Awards

As mentioned in Note 1A, the Customer Protection Fund will be used to pay awards to whistleblowers if they voluntarily provide original information to the CFTC that leads to the successful enforcement by the CFTC of a covered judicial or administrative action in which monetary sanctions exceeding $1,000,000 are imposed. Whistleblowers are entitled to appeal any decisions by the Commission in regards to claims made against the Fund.

At the time the whistleblower voluntarily provides information to CFTC, they have no guarantee or promise that the Commission will exchange funds in return for that information. In accordance with federal accounting standards, the Commission records liabilities for these nonexchange transactions when they are due and payable. The Commission therefore records a liability for pending whistleblower payment after the whistleblower has been formally notified of an award and the related sanction, or some portion thereof, has been collected. The liability will be paid when the appeal period has ended, the whistleblower has provided necessary banking information, and, in cases where the related sanction was collected in a prior year and subsequently swept by Treasury, or collected by a third party, the award will be paid as future collections become available.

As of September 30, 2024, and 2023, the Commission recorded liabilities for pending payments to whistleblowers of approximately $43,759,511 and $31,464,775, respectively. During FY 2024, the Commission disbursed $48,478,951 in whistleblower awards, which primarily consisted of $32,517,230 from open and pending payments and $15,628,065 from accounts payable at the end of FY 2023. An additional $333,656 in amounts disbursed resulted from additional collections received on previously awarded amounts. Accounts payable as of September 30, 2024, and 2023, includes $9,728,902 and $15,628,065, respectively, for awards that have been finalized as of the end of the reporting period.

As of September 30, 2024, the Commission has 20 awards in payable or paid status for which the full collections have not been received, including seven final $0 awards for which no collections have been received to date. While additional collections on these matters are considered remote, the Commission would be required to pay whistleblowers an additional $30,278,389 if all collections were received on these matters. In addition to the pending and potential payments to whistleblowers, the Commission had 31 additional whistleblower claims currently under review as of September 30, 2024. These additional claims, depending on whether the whistleblowers are determined to be eligible for an award and the related sanctions have been collected, could result in total future payments ranging from $0 to $1,087,744,871.

Note 9 Contingent Liabilities

The CFTC records contingent liabilities for legal cases in which payment has been deemed probable and for which the amount of potential liability has been estimated, including judgments that have been issued against the agency and which have been appealed. Additionally, the Commission discloses legal matters in which an unfavorable outcome is reasonably possible. There were no legal matters deemed probable or reasonably possible as of September 30, 2024.

Note 10 Statements of Budgetary Resources

The Commission corrected a violation of the recording statute in FY 2016 by recording its obligations for all future building lease payments in accordance with OMB Circular A-11. The recording of these previously unrecorded obligations resulted in negative unobligated balances in its salaries and expenses general expenditure funds because budgetary resources have not been made available to the Commission to fund these multi-year leases (see the Combining Statements of Budgetary Resources in the Required Supplementary Information section immediately following the notes). The effect on the status of the Commission's budgetary resources and reconciliation to the U.S. Budget is detailed in the note disclosures below.

A. Net Adjustments to Unobligated Balance Brought Forward, October 1

The Unobligated Balance Brought Forward from the prior fiscal year has been adjusted for recoveries of prior year paid and unpaid obligations and other changes such as canceled authority. The Adjustments to Unobligated Balance Brought Forward, October 1, as of September 30, 2024, and 2023, consisted of the following:

	2024	2023
Unobligated Balance Brought Forward, October 1	$ 326,344,943	$ 300,563,429
Recoveries of Prior Year Obligations	5,079,132	6,804,777
Other Changes in Unobligated Balance	(3,331,795)	(2,595,302)
UNOBLIGATED BALANCE FROM PRIOR YEAR BUDGET AUTHORITY, NET	**$ 328,092,280**	**$ 304,772,904**

B. Undelivered Orders

The amount of budgetary resources obligated for undelivered orders as of September 30, 2024, and 2023, consisted of the following:

	2024	2023
Undelivered Orders - Federal		
Paid	$ 911,871	$ 10,642,790
Unpaid	49,973,477	10,063,602
Total Undelivered Orders - Federal	$ 50,885,348	$ 20,706,392
Undelivered Orders - Non-Federal		
Paid	$ 2,949,424	$ 2,666,882
Unpaid	76,557,518	91,049,085
Total Undelivered Orders - Non-Federal	$ 79,506,942	$ 93,715,967
TOTAL UNDELIVERED ORDERS	**$ 130,392,290**	**$ 114,422,359**

The amount of undelivered orders represents the value of unpaid and paid obligations recorded during the fiscal year, and upward and downward adjustments of obligations that were originally recorded in a prior fiscal year. Non-federal unpaid undelivered orders include the Commission's unfunded future lease payments as of September 30, 2024, and 2023, as follows:

	2024	2023
Unfunded Lease Obligations Brought Forward, October 1	$ 39,053,024	$ 58,006,466
Change in Unfunded Lease Obligations	(19,333,451)	(18,953,442)
TOTAL REMAINING UNFUNDED LEASE OBLIGATIONS	**$ 19,719,573**	**$ 39,053,024**

C. Explanations of Differences between the Statement of Budgetary Resources and Budget of the United States Government

The CFTC had material differences between the amounts reported in the Statement of Budgetary Resources dated September 30, 2023, and the actual amounts reported in the Budget of the U.S. Government for FY 2023. These differences are related to unfunded lease obligations that are being funded each fiscal year through annual appropriations (see table below). These unfunded obligations will cease to be a reconciling difference when the last unfunded lease ends in FY 2025.

	Budgetary Resources
CFTC FY 2023 Statement of Budgetary Resources	**$ 682,348,990**
Less Amounts in Customer Protection Fund	(291,086,289)
Less Amounts in Expired Accounts	(12,993,435)
Less New Budget Authority Used to Liquidate Deficiencies	(18,953,442)
Plus Unfunded Lease Obligations Brought Forward, October 1	58,006,466
Plus Rounding to Nearest Million (+/-)	(322,290)
BUDGET OF THE U.S. GOVERNMENT	**$ 417,000,000**

The Budget of the U.S. Government with actual numbers for FY 2024 has not yet been published. The expected publish date is February 2025. A copy of the Budget may be obtained from OMB's website.

D. Distributed Offsetting Receipts

Distributed offsetting receipts are amounts that an agency collects from the public or from other Government agencies that are used to offset or reduce an agency's budget outlays. The Commission's distributed offsetting receipts generally consist of miscellaneous collections for such items as Freedom of Information Act requests, vendor refunds, and lost or damaged property that cannot be applied to other funds.

Note 11 Reconciliation of Total Net Cost of Operations to Net Outlays

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. This reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting.

The schedule presented in this note reconciles the Total Net Cost of Operations reported in the Statements of Net Cost (accrual basis) with Net Outlays reported in the Statements of Budgetary Resources (budgetary basis). Differences between net costs and net outlays are primarily the result of timing differences and paying for assets that are used over more than one reporting period.

	2024	2023
TOTAL NET COST OF OPERATIONS	**$ 441,053,776**	**$ 391,714,341**
Components of Net Cost That Are Not Part of Net Outlays:		
Depreciation and Amortization of Property, Plant, and Equipment	$ (7,102,207)	$ (5,915,953)
Amortization of Deferred Lease Liabilities	1,034,702	3,736,118
Gain/(Loss) on Disposal	(213,485)	(109,261)
Increase/(Decrease) in Assets:		
Accounts Receivable	(26,744)	23,137
Decrease in Advances and Prepayments	(9,448,377)	-
(Increase)/Decrease in Liabilities:		
Accounts Payable	6,903,391	(9,624,814)
Salaries and Benefits	7,058,037	(841,153)
Liability for Whistleblower Awards	(12,294,736)	(31,419,775)
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	(1,212,407)	1,373,416
Other Financing Sources:		
Federal Employee Retirement Benefit Costs Paid by OPM and Imputed to CFTC	(15,834,004)	(11,349,217)
Total Components of Net Cost That Are Not Part of Net Outlays	**$ (31,135,830)**	**$ (54,127,502)**
Components of Net Outlays That Are Not Part of Net Cost:		
Acquisition of Capital Assets	$ 3,004,191	$ 1,949,371
Increase in Advances and Prepayments	-	6,669,239
Nonexchange Interest Revenue (Excluding Interest Receivable)	(14,246,139)	(13,160,200)
Total Components of Net Outlays That Are Not Part of Net Cost	**$ (11,241,948)**	**$ (4,541,590)**
Outlays, Net	**$ 398,675,998**	**$ 333,045,249**
Distributed Offsetting Receipts	(3,841)	(5,994)
AGENCY OUTLAYS, NET	**$ 398,672,157**	**$ 333,039,255**

Note 12 Funds from Dedicated Collections

Funds from dedicated collections arise from disgorgement and penalty collections and are transferred to the Customer Protection Fund, established by the Dodd-Frank Act. The collections are transferred from the custodial receipt account if they are found to be eligible before the end of each fiscal year. In cases where the collection has been returned to Treasury in error, the Commission can recover the funds. The collections will fund the Commission's whistleblower awards program and customer education initiatives.

The Dodd-Frank Act provides that whistleblower awards shall be paid under regulations prescribed by the Commission. The Commission most recently issued revised regulations effective July 31, 2017.

No eligible collections were transferred into the Fund during FY 2024 or FY 2023 because the available balance of the Fund did not fall below $100,000,000. The following table presents the Fund's balance sheets, statements of net costs, and statements of changes in net position as of and for the years ended September 30, 2024, and 2023:

	2024	2023
BALANCE SHEETS		
Fund Balance with Treasury	$ 18,510,845	$ 32,185,446
Investments, Net	253,000,000	279,441,910
Advances and Prepayments	7,412	9,379
TOTAL ASSETS	**$ 271,518,257**	**$ 311,636,735**
Accounts Payable	$ 10,596,716	$ 16,474,354
Accrued Funded Payroll	123,009	188,020
Unfunded Annual Leave	322,071	217,592
Liability for Whistleblower Awards	43,759,511	31,464,775
Total Liabilities	**$ 54,801,307**	**$ 48,344,741**
Cumulative Results of Operations - Funds from Dedicated Collections	216,716,950	263,291,994
Total Net Position	**$ 216,716,950**	**$ 263,291,994**
TOTAL LIABILITIES AND NET POSITION	**$ 271,518,257**	**$ 311,636,735**
STATEMENTS OF NET COST		
Gross Costs	$ 60,779,273	$ 51,831,230
TOTAL NET COST OF OPERATIONS	**$ 60,779,273**	**$ 51,831,230**
STATEMENTS OF CHANGES IN NET POSITION		
Beginning Cumulative Results of Operations	$ 263,291,994	$ 301,921,114
Nonexchange Interest Revenue	14,204,229	13,202,110
Net Cost of Operations	(60,779,273)	(51,831,230)
Net Change in Cumulative Results of Operations	$ (46,575,044)	$ (38,629,120)
TOTAL NET POSITION, ENDING	**$ 216,716,950**	**$ 263,291,994**

Required Supplementary Information (Unaudited)

COMBINING STATEMENTS OF BUDGETARY RESOURCES BY MAJOR ACCOUNT
For the Years Ended September 30, 2024 and 2023

2024	Customer Protection Fund	Salaries and Expense	Information Technology	Combined
BUDGETARY RESOURCES				
Unobligated Balance from Prior Year Budget Authority, Net (Note 10A)	$ 270,254,016	$ 57,157,960	$ 680,304	$ 328,092,280
Appropriations	-	365,000,000	-	365,000,000
Spending Authority from Offsetting Collections	13,434,109	5,920	-	13,440,029
TOTAL BUDGETARY RESOURCES	**$ 283,688,125**	**$ 422,163,880**	**$ 680,304**	**$ 706,532,309**
STATUS OF BUDGETARY RESOURCES				
New Obligations and Upward Adjustments	$ 48,745,105	$ 380,738,577	$ 11,987	$ 429,495,669
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	229,118,921	49,161,471	-	278,280,392
Unapportioned, Unexpired Accounts	5,824,099	(19,692,696)	-	(13,868,597)
Unexpired Unobligated Balance, End of Year	234,943,020	29,468,775	-	264,411,795
Expired Unobligated Balance, End of Year	-	11,956,528	668,317	12,624,845
Unobligated Balance, End of Year (Total)	234,943,020	41,425,303	668,317	277,036,640
TOTAL BUDGETARY RESOURCES	**$ 283,688,125**	**$ 422,163,880**	**$ 680,304**	**$ 706,532,309**
OUTLAYS, NET				
Outlays, Net	$ 40,074,600	$ 358,601,398	$ -	$ 398,675,998
Distributed Offsetting Receipts	-	(3,841)	-	(3,841)
AGENCY OUTLAYS, NET	**$ 40,074,600**	**$ 358,597,557**	**$ -**	**$ 398,672,157**

2023	Customer Protection Fund	Salaries and Expense	Information Technology	Combined
BUDGETARY RESOURCES				
Unobligated Balance from Prior Year Budget Authority, Net (Note 10A)	$ 278,676,220	$ 25,030,899	$ 1,065,785	$ 304,772,904
Appropriations	-	365,000,000	-	365,000,000
Spending Authority from Offsetting Collections	12,410,069	166,017	-	12,576,086
TOTAL BUDGETARY RESOURCES	**$ 291,086,289**	**$ 390,196,916**	**$ 1,065,785**	**$ 682,348,990**
STATUS OF BUDGETARY RESOURCES				
New Obligations and Upward Adjustments	$ 20,845,014	$ 335,159,033	$ -	$ 356,004,047
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	266,318,206	83,677,399	-	349,995,605
Unapportioned, Unexpired Accounts	3,923,069	(39,026,148)	-	(35,103,079)
Unexpired Unobligated Balance, End of Year	270,241,275	44,651,251	-	314,892,526
Expired Unobligated Balance, End of Year	-	10,386,632	1,065,785	11,452,417
Unobligated Balance, End of Year (Total)	270,241,275	55,037,883	1,065,785	326,344,943
TOTAL BUDGETARY RESOURCES	**$ 291,086,289**	**$ 390,196,916**	**$ 1,065,785**	**$ 682,348,990**
OUTLAYS, NET				
Outlays, Net	$ (7,422,573)	$ 340,479,810	$ (11,988)	$ 333,045,249
Distributed Offsetting Receipts	-	(5,994)	-	(5,994)
AGENCY OUTLAYS, NET	**$ (7,422,573)**	**$ 340,473,816**	**$ (11,988)**	**$ 333,039,255**

OTHER INFORMATION

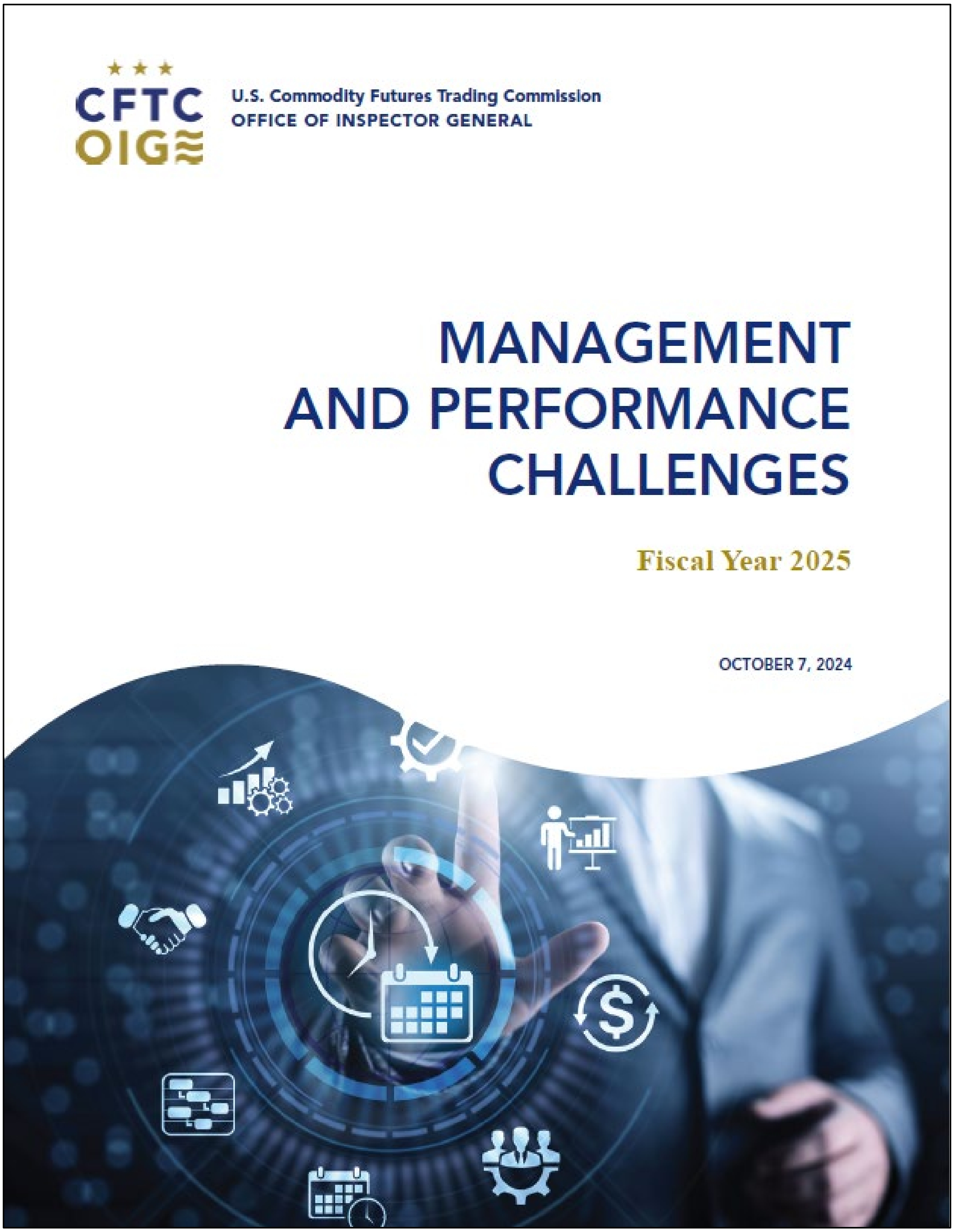
INSPECTOR GENERAL’S FY 2024 ASSESSMENT

SUMMARY OF AUDIT AND MANAGEMENT ASSURANCES

PAYMENT INTEGRITY INFORMATION ACT REPORTING

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

Inspector General ’s FY 2024 Assessment

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A MESSAGE FROM THE INSPECTOR GENERAL

In accordance with the Reports Consolidation Act of 2000, the Commodity Futures Trading Commission (the "CFTC" or "Commission") Office of Inspector General (OIG) identifies the most serious management and performance challenges facing the Commission and provides a brief assessment of the Commission's progress in addressing those challenges. By statute, this report is required to be included in the CFTC's Agency Financial Report.

The Government Performance and Results Modernization Act of 2010 defines major management challenges as programs or management functions that are vulnerable to waste, fraud, abuse, or mismanagement, and where a performance failure could seriously undermine agency mission objectives. Each challenge is related to the agency's mission and reflects both continuing vulnerabilities and emerging issues. The OIG identified the following top management and performance challenges facing the Commission for FY 2025:

- Pending Digital Assets Legislation: The Financial Innovation and Technology for the 21st Century Act (FIT21)
- Expiration of Customer Protection Fund Expense Account (Whistleblower Program)
- CFTC Headquarters Relocation
- Maturing Enterprise Risk Management Practices
- Maintaining a Proactive Cybersecurity Posture

We identified the Commission's major management and performance challenges by recognizing and assessing key themes from OIG audits, evaluations, hotline complaints, investigations, and an internal risk assessment, as well as reports published by external oversight bodies, such as the Office of Personnel Management and the Government Accountability Office. Additionally, we reviewed previous management challenge reports to determine if those challenges remain significant for this submission. Finally, we considered publicly available information and internal Commission records. In addition to the management challenges, we are providing management's statements regarding prior and planned actions to address each challenge. The resulting product provides greater transparency to achieve improved agency performance.

The CFTC OIG remains committed to ensuring that CFTC and OIG programs evince high levels of integrity. I look forward to continuing to work with the Commission, members of Congress, and my IG colleagues to provide oversight to the CFTC on behalf of the American taxpayers.

Christopher Skinner
Inspector General

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CFTC MISSION

The Commodity Futures Trading Commission (CFTC) is the primary regulator of the U.S. futures, swaps, and options markets. CFTC's stated mission is "to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation." Through execution of its mission, CFTC supports the economic purpose of the derivatives markets, namely price discovery and risk transfer.

The CFTC maintains offices in Washington, D.C.; New York, NY; Chicago, IL; and Kansas City, MO. The CFTC organization consists of the offices of the Chairman and Commissioners as well as the following 14 operating divisions and offices (not including OIG):

- Division of Clearing and Risk (DCR)
- Division of Enforcement, including the Whistleblower Office (DOE)
- Division of Market Oversight (DMO)
- Market Participants Division (MPD)
- Division of Data (DOD)
- Office of the General Counsel (OGC)
- Division of Administration (DA)
- Office of the Chief Economist (OCE)
- Office of International Affairs (OIA)
- Office of Public Affairs (OPA)
- Office of Technology Innovation (OTI)
- Office of Legislative and Intergovernmental Affairs (OLIA)
- Office of Minority and Women Inclusion (OMWI)
- Office of Customer and Education Outreach (OCEO)

The CFTC Chairman and Commissioners – Chairman Rostin Behnam, Commissioner Kristin N. Johnson, Commissioner Christy Goldsmith Romero, Commissioner Summer K. Mersinger, and Commissioner Caroline D. Pham.

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OIG MISSION AND AUTHORITY

The Office of the Inspector General (OIG) mission is to detect fraud, waste, and abuse and to promote integrity, economy, efficiency, and effectiveness in the CFTC's programs and operations. As such it is authorized to review all of the Commission's programs, activities, and records. Specifically, the CFTC OIG was created in 1989 in accordance with the 1988 amendments to the Inspector General Act of 1978. The OIG was established to:

- Promote economy, efficiency, and effectiveness in the administration of CFTC programs and operations, and detect and prevent fraud, waste, and abuse in such programs and operations;
- Conduct and supervise audits, evaluations, and investigations relating to the administration of CFTC programs and operations;
- Review existing and proposed legislation and regulations, and make recommendations concerning their impact on the economy and efficiency of CFTC programs and operations or the prevention and detection of fraud and abuse;
- Recommend policies for, and conduct, supervise, or coordinate other activities carried out or financed by such establishment for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations; and
- Keep the Commission and Congress fully informed about any problems or deficiencies in the administration of CFTC programs and operations and provide recommendations for correction of these problems or deficiencies.

Why Do We Publish This Report?

In accordance with the Reports Consolidation Act of 2000, the CFTC OIG identifies the most serious management and performance challenges facing the Commission and provides a brief assessment of the Commission's progress in addressing those challenges. By statute, this report is required to be included in the CFTC Agency Financial Report.

What Are Management and Performance Challenges?

The Government Performance and Results Modernization Act of 2010 identifies major management and performance challenges as programs or management functions that are vulnerable to waste, fraud, abuse, and mismanagement, and where a failure to perform well could seriously affect the ability of the agency to achieve its mission objectives. Each challenge area is related to the agency's mission and reflects both continuing vulnerabilities and emerging issues. The CFTC OIG identified the top management and performance challenges facing the Commission as the following:

CFTC Management and Performance Challenges for Fiscal Year (FY) 2025

The CFTC faces several management challenges that potentially impact its ability to fulfill its mission effectively. Each challenge is related to the agency's mission and reflects both continuing vulnerabilities and emerging issues. For FY 2025, we have identified the top five management and performance challenges facing the Commission as the following:

- Pending Digital Assets Legislation: The Financial Innovation and Technology for the 21st Century Act (FIT21)
- Expiration of Customer Protection Fund Expense Account (Whistleblower Program)
- CFTC Headquarters Relocation
- Maturing Enterprise Risk Management Practices
- Maintaining a Proactive Cybersecurity Posture

How Did We Identify These Challenges?

We identified the CFTC's management and performance challenges by recognizing and assessing key themes from OIG audits, evaluations, special reviews, hotline complaints, investigations, and an internal risk assessment, as well as reports published by external oversight bodies, such as the Office of Personnel Management and the Government Accountability Office.

Additionally, we reviewed previous management challenge reports to determine if those challenges remain significant for this submission. Finally, we considered publicly available information and internal Commission records. As a result, we identified five key management and performance challenges, which are detailed herein.

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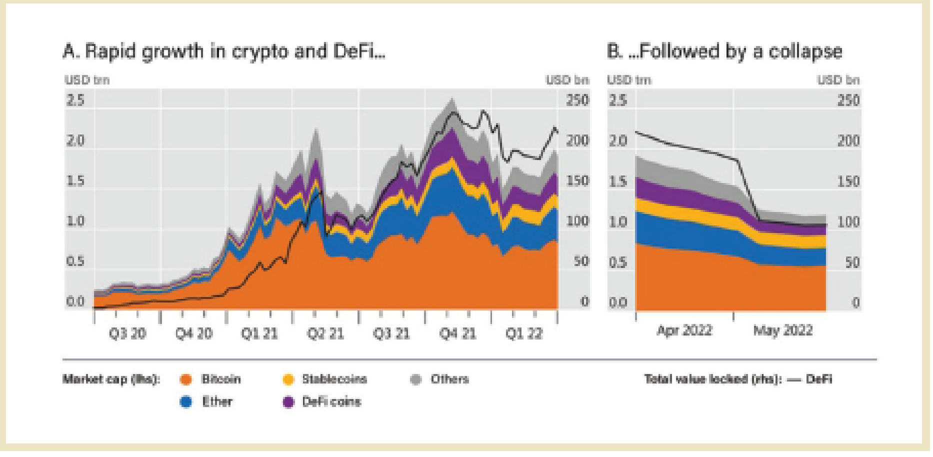
Challenge
PENDING DIGITAL ASSETS LEGISLATION: THE FINANCIAL INNOVATION AND TECHNOLOGY FOR THE 21ST CENTURY ACT (FIT21)

A digital asset is "anything that can be stored and transmitted electronically, and has associated ownership or use rights."[1] The term "digital assets" has been defined by Executive Order,[2] and currently is described by the U.S. Secret Service as follows:

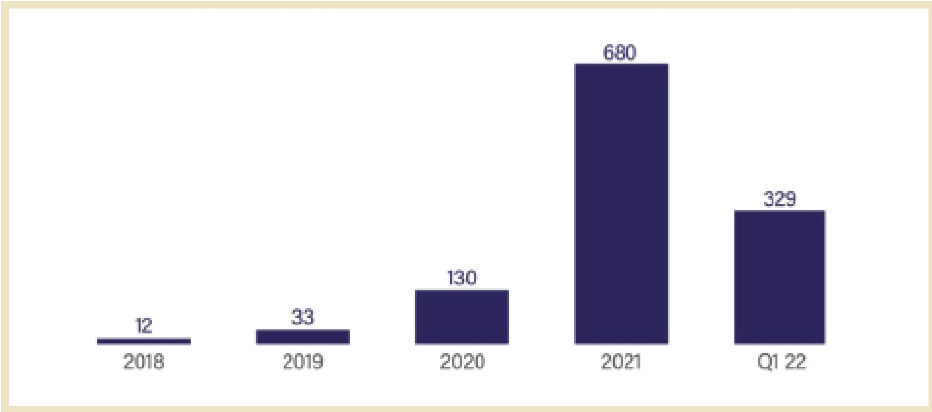
> The term digital assets refers broadly to representations of value in digital form, regardless of legal tender status. For example, digital assets include cryptocurrencies, stablecoins and nationally backed central bank digital currencies. Regardless of the label used, or the various definitions ascribed to them, digital assets can be used as a form of money or be a security, a commodity or a derivative of either. Digital assets may be exchanged across digital asset trading platforms, including centralized and decentralized finance platforms, or through peer-to-peer technologies.[3]

Digital Asset Markets Have Experienced Rapid but Volatile Growth[4]



In addition, the digital asset market has already demonstrated that it is subject to significant fraudulent activity that is also growing rapidly in the cryptocurrency space.[5]

Reported Crytopcurrency Fraud Losses by Year (USD millions)



Although the market has expanded and contracted,[6] the impact of digital asset fraud on agency operations has been especially significant. The CFTC FY 2025 President's Budget Request states:

> During FY 2023, the CFTC brought a record number of actions involving conduct related to digital asset commodities. These 47 actions represented more than 49% of all actions filed during that period.[7]

While intense enforcement activity focused on digital assets potentially impacts CFTC Enforcement budgetary resources, in FY 2023 CFTC's digital asset-related enforcement results included "orders requiring the defendants in a fraud action to pay $1.7 billion in restitution to victims and a $1.7 billion civil monetary penalty (CMP), which is the highest CMP ever ordered in any CFTC case."[8] While the CFTC does not retain the penalties it imposes,[9] enforcement efforts benefit the taxpayers.

FIT21 proposes to amend the Commodity Exchange Act (CEA) to formally define digital assets and digital commodities regulated by the CFTC for the first time. In addition, FIT21 will:

- Establish new categories of CFTC registrants pertaining to digital asset transactions;
- Provide for CFTC regulation of new registrants;
- Require the CFTC to share certain information regarding digital commodity exchanges with the Board of Governors of the Federal Reserve, the Securities and Exchange Commission, and certain additional federal and State entities;
- Authorize the collection of fees to offset related costs;

- Codify the CFTC's LabCFTC;
- Establish a CFTC-SEC Joint Advisory Committee on Digital Assets; and
- Require certain studies prepared in coordination with the Securities and Exchange Commission.

The Chairman has acknowledged that regulating digital assets within CFTC jurisdiction will impose substantial additional costs to the agency.[10] Regarding FIT21, the Congressional Budget Office has opined, "future appropriation laws would set fees in a manner such that the collection of additional fees would roughly offset the costs for the CFTC to implement H.R. 4763."[11]

The OIG anticipates a significant management challenge to implement new registrant categories, complete necessary rulemakings, implement disclosure and cooperative efforts mandated under FIT21, and to continue enforcement activities related to the digital asset industry falling under CFTC jurisdiction. Challenges include obtaining additional qualified staff necessary to create and implement regulations and conduct cooperative efforts required under FIT21, launching and maintaining necessary additional data systems and analytics, and management of additional budgetary resources.

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Challenge

EXPIRATION OF CUSTOMER PROTECTION FUND EXPENSE ACCOUNT (WHISTLEBLOWER PROGRAM)

Section 748 of the Dodd-Frank Act established the CFTC Whistleblower Program and the CFTC Customer Protection Fund ("CPF" or "Fund"), which is available for the payment of awards to eligible whistleblowers and the funding of customer education initiatives. In accordance with statute, the Commission deposits certain collected monetary sanctions into the Fund as long as the balance of the Fund at the time the monetary sanction is collected is less than $100 million, and this applies even where the deposit would cause the balance of the Fund to exceed $100 million.

Following the Dodd-Frank Act, the CFTC established the Whistleblower Office (WBO) and the Office of Customer Education and Outreach (OCEO) and issued regulations. Since issuing its first award in 2014, the CFTC has granted whistleblower awards amounting to approximately $380 million. Those awards are associated with enforcement actions that have resulted in monetary sanctions totaling nearly $3.2 billion. The CFTC issues awards related to the agency's enforcement actions, as well as in connection with related actions brought by other domestic or foreign regulators, if certain conditions are met.

The CPF may be used to pay WBO and OCEO administrative expenses; however, CFTC must prioritize awards over administrative expenses. This prioritization risks depletion of the CPF, forcing a shutdown of the programs. To alleviate this risk, Congress established a CFTC CPF Fund Expenses Account, which consists of up to $10 million transferred by the CFTC from the CPF to a Fund established in the Treasury, with the amounts available "for the sole purpose of" paying WBO and OCEO administrative costs. This funding, established in 2021, was subject to expiration dates that were extended three times in 2022, with the fund eventually set to expire on September 30, 2024. Pending legislation would remove the expiration date entirely and would raise the cap from $100 million to $300 million; however, it was not enacted prior to September 30, 2024.

The expiration of separate funding for administrative expenses presents significant management challenges for the WBO and OCEO. The administrative funds revert to the CPF upon expiration, but if the CPF is thereafter depleted through the payment of awards, the OCEO and WB programs will cease operations completely. Delays in processing and receiving awards could damage OCEO and WBO operations and reputations. The time to reestablish OCEO and WBO operations once funding is available could be substantial. In addition, the possibility of a program shutdown potentially contributes to WBO and OCEO employee turnover.

The existing mechanism to fund the CPF is not tied to anticipated or potential award payouts and instead is dependent on the timing of penalty collections. If a large penalty is collected when the CPF is below $100 million, the fund can appear to be hoarding large amounts. And as stated, if penalties are not available to fund the CPF when whistleblower awards are due and owing, awards will be delayed. A better solution might involve funding the CPF for anticipated need based on pending WBO activity.

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Challenge
CFTC HEADQUARTERS RELOCATION

In FY 2023 the CFTC spent over $25 million dollars to occupy facilities in four cities. In 2022, the CFTC's three regional offices relocated to new facilities managed by the U.S. General Services Administration (GSA), leaving headquarters in Washington, D.C. as the remaining CFTC office facility managed by a private sector entity. In FY 2026, the CFTC will be transitioning that headquarters from northwest Washington, D.C. at Lafayette Center to southwest Washington, D.C. at the Patriots Plaza complex.

The Patriots Plaza complex is comprised of three adjoining buildings, Patriots Plaza I, II and III, of which CFTC will occupy office space on six floors within Patriots Plaza III. Although Patriots Plaza III is only three miles from Lafayette Center, vacating the current headquarters after more than 30 years will pose significant challenges to the agency. The move along with new telework and work schedule policies, will substantially change the working environment for CFTC.

Existing and Planned CFTC Headquarters Locations

The CFTC will face numerous challenges in the headquarters physical relocation efforts, including the six-month gap period, decommissioning the current space, planning and allocating new workspaces, scheduling, and resources.

1. **Gap Period**: The current lease on Lafayette Center expires September 30, 2025. Patriots Plaza will be ready for full CFTC occupancy in March 2026; as such there will be six-month gap period between occupancies that the CFTC must mitigate. The agency plans to secure swing space for use by its personnel during the gap period. Security for this swing space will need to be properly managed. In addition, CFTC management will have to ensure that it is able to monitor and manage activities performed in the swing space.

2. **Decommissioning Current Space**: Decommissioning the current space will entail determinations regarding physical records, IT equipment, and office furniture, among other considerations. This will require that physical records are properly disposed of or stored prior to the move-out date. During the gap period, securing space to store physical records could pose challenges. In addition, employees will need access to their records for retrieval purposes as needed. IT inventory will also need to be addressed prior to the move. The CFTC will need to determine which items have exceeded their record lifecycles and which have not. Spacing requirements will change dramatically from Lafayette Center with reduced in-office employee presence required. The Division of Administration and Office of General Counsel continue to develop decommission plans to overcome the foregoing challenges.

3. **Scheduling**: Preparation for the move is where scheduling becomes vital. Timeframes and deadlines should be promptly established to allow ample lead time to inform the workforce of key dates and deadlines with adequate notice. The relocation team has posted key planning dates to the agency's intranet site; however, as deadlines approach, clear and ongoing communication with agency personnel will become essential.

4. **Resources**: The physical relocation efforts will require numerous employees to dedicate time and effort to planning and effecting the move. These ancillary duties come with opportunity cost, as they may take time away from normal mission-related duties, which could impact the performance of other CFTC functions. CFTC management will need to balance the assignment of adequate staff to this effort with its impacts on the CFTC's mission and functions.

5. **Planning and Allocating New Workspaces**: The agency plans to downsize to approximately one half (49%) of its current Washington, D.C. footprint to take advantage of reduced office space needs that have resulted from the expansion of telework and alternative work schedule opportunities. This will likely save the agency substantial costs but will also require detailed planning and allocation of employee workspaces to ensure they are adequate for the workforce needs. For example, preliminary agency plans call for hoteling workspaces (i.e., workspaces shared and occupied by employees on separate workdays). Effective implementation of such policies will require careful coordination among agency managers to allocate sufficient workspaces and manage them once the move is complete.

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Challenge
MATURING ENTERPRISE RISK MANAGEMENT PRACTICES

Enterprise risk governance is a shared responsibility at the highest levels of executive leadership. Applied to the CFTC, Enterprise Risk Management (ERM) is a Commission-wide strategy to identify and prepare for risks to business objectives. More specifically, ERM provides a framework for risk management, which typically involves identifying particular events or circumstances relevant to the CFTC's objectives (threats and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring process. A robust ERM program enhances the CFTC's posture to better anticipate, prioritize, and respond to agency risk and is most effective when risks are addressed as an inter-related portfolio rather than from divisional silos.

The CFTC's current Strategic Plan recognizes that "[a] robust and mature ERM program is central to achieving the CFTC mission." The agency's ERM program vision "integrates risk identification, risk management, strategic planning, and performance monitoring so that risks that potentially threaten achievement of the CFTC mission are anticipated, analyzed, and systematically addressed." However, the CFTC's Chief Risk Officer departed in March 2023 and currently one CFTC employee is tasked with risk management oversight. On September 30, 2024, the CFTC Division of Administration announced (internally) a temporary detail vacancy for the Chief Risk Officer position. Some additional notable events that have impacted the agency's mission include:

- Geopolitical risks disrupting supply chains;
- Extreme weather events;
- Technological disruptions: and
- The growth of digital currencies.

There are many methods in which the commodity market manages risks including:

- Conducting regular risk assessments to identify potential threats;
- Utilizing advanced analytics and forecasting tools to anticipate market trends;
- Monitoring geopolitical events, weather patterns, and economic indicators closely;
- Technological investments for improved transparency and efficiency; and
- Investing in staff to stay current with market trends and risk management techniques.

Two high risk factors noted relate to proposed legislation impacting the scope of CFTC's mission, and the agency's maturity of its ERM program due to the limited resources dedicated to its programs' success. In light of this challenge, the OIG has initiated an audit in September 2024 that will assess the Commission's ERM program and its effectiveness in its implementation.

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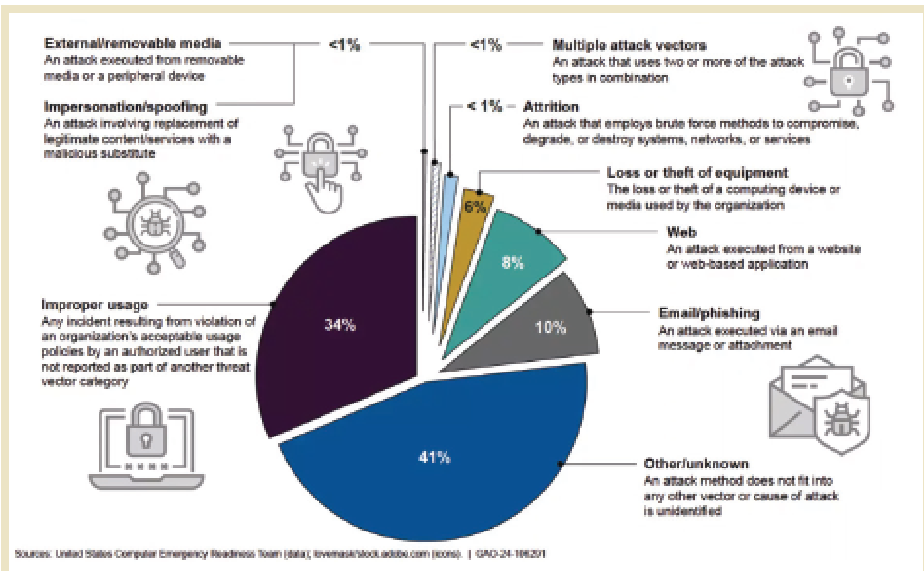
Challenge
MAINTAINING A PROACTIVE CYBERSECURITY POSTURE

The CFTC is responsible for a vast number of technological resources, including critical infrastructure and sensitive data. Cyberattacks and related threats can risk critical CFTC operations and programs, potentially compromising CFTC employees and market participants. The CFTC should continue to focus on improving its cybersecurity posture to ensure that its programs mirror a risk-based approach to identifying and implementing information system security solutions to protect market data.

A technological area of success for the CFTC has been the growth and effectiveness of cyber security operations. Current security operations monitor and respond to threats in real-time. In addition, the CFTC has successfully migrated to a cloud environment and its information security posture is effective. However, the agency must devote vigilance and resources to maintaining talent and leading-edge tools to remain effective in its cloud environments. Cloud-conscious adversaries, which exploit cloud-specific features to achieve their goals, pose significant risk to cloud environments. Cyberattacks against federal agencies continue to occur at high rates thus the agency must maintain a proactive cybersecurity posture to protect all stakeholders.

Federal Agencies Reported 30,659 Information Security Incidents in Fiscal Year 2022



Source: Government Accountability Office

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TO REPORT FRAUD, WASTE, OR ABUSE

The OIG conducts and supervises audits, evaluations, and investigations of programs and operations of the CFTC and recommends policies to promote economy, efficiency and effectiveness in CFTC programs and operations in order to prevent and detect fraud, waste or abuse.

Employees, contractors and members of the public may report any instance of fraud, waste, or abuse at CFTC by contacting:

- OIG Hotline at (202) 418-5510
- OIG Complaint form: https://forms.cftc.gov/Forms/OIGIntake
- Email to OIGComplaint@cftc.gov (you do not need to identify yourself)
- US. Mail or hand delivery to:

  Commodity Futures Trading Commission
  Office of the Inspector General
  Three Lafayette Centre
  1155 21st Street, NW
  Washington, DC 20581

- Fax to the CFTC OIG at 202.418.5522

ENDNOTES

[1] CFTC, *Digital Assets Primer*, page 5, December 2020. https://www.cftc.gov/digitalassets/index.htm (all links were last checked on September 15, 2024).

[2] Executive Order 14067, *Ensuring Responsible Development of Digital Assets*, 87 Fed. Reg. 14143, Section 9(d) (Mar. 9, 2022). The term "digital assets" is defined by the Executive Order to include cryptocurrencies, stablecoins, and Central Bank Digital Currencies (CBDCs).

[3] https://www.secretservice.gov/investigations/digitalassets.

[4] Source: Federal Stability Oversight Council (FSOC), *Crypto-Assets: Implications for Consumers, Investors, and Businesses*, Sept. 2022, page 14 (citation omitted). Crypto-Assets: Implications for Consumers, Investors, and Businesses (treasury.gov)

[5] Id., page 27 (citation omitted).

[6] Chairman Rostin Behnam recently stated: "During my almost seven-years at the CFTC as both a Commissioner and as Chairman, I have observed the digital asset market evolve significantly, expanding and collapsing, at times with periods of high volatility. Testimony of Chairman Rostin Behnam Before the U.S. Senate Committee on Agriculture, Nutrition and Forestry's Hearing on the Oversight of Digital Commodities, July 10, 2024 (https://www.cftc.gov/PressRoom/SpeechesTestimony/opabehnam48).

[7] CFTC, FY 2025 President's Budget, page 17 (https://www.cftc.gov/sites/default/files/CFTC%20FY%202025%20President's%20Budget_Final_for%20Posting.pdf).

[8] CFTC, FY 2025 President's Budget, page 16

[9] See GAO-05-670, *SEC and CFTC Penalties: Continued Progress Made in Collection Efforts, but Greater SEC Management Attention Is Needed*, August 2005 (https://www.gao.gov/assets/gao-05-670.pdf) .

[10] Chairman Rostin Behnam, U.S. Senate Committee on Agriculture, Nutrition and Forestry's Hearing on the Oversight of Digital Commodities, July 10, 2024, at 1:06:10 (https://www.agriculture.senate.gov/hearings/oversight-of-digital-commodities).

[11] https://www.cbo.gov/system/files/2024-05/hr4763_house.pdf.

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

Rostin Behnam
Chairman

(202) 418-5575
RBehnam@CFTC.gov

MEMORANDUM

TO: Christopher Skinner
Inspector General
Office of the Inspector General

FROM: Rostin Behnam
Chairman

DATE: October 23, 2024

SUBJECT: Management's Response to the Office of the Inspector General's Management and Performance Challenges Facing the CFTC for Fiscal Year 2025

Thank you for the opportunity to comment on the Office of the Inspector General's (OIG) Management and Performance Challenges Facing the CFTC for Fiscal Year 2025 report. The agency appreciates the ongoing partnership we have with the OIG in ensuring that the CFTC is best positioned to meet its mission to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets. The agency agrees that the management challenges set forth by the OIG are some of the most significant challenges the agency faces, and we are confident that with the leadership and diligence of agency management and staff, the CFTC is prepared to meet these challenges. Our confidence is largely based on the work that has already gone into these areas, some of which are described below.

1. **Pending Digital Assets Legislation: The Financial Innovation and Technology for the 21st Century Act (FIT21)**

   Agency Response: The CFTC is aware of legislative proposals being considered by Congress that bring regulatory oversight to the digital asset spot markets, as well as the implementation challenges associated with them. The CFTC will continue to monitor and provide Congress with timely and appropriate technical assistance as requested, and coordinate and communicate with other financial regulators as needed.

2. **Expiration of the Customer Protection Fund Expense Account (Whistleblower Program)**

   Agency Response: The CFTC is attempting to address vulnerabilities to the operation of the Whistleblower Office and program, as well as the Office of Customer Education and Outreach (OCEO), by working with Congress on a legislative fix that would enable the agency to fund the operations of the Whistleblower Office and the OCEO before satisfying the whistleblower award obligations. While a legislative fix was not enacted prior to September 30, 2024, Congress still has time to act before the operations of the Whistleblower Office and OCEO are negatively impacted. The CFTC will continue to provide Congress with timely and appropriate information about risks to the programs, as well as technical assistance regarding legislative solutions.

3. **CFTC Headquarters Relocation**

   Agency Response: The CFTC is working closely with the General Services Administration to ensure that the management of the overall project schedule for the relocation is successful and that the agency is able to fully operate during the relocation gap period.

4. **Maturing Enterprise Risk Management Practices**

   Agency Response: The CFTC is in the process of maturing its enterprise risk management (ERM) program. The agency anticipates formalizing the Enterprise Risk Committee in FY 2025 and is on a path to develop and approve the CFTC's first enterprise risk profile.

5. **Maintaining a Proactive Cybersecurity Posture**

   Agency Response: The CFTC will continue to prioritize cybersecurity and focus on improving its cybersecurity posture to ensure that its programs mirror a risk-based approach to identifying and implementing information system security solutions to protect market data. The agency's proactive cybersecurity posture is critical to counter evolving threats and to protect the organization's critical infrastructure and sensitive data.

The CFTC looks forward to addressing these challenges in FY 2025 and we appreciate the OIG for their role to detect fraud, waste, and abuse and to promote integrity, economy, efficiency, and effectiveness in the CFTC's programs and operations.

Summary of Audit and Management Assurances

Summary of FY 2024 Financial Statement Audit

Audit Opinion:	**Unmodified**				
Restatement:	**No**				
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	ENDING BALANCE
Total Material Weaknesses	0				0

Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance:	**Unmodified**					
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
Total Material Weaknesses	0					0
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
Statement of Assurance:	**Unmodified**					
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
Total Material Weaknesses	0					0
CONFORMANCE WITH FEDERAL FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFI						
Statement of Assurance:	**Federal systems conform to financial management system requirements**					
NON-CONFORMANCES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
Total Non-Conformances	0					0

COMPLIANCE WITH SECTION 803(A) OF THE FEDERAL FINANCIAL MANAGEMENT IMPROVEM ACT (FFMIA)		
	Agency	Auditor
1. Federal Financial Management System Requirements	No lack of substantial compliance noted	
2. Applicable Federal Accounting Standards	No lack of substantial compliance noted	
3. USSGL at Transaction Level	No lack of substantial compliance noted	

Definition of Terms

Beginning Balance: The beginning balance must agree with the ending balance from the prior year.

New: The total number of material weaknesses/non-conformances identified during the current year.

Resolved: The total number of material weaknesses/non-conformances that dropped below the level of materiality in the current year.

Consolidated: The combining of two or more findings.

Reassessed: The removal of any finding not attributable to corrective actions (e.g., management has reevaluated and determined that a finding does not meet the criteria for materiality or is redefined as more correctly classified under another heading (e.g., Section 2 to a Section 4 and vice versa)).

Ending Balance: The year-end balance that will be the beginning balance of next year.

Payment Integrity Information Act Reporting

The Payment Integrity Information Act of 2019 (PIIA) updated government-wide improper payment reporting requirements by repealing and replacing the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act of 2010, the Improper Payments Elimination and Recovery Act of 2012, and the Fraud Reduction and Data Analytics Act of 2015. PIIA is comprehensive payment integrity legislation that incorporates all prior payment integrity legislation into one Act. The PIIA-related OMB guidance provided in Circular A-136, *Financial Reporting Requirements*, and Appendix C, *Requirements for Payment Integrity Improvement*, of Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, requires agencies report detailed information related to the Commission's efforts to eliminate improper payments, which is summarized below. Additional information about the Commission's payment integrity reporting may be found at *paymentaccuracy.gov*.

Payment Integrity Reporting

The Commission does not administer grant, benefit or loan programs. For FY 2024, CFTC's most significant payments were for payroll and benefits for its employees, which are administered by the U.S. Department of Agriculture's National Finance Center (NFC) and the Office of Personnel Management (OPM), and payments to vendors for goods and services used during normal operations. CFTC's other most significant payments are for monetary awards to eligible whistleblowers who voluntarily provided the CFTC with original information about violations of the CEA that led the CFTC to bring enforcement actions that resulted in monetary sanctions exceeding $1 million.

Significant erroneous payments are defined as annual erroneous payments in the program exceeding both $10 million and 1.5 percent, or $100 million of total annual program payments. Although the Commission disbursed $48.5 million in whistleblower payments during FY 2024, the review of each individual award by the Commission's Claims Review Staff as well as multiple approval levels limits the likelihood that the whistleblower award program would be susceptible to significant improper payments. In addition, based on the results of transaction testing applied to a sample of FY 2024 vendor payments, consideration of risk factors, and reliance on the internal controls in place over the payment and disbursement processes, the Commission has determined that its programs and activities carried out in the normal course of business have a low risk of being susceptible to significant improper payments at or above the threshold levels set by OMB.

Appendix C of Circular A-123 states that the Commission is not required to determine a statistically valid estimate of erroneous payments or develop a corrective action plan if the program is not susceptible to significant improper payments. Appendix C also states that if a low-risk program experiences a significant change in legislation and/or a significant increase in its funding level, agencies are required to re-assess the program's risk susceptibility during the next annual cycle, even if it is less than three years from the last risk assessment. The Commission regularly reviews any changes to its programs in between preparing formal risk assessments to identify whether a new risk assessment should be conducted.

Recapture of Improper Payments

As stated previously, the Commission does not administer grant, benefit or loan programs. Implementation of recapture auditing, if determined to be cost-effective, would apply to the Commission's contract payments because payments to vendors total more than $10 million annually. The Commission determined that implementing a payment recapture audit program for contract payments is not cost-effective. In making this determination, the Commission considered its low improper payment rate based on testing conducted over the previous three years and determined that the costs of implementing and overseeing a payment recapture audit program, including staff time and payments to contractors, would exceed any benefits or recaptured amounts that might result.

The Commission utilizes cost-efficient matching techniques to review all vendor payments to identify significant overpayments at a low cost per overpayment. The Commission has not identified a significant number or amount of improper payments since it began its analysis.

In addition to contract payments, recapture auditing may also be considered for the Commission's monetary awards to whistleblowers, if determined to be cost-effective, when payments to whistleblowers total more than $10 million annually. The amount of whistleblower awards will vary depending on the number and amount of covered enforcement actions in a given year, as well as the extent of original information provided by whistleblowers that led to the actions. However, the Commission has determined that implementing a payment recapture audit program for monetary awards to whistleblowers would not be cost-effective due to the effective design and operation of the internal controls in place for the program. As noted previously, the review of each individual award by the Commission's Claims Review Staff and multiple approval levels limit the likelihood that the whistleblower award program would be susceptible to significant improper payments or that payment recapture audits would be beneficial.

The Commission will continue to monitor the potential for improper payments across all programs and activities it administers and assess whether implementing payment recapture audits for each program would be cost-effective.

Governmentwide Do Not Pay Initiative

The Do Not Pay (DNP) solution is a governmentwide initiative to screen payment recipients before a contract award or payment is made to eliminate payment errors before they occur. The Commission has integrated the solution into existing processes as part of its efforts to identify and prevent improper payments. The Commission's shared services provider utilizes the DNP Business Center, on the Commission's behalf, to perform online searches and screen payments against the DNP databases to augment data analytics capabilities.

All non-payroll payments disbursed by the Commission are processed through the DNP portal, including payments to whistleblowers and travel reimbursements to Commission employees (see Table 1 for the number and dollar amount of payments processed through the DNP portal in FY 2024 and FY 2023, respectively). Based on the results of the reviews to date, the DNP initiative has not identified any improper payments for the Commission.

Table 1. Results of the Do Not Pay Initiative in Preventing Improper Payments ($ thousands)						
FY	NUMBER (#) OF PAYMENTS REVIEWED FOR POSSIBLE IMPROPER PAYMENTS	DOLLARS ($) OF PAYMENTS REVIEWED FOR POSSIBLE IMPROPER PAYMENTS	NUMBER (#) OF PAYMENTS STOPPED	DOLLARS ($) OF PAYMENTS STOPPED	NUMBER (#) OF POTENTIAL IMPROPER PAYMENTS REVIEWED AND DETERMINED ACCURATE	DOLLARS ($) OF POTENTIAL IMPROPER PAYMENTS REVIEWED AND DETERMINED ACCURATE
2024[13]	3,597	$160,636	0	$0	0	$0
2023	3,636	$105,382	0	$0	0	$0

[13] FY 2024 DNP amounts reported on *paymentaccuracy.gov* are based on a preliminary report available as of October 23, 2024; FY 2024 DNP amounts reported in the table above are from the final report as of November 1, 2024.

Civil Monetary Penalty Adjustment for Inflation

The Federal Civil Penalties Inflation Adjustment Act of 1990 (FCPIA) requires agencies to peri- odically adjust civil penalties for inflation if either the amount of the penalty or the maximum penalty is set by law. The Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (2015 Act) amended the FCPIA and required the Commission to: make an initial "catch-up" inflation adjustment in FY 2016, and adjust for inflation going forward under guidance of the OMB, potentially on an annual basis.

The Commission administers the following sections of the CEA that provide for civil monetary penalties:

- Section 6(c) of the CEA, 7 U.S.C. 9—*Prohibition Regarding Manipulation and False Information;*
- Section 6b of the CEA, 7 U.S.C. 13a—*Non-Enforcement of Rules of Government or Other Violations; Cease and Desist Orders, Fines and Penalties, Imprisonment, Misdemeanor, Separate Offenses*; and
- Section 6c of the CEA, 7 U.S.C. 13a-1—*Enjoining or Restraining Violations.*

Pursuant to this authority, the Commission seeks penalties against person(s) or entity(s) for a host of violations, including: fraud, false statements to the Commission, misappropriation, price manipulation, use of a manipulative or deceptive device, disruptive trading practices, false reporting, accounting violations, registration and fitness violations, failure to maintain or produce required records, failure to make required reports, a registrant's failure to supervise, failure to comply with business conduct standards, and illegal off-exchange activity. The CEA provides for heightened sanctions in two circumstances: (1) when the violation involves manipulation or attempted manipulation; and (2) when the defendant/respondent is a registered entity (e.g., an exchange, clearing organization, or SDR) or any director, officer, agent, or employee of any registered entity.

In addition, in May 2020 the CFTC issued new guidance outlining factors the DOE considers in recommending civil monetary penalties (CMPs) to the Commission to be imposed in CFTC enforcement actions. The guidance memorializes the existing practice within DOE and has been incorporated into the DOE Enforcement Manual. This was the first DOE CMP guidance issued publicly since the Commission published its penalty guidelines in 1994. The full CFTC press release on this significant action can be found at https://www.cftc.gov/PressRoom/PressReleases/8165-20.

Details about the current penalty level and the date of the most recent inflationary adjustment for each civil monetary penalty within the jurisdiction of the Commission are reflected in the following tables.[14]

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[14] Criminal authorities may also seek fines for criminal violations of the CEA (See Sections 6(d), 9, 7 U.S.C. 13, 13(c),13(d),13(e), and 13(b). The FCPIA does not affect criminal penalties.

Penalty (Name of Penalty)	Authority (Statute)	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Level ($ Amount)[15]	Location for Penalty Update Details
CIVIL MONETARY PENALTIES IMPOSED BY THE COMMISSION IN AN ADMINISTRATIVE ENFORCEMENT ACTION					
For a civil penalty against any person (other than a registered entity, as that term is defined in Section 1a (4) of the CEA)	Section 6(c) of the Commodity Exchange Act (7 U.S.C. 9)	1/11/2023	1/24/2024	For penalties imposed by the Commission to administrative enforcement proceedings for violations from November 2015 to present, not more than the greater of $201,021 (for non-manipulation violations) or $1,450,040 (for manipulation or attempted manipulation violations) or triple the monetary gain to such person for each such violation.	Federal Register Vol. 89, Page 4542 (January 24, 2024) https://www.cftc.gov/sites/default/files/2024/01/2024-01341a.pdf
For a civil monetary penalty against any registered entity or any director, officer, agent, or employee of any registered entity, as that term is defined in Section 1a (40) of the CEA	Section 6b of the Commodity Exchange Act (7 U.S.C. 13a)	1/11/2023	1/24/2024	For penalties imposed by the Commission in administrative enforcement proceedings for violations from November 2015 to present, not more than the greater of $1,107,332 (for non-manipulation violations) or $1,450,040 (for manipulation or attempted manipulation violations) or triple the monetary gain to such person for each such violation.	Federal Register Vol. 89, Page 4542 (January 24, 2024) https://www.cftc.gov/sites/default/files/2024/01/2024-01341a.pdf
CIVIL MONETARY PENALTIES IMPOSED BY A DISTRICT COURT IN A CIVIL INJUNCTIVE ENFORCEMENT ACTION					
For a civil monetary penalty assessed against any person	Section 6c of the Commodity Exchange Act (7 U.S.C. 13a-1)	1/11/2023	1/24/2024	For penalties imposed by a District Court in civil injunctive enforcement proceedings for violations from November 2015 to present, not more than the greater of $221,466 (for non-manipulation violations) or $1,450,040 (for manipulation or attempted violations) or triple the monetary gain to such person for each such violation.	Federal Register Vol. 89, Page 4542 (January 24, 2024) https://www.cftc.gov/sites/default/files/2024/01/2024-01341a.pdf

Additional information regarding inflation adjusted civil monetary penalties is available on the Commission's website: https://www.cftc.gov/LawRegulation/Enforcement/InflationAdjustedCivilMonetaryPenalties/index.htm

[15] These adjusted penalties apply only with respect to violations occurring on or after November 2, 2015, the effective date of the 2015 Act.

APPENDIX

CFTC CUSTOMER PROTECTION FUND

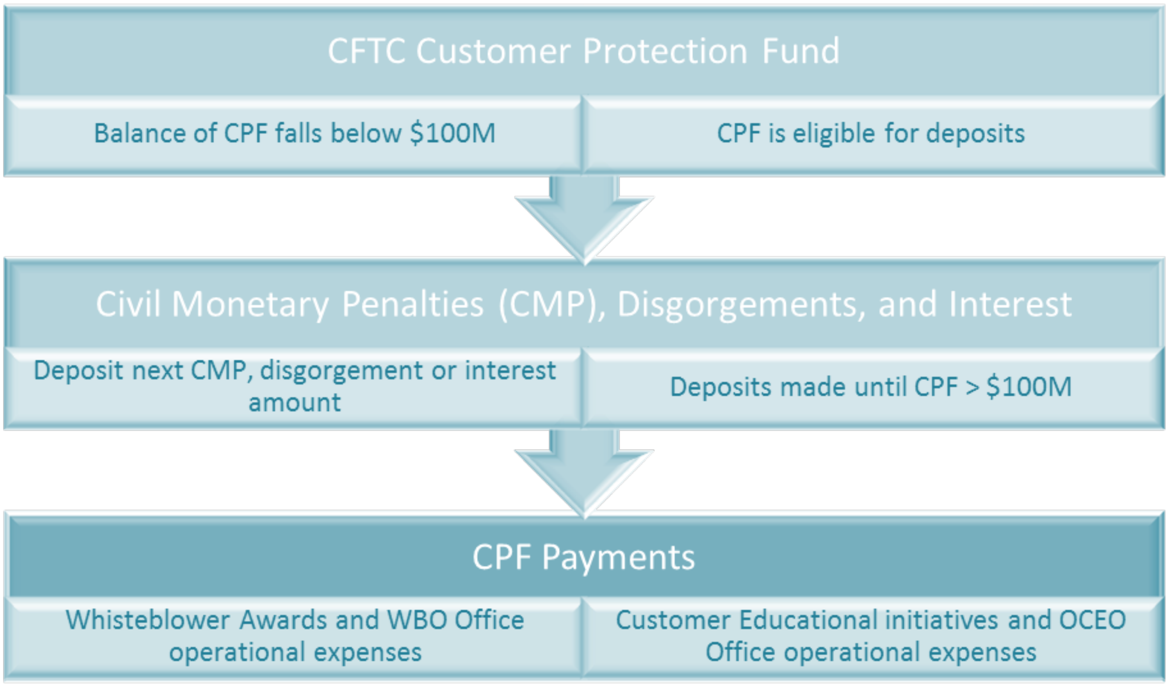
WHY ARE THE MARKETS IMPORTANT TO ME?

CFTC OVERSIGHT OF REGULATED ENTITIES

CFTC GLOSSARY

CFTC Customer Protection Fund

Section 748 of the Dodd-Frank Act established the CFTC Customer Protection Fund (CPF). The CPF is a permanent appropriation but must be apportioned annually by OMB. Customer Protection Funds are available for the payment of whistleblower awards and education efforts that focus on helping the public to protect themselves against fraud and other violations of the CEA. The CFTC is authorized to deposit CMPs, disgorgements, and interest it collects in covered administrative or judicial enforcement actions into the CPF, whenever the balance in the fund at the time of the deposit is less than or equal to $100 million.



In 2012, the Commission established the WBO and the OCEO to administer the Whistleblower and Customer Education Programs.

FY 2024 Highlights of the Whistleblower Program

The WBO raises awareness and increases the public's understanding of the Whistleblower Program through outreach to various stakeholders. These include industry and professional groups, other government agencies, SROs, academia, and potential whistleblowers who may be traders, hedgers, farmers, ranchers, producers, and commercial end users. WBO staff attend or speak at industry conferences, answer questions about the program posed directly to the WBO by whistleblowers or their counsel and distribute written materials in person at conferences or through the Whistleblower Program website.[16] This website educates the public about the Whistleblower Program, serving as a comprehensive resource for information to answer frequently asked questions and to offer helpful guidance on navigating the program.[17]

During FY 2024, the WBO continued using its website to publicize *Whistleblower Alerts* on trending topics. Previous alerts, which remain available on the website, cover carbon markets, romance scams, Bank Secrecy Act/anti-money laundering, corrupt practices (both foreign and domestic), insider trading, crypto/digital assets, and spoofing.[18] These trending topic alerts inform members of the public about how they can make themselves eligible for both financial awards and certain protections, while helping stop violations of the CEA. These alerts also raise awareness of areas of particular interest to the DOE.

WBO staff presented at or attended five public events hosted specifically for members of the global futures, options, and cleared swaps industry; corporate counsel; the whistleblower bar; and potential whistleblowers. These presentations aim to raise the profile and enhance stakeholders' understanding of the program.

In FY 2024 the Commission granted 15 applications for whistleblower awards, totaling over $42 million, to be paid to individuals who voluntarily provided original information or analyses that led to successful enforcement actions. Enforcement actions associated with these awards have resulted in monetary relief of about $162 million collected. Among the award recipients in this fiscal year, some provided information that led the CFTC to open investigations, while others provided information that significantly contributed to already open investigations. Since making its first award in 2014, the CFTC has issued 53 orders granting nearly $390 million in awards. To date, the total sanctions ordered in enforcement actions associated with those awards exceeds $3.2 billion.

The WBO will continue to publicize and explain the Whistleblower Program through customer advisories and alerts on its website, and by speaking and exhibiting at relevant industry conferences. The WBO continues to look for ways to ensure the DOE is receiving the maximum benefit from each whistleblower tip, and for ways to ensure whistleblowers are timely and fairly rewarded when they bring the Commission information that leads to successful enforcement actions. The WBO plans to explore further staffing and technical enhancements for review and processing of whistleblower tips and award applications.

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[16] See https://www.whistleblower.gov.

[17] See, e.g., Things To Know: https://www.whistleblower.gov/news/thingstoknow.

[18] Whistleblower Alerts are available on the Whistleblower Program website's main landing page, https://www.whistleblower.gov, as well as on a dedicated alerts page, https://www.whistleblower.gov/whistleblower-alerts.

Customer Education and Outreach

The OCEO administers the CFTC's customer and public education initiatives. OCEO derives its mission and responsibilities from the language in the CEA that established the Fund: to design, develop, implement, and evaluate "customer education initiatives designed to help customers protect themselves against fraud or other violations of [the CEA], or the rules and regulations thereunder."[19]

OCEO started the fiscal year with a new director and a new strategic plan. The FY 2024-2026 OCEO Strategic Plan was finalized in April. The Strategic Plan was developed through extensive research, including input from the Chairman, all Commissioners, several Division Directors, OCEO Staff, outside interests and state, federal, and international financial education leaders. Based on this research, OCEO's priorities are to:

- Gather data to effectively communicate with internal and external stakeholders to identify fraud trends, disseminate information relevant to OCEO's anti-fraud mission, and inform initiative design, effectiveness, and best practices.
- Increase the ability to reach customers with salient anti-fraud messages and resources that can be used to identify and avoid fraud, encourage fraud reporting, and counter disinformation.
- Create cooperative partnerships with federal, state, and nonprofit organizations to amplify OCEO's anti-fraud messaging and augment OCEO's resources.

This report describes how OCEO is working to meet these priorities.

A. Gathering Data and Communicating with Stakeholders

In response to increasing victim complaints, OCEO, working with the CFTC's OTI, DOE, and the Department of Justice's Computer Crime and Intellectual Property Section's National Cryptocurrency Enforcement Team, convened the first-ever *Fraud Disruption Conference*. During the conference, over 300 federal regulators and law enforcement officials from more than 15 federal agencies joined forces[20] to develop measurable strategies to prevent victimization; use technology to disrupt the fraud; and collaborate on enforcement efforts. Four working groups were also established focused on anti-victimization messaging, private/public partnerships, technology disruption, and enforcement.

In relationship confidence scams, fraudsters build online relationships with unsuspecting individuals before convincing them to trade crypto assets or foreign currency on fake trading platforms. The scams often start with the targeted individual receiving a random or "wrong number" text message. If the target responds, the communication quickly forms into a longer conversation and, in many cases, a relationship of trust with the fraudster. Eventually, the fraudster offers to introduce the target to cryptocurrency or over-the-counter foreign exchange (forex) trading, promising large gains. However, even though customers may be

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[19] See supra note 4.

[20] Some of the participating agencies included: the FBI; Social Security Administration (SSA), CFTC's OIG; U.S. Attorney's Office for the District of Columbia and for the District of Massachusetts; Treasury; U.S. Drug Enforcement Administration; U.S. Postal Inspection Service; U.S. Secret Service; and the SEC.

able to initially withdraw fake "profits," in the end the victims lose everything.[21] The results of this scam are heartbreaking, with people taken for their savings and some even committing suicide. [22]

In 2023, relationship confidence fraud victims reported losses of approximately $3.96 billion, according to the Federal Bureau of Investigation (FBI); however, actual losses may be much higher due to underreporting.[23] These crimes are digitally perpetrated, often originating outside the United States by highly organized criminal groups operating *fraud farms* that exploit human trafficking victims. These criminal groups refer to the fraud from the Chinese expression known as "pig butchering."

Relationship confidence scams were also the topic of an April 4th Facebook Live presentation hosted by the American Association of Retired Persons (AARP). The 20-minue Q-and-A presentation reached nearly 750 viewers. In addition, during the Financial Industry Regulatory Authority's (FINRA's) Investor Education Foundation's September 12th Disrupting Financial Fraud Conference, OCEO presented relationship confidence fraud data and discussed the steps the office is taking to raise awareness. The conference attracted approximately 200 educators, researchers, federal agency representatives, and other stakeholders.

As an educator and thought leader, OCEO presented information to several groups composed of regulators and volunteers. OCEO staff:

- Issued a customer advisory, *AI Won't Turn Trading Bots into Money Machines,*[24] to the FSOC;
- Spoke to state and provincial regulators on a panel titled Digital *Caregiver: Protecting our Elderly Population,* during the North American Securities Administrators Association (NASAA) annual investor education conference;
- Alerted federal civil and criminal regulators about fraud trends during the SEC's San Francisco Regional Conference;
- Informed the Financial Literacy and Education Commission (FLEC)[25] about relationship confidence frauds during a FLEC public meeting; and
- Led a presentation about gold IRA frauds for AARP Fraud Watch Network volunteers and staff in August.

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[21] https://www.cftc.gov/sites/default/files/2024/09/OCEO_Cryptocurrency_Infographic.pdf
[22] See CNN (June 20, 20240. Killed by a scam: A father took his life after losing his savings to international criminal gangs. He's not the only one. https://www.cnn.com/2024/06/17/asia/pig-butchering-scam-southeast-asia-dst-intl-hnk/index.html
[23] https://www.ic3.gov/Media/PDF/AnnualReport/2023_IC3CryptocurrencyReport.pdf.
[24] See *AI Won't Turn Trading Bots into Money Machines*, https://www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/AITradingBots.html
[25] FLEC was established under the Fair and Accurate Credit Transactions Act of 2003 and is made up is made up of the heads of 24 federal agencies: Treasury (Chair), Consumer Financial Protection Bureau (Vice-Chair), CFTC, USDA, Department of Defense, Department of Education, Department of Health and Human Services, Department of Housing and Urban Development, Department of Interior, DOL, Department of Veterans Affairs, Federal Deposit Insurance Corporation, Federal Emergency Management Agency, Federal Housing Finance Agency, Federal Reserve Board, Federal Trade Commission, General Services Administration, National Credit Union Administration, Office of the Comptroller of the Currency, OPM, Small Business Administration, SEC, SSA, and the White House Domestic Policy Council. For more information, visit https://home.treasury.gov/policy-issues/consumer-policy/financial-literacy-and-education-commission.

B. Increasing OCEO's Ability to Reach Customers

As called for in the new OCEO Strategic Plan, OCEO is now reaching hundreds of thousands of website visitors annually with a redesigned and enhanced Learn & Protect section of CFTC.gov. The page now highlights common frauds affecting customers, see **Figure 1** below. Each of the fraud topic areas — Romance Frauds, Digital Asset Frauds, Forex Frauds, Precious Metals Frauds, and Imposter Frauds — include brief descriptions of how the frauds play out, dos and don'ts for customers who encounter these frauds, and a curated set of CFTC and other resources available on the topic.

In FY 2024, OCEO published portions of the CFTC's Learn & Protect section and its online educational content in Spanish and expects to have resources available in simplified Chinese by the end of calendar. Additional languages will be added throughout FY 2025.

In FY 2024, OCEO published customer advisories, web articles, and fliers, as well as a series of CFTC Fraud Watch videos to provide anti-victimization education. The Fraud Watch videos were done in partnership with DOE and are intended to make OCEO's educational content more accessible to end-users. To date, the videos have been viewed more than 1,300 times.

- Advisories
    - AI Won't Turn Trading Bots into Money Machines
    - Six Warning Signs of Online Financial Romance Frauds
    - 10 Things to Ask Before Buying Physical Gold, Silver, or Other Metals
    - Don't Let Fraud Make You Feel Foolish
    - Don't Become an Unwitting Money Launderer
    - Fraud in Three Acts: Relationship Cons, Recovery Scams, & Money Laundering
    - Relationship Investment Scams[26]
- Flier
    - Lies Versus Facts: The Truth Behind Gold and Silver IRA Scams (PDF)
- Article
    - How to Identify and Talk About Elder Fraud
- Videos
    - How Gold or Silver IRA Scams Rob Your Retirement
    - How Do Precious Metals Frauds Target Me
    - Gold and Silver Frauds Do the Math
    - Blow the Whistle on Gold Fraud Boiler Rooms
    - Fight Back Against Fraud, Report It
    - Avoid Problems When Buying Precious Metals
    - The Gold IRA Collectibles Scam
    - What is a 401(k) Rollover Scam
    - Exploring Effective Social Media Investment Scam Interventions
    - Is AI for Investors Road-Ready?

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[26] This advisory was issue
d in partnership with the SEC, FINRA, and NASAA.

OCEO also participated in live events designed to meet potential victims where they are, in addition to the voluminous information on CFTC.gov.[27] During each of the events, OCEO Staff warned attendees about various types of fraud, including relationship confidence, precious metal, digital asset, and forex frauds.

- In February, OCEO and DOE staff provided information about fraud to attendees interested in trading commodities at the Las Vegas Traders Expo.
- In June, OCEO and DOE staff informed pork producers and agricultural professions about common types of fraud at the World Pork Expo.
- In August, OCEO teamed up with the SEC Office of Investor Education and Advocacy to conduct a series of military trainings, including a joint presentation to Marine Personal Financial Managers at their annual training event at Marine Corps Air Station Miramar in San Diego, California. OCEO also joined the SEC for presentations at Naval Base San Diego, and Marine Base Quantico. During each of these presentations, OCEO staff warned service members about common frauds.
- In September, OCEO participated in the National Historically Black Colleges and Universities (HBCU) Week Conference September 16-19th in Philadelphia. The event was led by the White House Initiative on HBCUs. OCEO staff provided information to attendees about the red flags of crypto fraud, how to identify fraudulent cryptocurrency websites, and relationship confidence fraud. OCEO's engagement featured the debut of an online trivia challenge that tests users' knowledge and introduces them to fraud avoidance techniques and information.[28]
- In September, OCEO and OTI partnered with the Brooklyn DA and SEC's New York Office to conduct an outreach event to Brooklyn's Asian American community. The goal of the event was to raise awareness about relationship confidence scams within the community based on information that the Asian American community has been victimized by these frauds.

OCEO also engaged with customers and educators through its online World Investor Week, October 2023 program, *Technology and Fraud: Stopping Scams in a Digital World*.[29] The event's first panel, *Exploring Effective Social Media Investment Scam Interventions*, covered the rapid growth of social media investment fraud, how platforms contribute to the scams' effectiveness, and ways educators, regulators, and other stakeholders can develop interventions to combat social media frauds. The second panel, *Is AI for Investors Road-Ready?*, focused on the capabilities and risks associated with AI in trading and other financial services, and safeguards customers and stakeholders should consider.

As part of its World Investor Week efforts, OCEO also was invited by the FINRA Investor Education Foundation to offer its viewpoints on FINRA's recent research about the behaviors of new investors. OCEO and DOE's Office of Cooperative Enforcement also joined the NFA for its World Investor Week panel discussion about recent fraud trends.

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[27] OCEO's 2024-2026 Strategic Plan includes an objective to advance DEIA, which states the CFTC will extend customer education and outreach efforts to vulnerable and underserved communities.
[28] https://www.cftc.gov/LearnandProtect/Quiz.
[29] World Investor Week is a global campaign organized by IOSCO.

In FY 2025, OCEO will continue to engage with customers where they are. In support of that goal, OCEO design effective public service announcements and place anti-fraud information on popular social media sites.

C. Partnerships with outside organizations

In addition to OCEO's stakeholder outreach and engagement efforts with private sector organization such as the American Bankers Association (ABA), the office also maintains ongoing relationships with organizations such as FLEC and IOSCO, and seeks to build relationships with federal agencies, state regulators, and financial education organizations to amplify OCEO's work and extend the information's reach. Following are highlights of this work.

In March, OCEO and FINRA co-released, *10 Things to Ask Before Buying Physical Gold, Silver, or Other Metals*, a customer advisory that warns people in or near retirement about gold and silver investment scams that tout over-priced metals and coins as "safe investments," but instead charge exorbitant markups, commissions, and fees.[30] The effort was also supported by NASAA.

In September, OCEO joined the ABA Foundation, the FBI, the Financial Crimes Enforcement Network, FINRA, the Department of Homeland Security, IRS Criminal Investigation, U.S. Secret Service, and SEC in supporting an educational infographic about relationship confidence frauds for distribution through U.S. banks. The one-page infographic illustrates the scam's phases—from how victims are targeted to how the scam ends— and provides warning signs and steps to take if a person has been victimized.[31]

OCEO and the SEC also continued to work closely together throughout 2024. In September, OCEO joined the SEC, FINRA, and NASAA to develop and distribute an investor alert that gives customers a clear picture of how relationship confidence scammers work their way into the minds and wallets of even savvy people.

OCEO remains an active member on IOSCO's Committee on Retail Investors. In addition to its participation in World Investor Week, OCEO also provides input and support to the development of IOSCO reports and issues involving investor protection and investor education. Ongoing topics include, crypto asset education, the risks posed by financial social media influencers or "finfluencers," and risks posed by copy or mirror trading, which are services often marketed to low-experience retail traders that encourage them to copy the trades or actions of others.

Finally, OCEO has emphasized building and using relationships with other CFTC divisions and offices, including DOE, OTI, OMWI, and OIA. These divisions and offices provided critical support helping OCEO and its staff achieve the results discussed here, including our ongoing efforts to reach and educate customers.

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[30] See *10 Things to Ask Before Buying Physical Gold, Silver, or Other Metals*, https://www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/Metals10Things.html
[31] https://www.cftc.gov/sites/default/files/2024/09/OCEO_Cryptocurrency_Infographic.pdf

Figure 1: Learn and Protect Fraud Center

Why Are the Markets Important to Me?

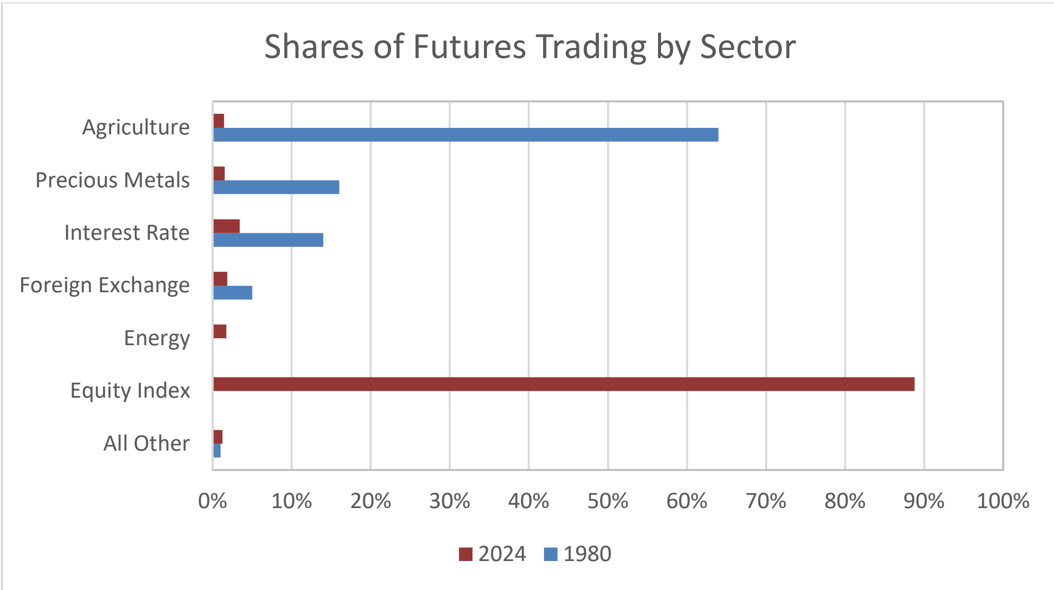
A Primer in Futures Markets

A futures contract is an agreement to purchase or sell a commodity for delivery in the future: 1) at a price that is determined at initiation of the contract; 2) that obligates each party to the contract to fulfill the contract at the specified price; 3) that is used to assume or shift price risk; and 4) that may be satisfied by delivery or offset. The CEA generally requires futures contracts to be traded on regulated exchanges, with futures trades cleared and settled through clearinghouses, referred to as DCOs. To that end, futures contracts are standardized to facilitate exchange trading and clearing.

Although a futures contract agreement is set today, the person selling (for example, a farmer marketing bushels of wheat) will not receive payment and the buyer (in this case, a bakery) will not receive goods purchased until the predetermined delivery date agreed to in the contract, which in this example, is December 1. The farmer benefits from this agreement because he is certain as to the amount of money he will earn from the farming operation, even if the price of wheat changes between today and December 1. Similarly, the bakery buying the wheat also benefits by knowing how much the wheat will cost on December 1 and it will be better positioned to estimate its baking costs and set prices for its products. Finally, even though the actual price of wheat on December 1 (when the contract is fulfilled) may be greater or less than the price agreed upon in the December 1 contract, the contract price is fixed and both the farmer and the bakery are bound by their agreement. Most futures contracts are not settled with the actual physical delivery of the commodity, but by entering into opposite (offsetting) futures contracts, which serve to close out the original positions, with profits or losses dependent on the direction in which the price of the contracts have moved relative to those positions.

Speculators may also buy or sell such futures contracts. The speculator buying a futures contract for December wheat believes the value of the wheat in December will be higher than the price he or she is paying for the contract today. As time passes, and December draws closer, traders may try to predict whether the cost of December wheat will rise or fall, and this may cause the value of that futures contract to fluctuate. For example, if traders expect an especially bad harvest, then the price of December wheat will rise, and the speculator can sell that futures contract for December wheat for more than they paid.

Over the years, the futures markets have become increasingly diversified from their agricultural beginnings. Futures based on other physical commodities, such as metals, beginning in the 1970s, and energy products, during the 1980s, were developed. Since being introduced in the 1970s, financial futures contracts based on interest rates, foreign currencies, Treasury bonds, security indexes, and other products have far outgrown the agricultural contracts in trading volume.



Source: Futures Industry Association; 2024 data as of September, 2024

Since 1980, the share of on-exchange commodity futures trading activity in the agricultural sector decreased from 64 percent of trading activity to 1 percent in 2024. The share of the equity index, energy, foreign exchange and other contract activity increased from less than 6 percent of trading activity in 1980 to 94 percent in 2024.

A Primer in Swaps Markets

Generally speaking, a swap is an exchange of one set of cash flows for another, typically netted. Swaps can be used to hedge risks arising from changing commodity prices, interest rates, credit spreads, foreign exchange rates, and other economic quantities.

For example, a company that manufactures metal bottles plans to buy 50 metric tons of aluminum from its regular suppliers in six months, but wants to hedge against the risk of rising aluminum prices. It can enter into a one-year swap, agreeing in six months to pay $2,000 per metric ton for 50 tons of aluminum, or $100,000, in exchange for receiving the price of 50 metric tons of aluminum that prevails in 6 months. This swap, which is separate from the purchase of aluminum, locks in a cost of $100,000 for the aluminum needs of this manufacturer in six months.

If the price of aluminum at the end of the six months happens to be $2,500 per ton, the manufacturer will buy the 50 tons from its suppliers at that prevailing price, for a total of $125,000. At the same time, as specified by the swap, the manufacturer will pay the agreed upon $100,000 and receive the price of 50 tons at the prevailing price, that is, $125,000. Because the swap payments are netted, the manufacturer receives $25,000. The $25,000 proceeds from the swap offset the price increase in aluminum, so the manufacturer's total cost of obtaining the aluminum is $100,000.

If, on the other hand, the price of aluminum at the end of the six months happened to fall to $1,500 per ton, then the manufacturer buys 50 tons from its suppliers at that price, for a total of $75,000. The manufacturer then settles the swap by paying $25,000, which is the difference between $100,000 (fixed by the terms of the swap) and receiving the market price of $1,500 on 50 tons, or $75,000. Once again, the total cost of obtaining the aluminum is $100,000. Hence, because of the swap, whether the price of aluminum rises or falls, the manufacturer's realized cost is $100,000. Note that, in the case when the price turns out to be $1,500 per ton, it appears that the manufacturer loses money on the swap—it pays the difference between $100,000 and $75,000—but that is just part of the hedging strategy that locks in a cost of $100,000.

	Terms of the Swap Contract	Two Possible Outcomes of the Swap Transaction	
Tons of Aluminum:	50	50	50
Price/ Metric Ton:	$2,000	$2,500	$1,500
Contract Price:	$100,000		
Manufacturer Pays Fixed Price:		$100,000	$100,000
Manufacturer Receives Floating Price:		$125,000	$75,000
Manufacturer's Net Receipt or Payment Depending on Prevailing Price on Agreed Upon Date of Swap:		**$25,000**	**($25,000)**

Before the Dodd-Frank Act, swaps were traded OTC and were mostly bilateral, that is, strictly between the two counterparties to the swap. Since then, as envisioned by the Dodd-Frank Act, much of the swaps market trades on regulated execution facilities; is reported to regulators; and -particularly in the case of interest rate swaps and credit default swaps - is centrally cleared, that is, the two counterparties to a swap legally face a clearinghouse. These changes have greatly enhanced the Commission's ability to monitor trading activity and risk in swap markets. Considerable effort is expended at the CFTC to improve its ability to process, understand, and analyze the swaps market data it receives.

CFTC Oversight of Regulated Entities

Which Entities does CFTC regulate?

Associated Person—A natural person who is associated in certain capacities with a FCM, retail foreign exchange dealer, introducing broker, CPO, CTA, leverage transaction merchant, or SD or MSP and who engages in the solicitation or acceptance of orders, funds/property, or swaps; or the supervision of any person or persons so engaged.

CPO—A person engaged in a business in the nature of a commodity pool, investment trust, syndicate, or similar form of enterprise, and who solicits or accepts funds, securities, or property for the purpose of trading commodity futures contracts or commodity options. The CPO either itself makes trading decisions on behalf of the pool or engages a CTA to do so.

CTA—A person who, for compensation or profit, engages in the business of advising others as to the value or advisability of commodity futures or options, security futures products, swaps, retail foreign exchange contracts, or leverage transactions; or who, for compensation or profit, and as part of a regular business, issues or promulgates analyses or reports concerning any of the foregoing, subject to certain exclusions.

Derivatives Clearing Organization (DCO)—An entity that, in respect to a contract (1) enables each party to the contract to substitute, through novation or otherwise, the credit of the derivatives clearing organization for the credit of the parties; (2) arranges or provides, on a multilateral basis, for the settlement or netting of obligations resulting from such contracts; or (3) otherwise provides clearing services or arrangements that mutualize or transfer among participants in the derivatives clearing organization the credit risk arising from such contracts. Also called a clearing house, clearing organization, or central counterparty.

Designated Contract Market—A board of trade or exchange designated by the CFTC to trade futures or options under the CEA.

Exempt Derivatives Clearing Organization—A derivatives clearing organization that has been exempted by the Commission from registration for the clearing of swaps because the Commission has determined that the derivatives clearing organization is subject to comparable, comprehensive supervision and regulation by appropriate government authorities in the derivatives clearing organization's home country, as permitted by the CEA.

Floor Broker—A person who, in any pit, ring, post, or other place provided by an exchange for the meeting of persons similarly engaged, purchases or sells for another person any futures contract, commodity option, security futures product or swap.

Floor Trader—A person who, in any pit, ring, post, or other place provided by an exchange for the meeting of persons similarly engaged, purchases or sells for their own account, any futures contract, commodity option, security futures product or swap.

Foreign Board of Trade—A foreign board of trade means a board of trade, exchange or market located outside the U.S., its territories or possessions, whether incorporated or unincorporated, where foreign futures or foreign options transactions are entered into.

FCM—An individual, association, partnership, corporation, or trust that solicits or accepts orders for the purchase or sale of any futures contract, commodity option contract, security futures contract, commodity option contract, security futures contract, swap, retail foreign exchange transaction, or leverage transaction (or who acts as a counterparty to a retail foreign exchange transaction), and who accepts payment from or extends credit to margin, guarantee or secure any trades resulting from the activity.

Introducing Broker—A person (except any of the following, acting in their capacity as such: FCMs, floor brokers, associated persons, CPOs, or CTAs) who, for compensation or profit, is engaged in soliciting or accepting orders for the purchase or sale of any futures contract, commodity option contract, security futures product, retail foreign exchange transaction, leverage transaction, or swap, and who does not accept any money, securities, or property to margin, guarantee, or secure any trades or contracts that result.

MSP—A person who maintains a substantial position in any of the major swap categories, excluding positions held for hedging or mitigating commercial risk and positions maintained by certain employee benefit plans for hedging or mitigating risks in the operation of the plan, or whose outstanding swaps create substantial counterparty exposure that could have serious adverse effects on the financial stability of the U.S. banking system or financial markets, or any financial entity that is highly leveraged relative to the amount of capital such entity holds and that is not subject to capital requirements established by an appropriate Federal banking agency and that maintains a "substantial position" in any of the major swap categories.

Retail Foreign Exchange Dealer— A person that is, or that offers to be, the counterparty to a retail forex transaction, except for a counterparty, or person offering to be a counterparty, that is a U.S. financial institution, a broker or dealer registered with the SEC, an associated person of a broker or dealer registered with the SEC, an FCM registered with the CFTC, or a financial holding company.

SDR—Entities created by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) to provide a central facility for swap data reporting and recordkeeping.

SD— Any person who holds itself out as a dealer in swaps; makes a market in swaps; regularly enters into swaps with counterparties as an ordinary course of business for its own account; or engages in any activity causing it to be commonly known in the trade as a dealer or market maker in swaps, unless that person only engages in a *de minimis* amount of swap dealing activity.

Swap Execution Facility—A trading facility that operates under the regulatory oversight of the CFTC for the trading and processing of swaps.

Systemically Important Derivatives Clearing Organization—A derivatives clearing organization registered with the CFTC that has been designated as systematically important by the FSOC and for which the CFTC acts as the Supervisory Agency pursuant to Title VIII of the Dodd-Frank Act.

Entities Under CFTC Regulation

Trading Entities

- Designated Contract Market (DCM) -Exchanges designated to list for trading futures, options, and/or swaps contracts.
  - *Number of DCMs as of 9/2024:* ***18***
- Swap Execution Facility (SEF) -A trading facility that operates under the regulatory oversight of the CFTC for the trading and processing of swaps.
  - *Number of SEFs as of 9/2024: 21*
- Foreign Board of Trade (FBOT) -Any board of trade, exchange or market located outside of the U.S. where foreign futures or foreign options transactions are entered. A foreign board of trade must register with the CFTC if it provides identified members or other participants located in the U.S. with direct access to its electronic trading and order matching system.
  - *Number of registered FBOTs as of 9/2024: 24*

- CFTC Role: CFTC registers new exchanges and foreign boards of trade, conducts examinations of exchange compliance programs, including system safeguards, reviews products listed by exchanges and rules and rule amendments submitted by exchanges. CFTC shares regulatory authority with the FBOT's home regulator authority regarding oversight over direct access trading. CFTC also oversees DCMs in their SRO capacity.

Clearing Entities

- Derivatives Clearing Organization (DCO)-Enables parties to a contract to substitute the credit of the derivatives clearing organization for the credit of the parties, arranges for the settlement of netting of obligations, or provides clearing services.
  - *Number of Registered DCOs as of 9/2024: 18*
- Exempt DCO-A non-U.S. clearing organization clearing proprietary positions of U.S. persons may be exempt DCO from registration, subject to conditions established by the CFTC.
  - *Number of Exempt DCOs as of 9/2024: 5*
- Systemically Important DCO's (SIDCO)-A registered DCO that has been designated by the Financial Stability Oversight Council to be systemically important for which the CFTC is the Supervisory Agency.
  - *Number of SIDCOs as of 9/2024: 2*

- CFTC Role: Develops regulations, orders, and guidance regarding DCOs; reviews applications for DCO registration and exemptions from DCO registration; reviews DCO rule changes; conducts examinations to ensure compliance by DCOs with the CEA and CFTC regulations; performs ongoing risk surveillance of DCOs and their clearing members.

Data Repositories

- Swap Data Repository (SDR)-Any person that collects and maintains information or records with respect to transactions or positions in, or the terms and conditions of, swaps entered into by third parties for the purpose of providing a centralized recordkeeping facility for swaps.
  - *Number of SDRs as of 9/2024: 4*

- CFTC Role: Registers SDRs, reviews filings and application amendments, receives direct electronic access to swap data, and conducts system safeguards examinations to ensure the safe storage of trade information.

Registered Futures Association

- National Futures Association (NFA)-An independent self-regulatory organization (SRO) for U.S. futures and derivatives markets.
  - *Number of Registered Futures Associations as of 9/2024: 1*

- CFTC Role: Oversees and examines NFA and other self-regulatory organizations.

Registered Market Participants:

- Certain market participants must generally be registered with the CFTC to participate in the commodity derivatives markets. The CFTC registration process is handled through the NFA.
  - *Number of Futures Commission Merchants as of 9/2024: 62*
  - *Number of Major Swap Participants as of 9/2024: 0*
  - *Number of Retail Foreign Exchange Dealers as of 9/2024: 4*
  - *Number of Swap Dealers as of 9/2024: 106*
  - *Number of Commodity Pool Operators as of 9/2024: 1,204*
  - *Number of Commodity Trading Advisors as of 9/2024: 1,567*
  - *Number of Associated Persons as of 9/2024: 37,899*
  - *Number of Introducing Brokers as of 9/2024: 909*
  - *Number of Floor Brokers as of 9/2024: 255*
  - *Number of Floor Traders as of 9/2024: 19*
  - *Number of Non-natural Floor Traders (Floor Trader Firms) as of 9/2024: 3*

- CFTC Role: Develops regulations, orders, and interpretive statements with respect to swap dealers, futures commission merchants and other registered market participants. The CFTC conducts varying levels of review of regulatory applications, financial and other business data, and examinations to determine compliance with the CEA and Commission regulations. NFA, an SRO, conducts a direct examination program for swap dealers and other registered market participants. The Commission thereby leverages the significant resources of NFA to meet examination workload demands, while preserving and focusing finite CFTC resources. Through its direct oversight of NFA, the CFTC receives and takes necessary action based on the results of NFA examinations.

CFTC List of Abbreviations and Acronyms

Because the acronyms of many words and phrases used throughout the futures and swaps industries are not readily available in standard references, the Commission's OPA compiled a glossary to assist members of the public. A guide to the language of the futures and swaps industry is located online at:

https://www.cftc.gov/ConsumerProtection/EducationCenter/CFTCGlossary/glossary_uv.html

Please note that List of Abbreviations and Acronyms included below and the CFTC's online glossary are not all-inclusive, nor are general definitions intended to state or suggest the views of the Commission concerning the legal significance, or meaning of any word or term. Moreover, no definition is intended to state or suggest the Commission's views concerning any trading strategy or economic theory.

U.S. Federal Laws

CEA: Commodity Exchange Act	**FISMA:** Federal Information Security Management Act
Data Act: Digital Accountability and Transparency Act of 2014	**FFMIA:** Federal Financial Management Improvement Act
Dodd-Frank: Dodd-Frank Wall Street Reform and Consumer Protection Act	**FMFIA:** Federal Managers' Financial Integrity Act
FCPIA: Federal Civil Penalties Inflation Adjustment Act	**GPRA:** Government Performance and Results Act
FECA: Federal Employees' Compensation Act	**RCA:** The Report Consolidation Act of 2000
FIRREA: Financial Institutions, Reform, Recovery and Enforcement Act	

CFTC Divisions and Offices

DCR: Division of Clearing and Risk	**OGC:** Office of the General Counsel
DMO: Division of Market Oversight	**OIA:** Office of International Affairs
DOD: Division of Data	**OIG:** Office of the Inspector General
DOE: Division of Enforcement	**OLIA**: Office of Legislative and Intergovernmental Affairs
MPD: Market Participants Division	**OMWI:** Office of Minority and Women Inclusion
OCE: Office of the Chief Economist	**OPA:** Office of Public Affairs
OCEO: Office of Customer Education and Outreach	**OTI:** Office of Technology and Innovation
DA: Division of Administration	**WBO:** Whistleblower Office

U.S. Federal Departments and Agencies

CFTC: U.S. Commodity Futures Trading Commission

DHS: U.S. Department of Homeland Security

DOL: U.S. Department of Labor

ESC: U.S. Department of Transportation's Enterprise Services Center

FBI: Federal Bureau of Investigation

FDIC: Federal Deposit Insurance Corporation

GAO: U.S. Government Accountability Office

GSA: U.S. General Services Administration

NIST: National Institute of Standards and Technology

OMB: Office of Management and Budget

OPM: Office of Personnel Management

SEC: U.S. Securities and Exchange Commission

Treasury: U.S. Department of the Treasury

USDA: U.S. Department of Agriculture

Other Abbreviations and Industry Terms

AP: Associated Person

CCP: Central Counterparty

CMEG: CME Group

CMP: Civil Monetary Penalties

CPF: Customer Protection Fund

CPO: Commodity Pool Operator

CSRS: Civil Service Retirement System

CTA: Commodity Trading Advisor

DCM: Designated Contract Market

DCO: Derivatives Clearing Organization

DQP: Data Quality Plan

EMIR: European Market Infrastructure Regulation

ERM: Enterprise Risk Management

ENN: Entity-Netted Notional

EU: European Union

FASAB: Federal Accounting Standards Advisory Board

FBOT: Foreign Board of Trade

FCM: Futures Commission Merchant

ICOR: Internal Controls over Reporting

IOSCO: International Organization of Securities Commissions

IR: Interest Rate

ISDA: International Swaps and Derivatives Association

IT: Information Technology

MOU: Memorandum of Understanding

MIB: Market Intelligence Branch

MSP: Major Swap Participant

NFA: National Futures Association

ORB: Other Retirement Benefits

OTC: Over-the-Counter

PP&E: Property, Plant, and Equipment

RED: Registration Deficient List

RegTech: Regulatory Technology

RFED: Retail Foreign Exchange Dealer

SBR: Statement of Budgetary Resources

SD: Swap Dealer

SDR: Swap Data Repository

Other Abbreviations and Industry Terms (Cont.)

FERS: Federal Employees Retirement System

FILAC: Filings and Actions Database

FinTech: Financial Technology

FLEC: Financial Literacy and Education Commission

FSB: Financial Stability Board

FTE: Full-time Equivalent

FY: Fiscal Year

GAAP: U.S. Generally Accepted Accounting Principles

GAGAS: Generally Accepted Government Auditing Standards

GFIN: Global Financial Innovation Network

IB: Introducing Broker

ICE: Intercontinental Exchange

ICC: Ice Clear Credit LCC

SEF: Swap Execution Facility

SFFAS: Statement of Federal Financial Accounting Standards

SIDCO: Systemically Important DCO

SPPS: Special Payment Processing System

SRO: Self-Regulatory Organization

SSE: System Safeguards Examination

TCR: Tip, Complaint, or Referral Form

TMA: Targeted Maturity Assessment

UK: United Kingdom

UPI: Unique product identifiers

USSGL: U.S. Standard General Ledger

UTI: Unique transaction identifiers

WBO APP: Whistleblower Application Form

We Welcome Your Comments

Thank you for your interest in the CFTC's FY 2024 Agency Financial Report. We welcome your comments on how we can make the report more informative for our readers. Please send feedback to dfrederickson@cftc.gov or to:

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This FY 2024 Agency Financial Report and prior year documents are available on the CFTC website at:
https://www.cftc.gov/About/CFTCReports/index.htm