

**ANNUAL REPORT ON THE
WHISTLEBLOWER PROGRAM AND
CUSTOMER EDUCATION INITIATIVES**



2019 Annual Report

October 2019

I. INTRODUCTION

Section 748 of the Dodd-Frank Wall Street Reform and Consumer Protection Act¹ amended the Commodity Exchange Act (“CEA”) by adding Section 23, entitled “Commodity Whistleblower Incentives and Protection.”² CEA Section 23 established a whistleblower program under which the Commodity Futures Trading Commission (the “Commission” or “CFTC”) will pay awards, based on collected monetary sanctions and under regulations prescribed by the Commission, to eligible whistleblowers who voluntarily provide the Commission with original information about violations of the CEA that lead either to a “covered judicial or administrative action” or a “related action.”³ CEA Section 23 also established the Commodity Futures Trading Commission Customer Protection Fund (“Fund”), which is used to pay whistleblower awards and to fund “customer education initiatives designed to help customers protect themselves against fraud or other violations of [the CEA], or the rules and regulations thereunder.”⁴

CEA Section 23(g)(5) requires the Commission to transmit an annual report to the Committee on Agriculture, Nutrition and Forestry of the Senate, and the Committee on Agriculture of the House of Representatives, on the following:

- Commission’s whistleblower program, including a description of the number of awards granted and the types of cases in which awards were granted during the preceding fiscal year;

¹ Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 748, 124 Stat. 1739 (2010).

² 7 U.S.C. § 26 (2012).

³ A “covered judicial or administrative action” is “any judicial or administrative action brought by the Commission under [the CEA] that results in monetary sanctions exceeding \$1,000,000.” 7 U.S.C. § 26(a)(1). The term “related action,” when used with respect to any judicial or administrative action brought by the Commission under the CEA, means “any judicial or administrative action brought by an entity described in [7 U.S.C. § 26(h)(2)(C)(i)(I)-(VI)] that is based upon the original information provided by a whistleblower pursuant to [7 U.S.C. § 26(a)] that led to the successful enforcement of the Commission action.” *Id.* § 26(a)(5).

⁴ 7 U.S.C. § 26(g)(2).

- customer education initiatives that were funded by the Fund during the preceding fiscal year;
- balance of the Fund at the beginning of the preceding fiscal year;
- amounts deposited into or credited to the Fund during the preceding fiscal year;
- amount of earnings on investments of amounts in the Fund during the preceding fiscal year;
- amount paid from the Fund during the preceding fiscal year to whistleblowers;
- amount paid from the Fund during the preceding fiscal year for customer education initiatives;
- balance of the Fund at the end of the preceding fiscal year; and
- complete set of audited financial statements, including a balance sheet, income statement,⁵ and cash flow analysis.

This report covers the period from October 1, 2018 through September 30, 2019 (“Period”).

II. WHISTLEBLOWER PROGRAM AND WHISTLEBLOWER AWARDS

The Commission announced five whistleblower awards during the Period, amounting to more than \$15 million, to individuals who voluntarily provided original information or analyses that led to successful enforcement actions. This total includes two awards based in part on related actions. During the Period, the Commission issued 106 Final Orders addressing 134 whistleblower award applications submitted on Form WB-APP. These Final Orders granted awards on five whistleblower applications and denied awards on the remaining 129 applications. The latter were denied because the applicants did not meet the requirements of 7 U.S.C. § 26 and 17 C.F.R. § 165.⁶

⁵ Federal Accounting Standards do not identify an “income statement” as a financial statement applicable to the Federal Government. Instead, the Federal Accounting Standards Advisory Board Statement of Federal Financial Accounting Concepts 2 (http://files.fasab.gov/pdffiles/handbook_sffac_2.pdf) identifies the “statement of net cost” as the equivalent financial statement. A “statement of net cost” is included in the attached audited financial statements.

⁶ Of the applications that were denied, 108 did not relate to a Notice of Covered Action (“NCA”), a final judgment in a “related action” (as defined in 17 C.F.R. § 165.2(m) (2019)), or a previously filed Form TCR, and so

Since the inception of the Whistleblower Program, the CFTC has issued 14 awards amounting to approximately \$100 million. The Commission actions associated with those awards have resulted in sanctions orders totaling more than \$800 million. Below is an overview of the whistleblower awards made by the Commission during the Period.

Award of More Than \$2 Million to Whistleblower for Independent Analysis

On March 4, 2019, the Commission announced an award of more than \$2 million to a whistleblower who provided critical information through independent analysis of market data. The Commission granted the whistleblower's award application based on both a CFTC covered action and a related action brought by another federal regulator.⁷

Award of Approximately \$1.5 Million to Whistleblower Based on Covered and Related Actions

On May 6, 2019, the Commission announced an award of approximately \$1.5 million to a whistleblower who provided information that caused the Commission to open its investigation, and who provided substantial assistance to the Commission's investigation as it proceeded. In this matter, too, the Commission granted the whistleblower's award application based on both a CFTC covered action and a related action brought by another federal regulator. The whistleblower also sought to report his or her concerns internally prior to reporting to the CFTC, which weighed in favor of a higher award percentage.⁸

Award of Approximately \$2.5 Million to Whistleblower, Factoring in Delayed Report

On June 24, 2019, the Commission announced an award of roughly \$2.5 million to a

were addressed through a streamlined process under 17 C.F.R. § 165.7(e).

⁷ See CFTC Whistleblower Award Determination 19-WB-01 (Mar. 4, 2019); CFTC Press Rel. No. 7882-19, "CFTC Announces Whistleblower Award Totaling More Than \$2 Million." <https://www.cftc.gov/PressRoom/PressReleases/7882-19>.

⁸ See CFTC Whistleblower Award Determination 19-WB-02 (May 6, 2019); CFTC Press Rel. No. 7924-19, "CFTC Announces Approximately \$1.5 Million Whistleblower Award." <https://www.cftc.gov/PressRoom/PressReleases/7924-19>.

whistleblower. The award amount reflected the significance of the whistleblower’s information in causing the case to be opened and in leading to its successful resolution through the whistleblower’s providing documents, statements, and analyses. But in determining the appropriate award, the Commission took into account the whistleblower’s delay in reporting to the CFTC.⁹

Award of Roughly \$2 Million to Joint Whistleblowers

On July 1, 2019, the Commission announced an award amounting to approximately \$2 million to two whistleblowers who jointly provided the agency with significant information that prompted the CFTC to open an investigation. The joint whistleblowers further assisted the Commission by sitting for multiple interviews and producing numerous documents—which assistance was highly informative and formed the basis of the CFTC’s investigation.¹⁰

Award of Approximately \$7 Million to Individual Whistleblower

On September 27, 2019, the Commission announced an award amounting to around \$7 million to a whistleblower who caused the agency to open an investigation. While not all of the information provided by the whistleblower proved to be accurate, the relevant information still led the CFTC to investigate a violation of the CEA.¹¹

A. Whistleblower Tips and Complaints

The Commission’s Whistleblower Office (“WBO”) received 455 whistleblower tips and complaints on Form TCR during the Period, by mail, facsimile, or through the Commission’s

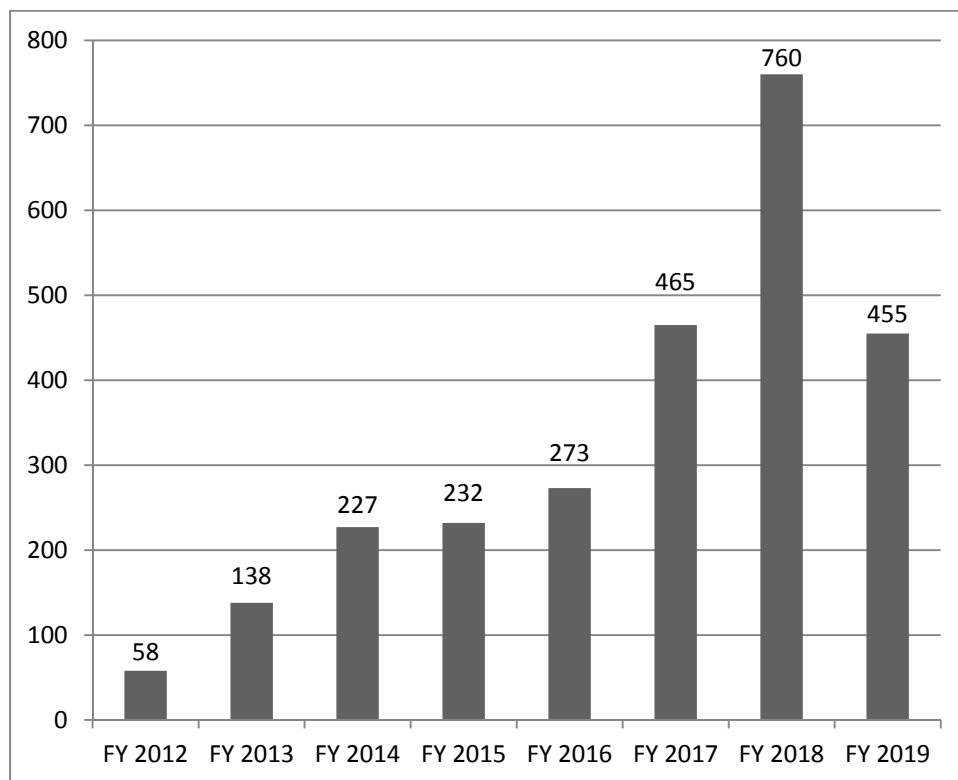
⁹ See CFTC Whistleblower Award Determination 19-WB-03 (June 24, 2019); CFTC Press Rel. No. 7943-19, “CFTC Announces Approximately \$2.5 Million Whistleblower Award.” <https://www.cftc.gov/PressRoom/PressReleases/7943-19>.

¹⁰ See CFTC Whistleblower Award Determination 19-WB-04 (July 1, 2019); CFTC Press Rel. No. 7953-19, “CFTC Announces \$2 Million Award to Joint Whistleblowers.” <https://www.cftc.gov/PressRoom/PressReleases/7953-19>.

¹¹ See CFTC Whistleblower Award Determination 19-WB-05 (Sept. 27, 2019); CFTC Press Rel. No. 8022-19, “CFTC Announces Approximately \$7 Million Whistleblower Award.” <https://www.cftc.gov/PressRoom/PressReleases/8022-19>.

web portal.¹² On top of this total, whistleblowers submitted an additional 88 supplements to their Form TCRs during the Period. Figure 1 shows the number of Form TCRs received each fiscal year (“FY”) since FY 2012. Although the total number of Form TCRs received over the course of the Period is down from FY 2018, it is just about even with the total received in FY 2017. The spike in FY 2018 may be attributable to increased popular interest in virtual currencies and certain CFTC publicity around them, which encouraged members of the public to report virtual currency fraud through the Whistleblower Program.¹³

Figure 1: Form TCRs received by WBO, by fiscal year



¹² File a Tip or Complaint: <https://www.whistleblower.gov/overview/submitatip>.

¹³ See, e.g., Customer Advisory: Beware Virtual Currency Pump-and-Dump Schemes, available at https://www.cftc.gov/idc/groups/public/@customerprotection/documents/file/customeradvisory_pump_dump0218.pdf; CFTC Press Rel. No. 7697-18, “CFTC Issues First Pump-and-Dump Virtual Currency Customer Protection Advisory.” <https://www.cftc.gov/PressRoom/PressReleases/pr7697-18>.

The WBO also received an additional 137 separate non-whistleblower tips and complaints during the Period,¹⁴ most often by email to whistleblower@cftc.gov. When appropriate, the WBO communicates with non-whistleblower correspondents and invites them to become whistleblowers by submitting a Form TCR. The WBO forwards all tips and complaints to the Commission's Division of Enforcement for evaluation and disposition.

During the Period, the WBO received tips and complaints regarding activities such as Bank Secrecy Act violations; failures to register; false reporting; foreign bribery; fraud involving virtual currencies, precious metals, foreign currency exchange, or binary options; inadequate risk controls; insider trading or front-running; money laundering; retaliation against employees; as well as spoofing and other forms of disruptive trading or market manipulation.

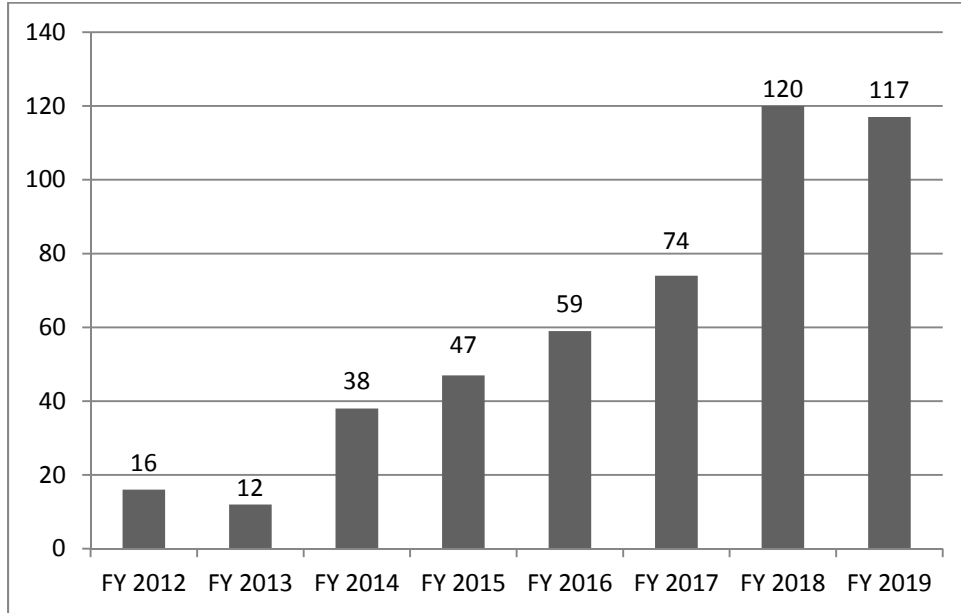
B. Whistleblower Award Applications

The WBO posts on its website NCAs for all final judgments and orders entered after July 21, 2010 that impose more than \$1 million in monetary sanctions.¹⁵ The WBO posted 31 NCAs during the Period, equal to the 31 NCAs posted in FY 2018. During the Period, the WBO received 117 whistleblower award claims on Form WB-APP. This is also about even with the corresponding figure for FY 2018. Figure 2 below shows the number of Form WB-APPs received each year since FY 2012.

¹⁴ This total consists of 102 emails and other non-whistleblower tips and complaints as well as 35 TCRs referred to the Commission by the U.S. Securities and Exchange Commission.

¹⁵ 17 C.F.R. § 165.7(a).

Figure 2: Form WB-APPs received by WBO, by fiscal year



C. Whistleblower Education and Outreach Efforts

During the Period, the WBO also continued its efforts to educate stakeholders about the Whistleblower Program through speeches, web postings, panel and seminar appearances, by answering questions about the program posed directly to the WBO, and by attending conferences and other industry gatherings. The WBO’s goal is to inform various constituencies about the existence, benefits, and parameters of the program. Those constituencies include Commission staff, whistleblowers and their attorneys, industry and professional groups, other government agencies, self-regulatory organizations, academia, and potential whistleblowers—who may be traders as well as hedgers, farmers, ranchers, producers, commercial end users, or other market participants. To that end, during the Period, the WBO exhibited at eight industry conferences and trade shows relating to the markets that the CFTC oversees. These events included conferences focused on the global markets for futures, options, cleared swaps, and other derivatives; gatherings of professionals trained to spot fraud; as well as gatherings of participants in the high-frequency trading, blockchain, and virtual currency spaces. In addition, during the

Period, members of the WBO presented at seven public events attended by members of the global futures, options, and cleared swaps industry; corporate counsel; the whistleblower bar; and potential whistleblowers—with the aims of raising the profile of the program and enhancing those stakeholders’ understanding of the program.

The WBO launched <https://www.whistleblower.gov>, in January 2016. The website educates the public about the Whistleblower Program, serving as a one-stop-shop for information about the Whistleblower Program to answer frequently asked questions and offer helpful guidance on navigating the program.¹⁶ It also affords a convenient way for the public to submit both whistleblower tips about potential violations of the CEA and award applications—on Form TCR and Form WB-APP, respectively. Additionally, the website outlines whistleblower rights and protections and guides users through the process of filing a whistleblower tip and applying for an award. The website also provides users with easy access to the rules and regulations governing the CFTC’s Whistleblower Program,¹⁷ final award determinations, NCAs, and press releases, while encouraging users to sign up for automatically emailed CFTC Whistleblower Program updates. As of September 30, 2019, almost 61,000 individuals had registered to receive emails alerting them to updates on the Whistleblower Program website, such as the posting of new NCAs. During the Period, the website received nearly 250,000 page views.

During the Period, the WBO for the first time used its website to publish alerts on trending topics, starting with four: Bank Secrecy Act/anti-money laundering, foreign corrupt practices, insider trading, and virtual currencies.¹⁸ The purpose of the alerts is to inform

¹⁶ See, e.g., Things To Know: <https://www.whistleblower.gov/news/thingstoknow>.

¹⁷ The Whistleblower Program rules are codified at 17 C.F.R. pt. 165 (as amended by 82 Fed. Reg. 24,487, 24,496–521 (May 30, 2017)).

¹⁸ These 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>.

members of the public about how they make themselves eligible for both financial awards and certain protections while helping stop violations of the CEA. WBO staff also distributed relevant alerts at several of the events attended during the Period. These alerts have helped raise awareness of areas of particular interest to the Division of Enforcement.

D. Whistleblower Office Coordination on Confidentiality in Enforcement

The WBO also plays an important role in protecting whistleblower confidentiality while allowing the Commission to litigate judicial and administrative actions, and to coordinate its enforcement efforts with other government agencies and regulators. During the Period, the WBO considered 297 requests to produce documents from the investigation and litigation files of the Commission's Division of Enforcement. Among those, 155 requests involved whistleblowers, and the WBO found 34 requests to implicate whistleblower-identifying information. The WBO assisted the Commission's Division of Enforcement in preparing the documents by removing whistleblower-identifying information or otherwise taking steps to preserve whistleblower confidentiality. During the Period, the WBO also considered 106 requests from other government agencies and regulators to access documents from the Division of Enforcement's files. Among those, 41 requests involved whistleblowers, and the WBO found 18 requests to implicate whistleblower-identifying information. Again, the WBO assisted the Commission's Division of Enforcement in making the documents available outside the Commission consistent with the confidentiality obligations imposed by the CEA and the Whistleblower Program rules.

III. CUSTOMER EDUCATION INITIATIVES

The Office of Customer Education and Outreach ("OCEO") administers the CFTC's customer and public education initiatives. Among its duties, OCEO supports the Commission by

creating and distributing financial education messages and materials designed to help customers spot, avoid, and report fraud and other violations of the CEA.

OCEO focused much of its attention on virtual currency education in 2019. Virtual currencies continue to attract significant public interest, and remain an area where greater customer education and information is needed.

A. Virtual Currency Education

To communicate more effectively with younger traders or potential customers in virtual currency cash markets, the CFTC undertook a multimedia approach that included Customer Advisories, digital engagement, press engagement, brochures, in-person engagements, and strategic partnerships.

In October, OCEO teamed up with LabCFTC, the agency's engagement hub for the fintech innovation community, to present a two-day conference titled, *Fintech Forward: Innovation, Regulation and Education*. The conference convened innovators, regulators, market participants, and interested members of the public to examine the wide range of fintech issues impacting markets, including the types of fraud involving digital assets, security and customer protection, machine learning, cloud technologies, and regtech. More than 250 people attended the event in person and more than 1,200 people in 56 countries joined through a livestream webcast. Fintech Forward was also attributed with attracting nearly 700 new followers to the CFTC's Twitter feed, with nearly 1,500 Twitter engagements recorded.

The debut conference captured the attention of the mainstream media as well. More than a dozen media outlets covered the two days of panels and speakers. The conference also featured a "meet the regulators" forum that allowed innovators to make contacts with state, federal and international regulators.

OCEO continued to educate about virtual currencies through Customer Advisories and in-person engagements. Customer Advisories are designed to provide actionable information about current frauds and schemes in a two-page document that can be easily downloaded and shared. Supported by press releases, the advisories have gained significant traction. Virtual currency brochures are offered free¹⁹ to stakeholders who share the materials with the public. Brochures and Customer Advisories are also distributed at public events.

B. Customer Outreach

Throughout the year, OCEO has participated in a number of public education events. These events ranged from exhibiting at an online financial writers conference to sharing information and resources with other educators such as military personal financial management counselors and public librarians. Outreach to educators, communications professionals, and other key stakeholders is a critical step in reaching customers and potential customers in our markets. These professionals order and share our materials and amplify our message to thousands more readers, listeners, or clients.

In September, OCEO teamed with LabCFTC to meet with financial bloggers, podcasters, influencers, and writers at FinCon19, the nation's largest personal finance and investment writers conference. The event drew an estimated audience of 2,500 digital content creators. OCEO distributed hundreds of brochures, advisories, and reports, and provided guidance in response to attendees' questions. OCEO also presented to more than 300 military personal financial management counselors during the Financial Readiness Training Symposium, hosted by the Department of Defense's Office of Financial Readiness, in May. OCEO provided the counselors with an introduction to the CFTC and its role in protecting customers from fraud and

¹⁹ CFTC brochures are available for download or free order at <https://orders.gpo.gov/cftcpubs.aspx>.

manipulation in virtual currency markets, as well as provided information and resources they could pass on to military members and their families about fraud prevention and protection when considering trading or purchasing digital assets.

Another important stakeholder group is public librarians. Many public libraries distribute free government materials and provide financial education and fraud awareness programming in their communities. Working in cooperation with the Consumer Financial Protection Bureau, the CFTC has participated in three fraud awareness training programs for librarians in FY 2019 in New Jersey and Minnesota. These train-the-trainer programs are designed to educate librarians about how to present fraud education programs in their communities and introduce them to recent fraud trends and resources they could provide to patrons. In addition, OCEO speakers participated in two panel discussions during the American Library Association convention in Washington, D.C. in June. The convention panels reached nearly 100 librarians from communities across the United States.

IV. CUSTOMER PROTECTION FUND

As of September 30, 2019, the Fund had an ending balance of \$125,439,162:

Description	FY 2019
Balance of the Fund at the beginning of the Period:	\$158,337,598
Amounts deposited into, or credited to, the Fund during the Period:	\$0
Amount of earnings on investments of amounts in the Fund during the Period:	\$3,206,457
Amount paid from the Fund to whistleblowers during the Period for claims not reported in prior years:	(\$4,601,490) ²⁰
Amount paid from the Fund for customer education initiatives during the Period:	(\$1,112,843)
Amount of unpaid customer education initiatives expenses incurred during the Period:	(\$1,032,369)
Amount paid from the Fund for administrative expenses during the Period:	(\$2,136,209) ²¹
Amount of unpaid administrative expenses incurred during the Period:	(\$1,072,537) ²²
Amount of unpaid claims to Fund resources accrued during the Period for whistleblower claims not reported in prior years:	(\$26,149,445) ²³
Balance of the Fund as of September 30, 2019:	\$125,439,162

Attached as an Appendix to this report are the audited financial statements for the Fund, including a balance sheet, a statement of net cost, a statement of changes in net position, a statement of budgetary resources, and a supplementary cash flow analysis schedule.

²⁰ \$8,384,664 was disbursed from the Fund for whistleblower awards during the Period. The cash disbursed included \$3,783,174 in awards that were previously reported as pending claims as of September 30, 2018, and an additional \$4,601,490 in new amounts awarded and disbursed during FY 2019.

²¹ The administrative expenses of the WBO and OCEO are charged to the Fund pursuant to GAO Decision B-321788, 2011 WL 3510145 (Comp. Gen. Aug. 8, 2011).

²² Unpaid administrative expenses include amortization of software which is not a future disbursement.

²³ The amount of unpaid claims to Fund resources of \$26,149,445 consists of final whistleblower awards due and payable plus the amount of new awards preliminarily determined by the Commission as of September 30, 2019, but not issued as final awards during the Period.



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

Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581

TO: Heath P. Tarbert, Chairman
Brian D. Quintenz, Commissioner
Rostin Behnam, Commissioner
Dawn Stump, Commissioner
Dan Berkovitz, Commissioner

FROM: Miguel A. Castillo, *CPA, CRMA*
Assistant Inspector General for Auditing

DATE: October 23, 2019

SUBJECT: Audit of the CFTC Customer Protection Fund Financial Statements
(Fiscal Year 2019)

Annually the Office of the Inspector General (OIG) engages an independent public accountant (IPA) to perform an audit of the CFTC Customer Protection Fund (Fund) financial statements. The balance of the Fund¹ as of September 30, 2019, was \$125,439,162. We contracted Allmond & Company, LLC (Allmond & Co.) to audit the financial statements of the Fund as of September 30, 2019, and for the year then ended, to provide negative assurance on internal control and compliance with laws and regulations for financial reporting. We required that the audit be done in accordance with *U.S. Generally Accepted Government Auditing Standards (GAGAS)*.

In its audit of the Fund, Allmond & Co. found:

- The financial statements were fairly presented, in all material respects, in conformity with *U.S. Generally Accepted Accounting Principles*.

In connection with the contract, we reviewed Allmond & Company's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on CFTC's financial statements or internal control over financial reporting, or on compliance with laws and other matters. Allmond & Co. is responsible for the attached auditor's report dated October 18, 2019 and the conclusions expressed therein. However, our review disclosed no instances where Allmond & Co. did not comply, in all material respects, with GAGAS.

¹ Total net position.

Attached is a copy of Allmond & Co.'s unmodified (clean) opinion. Please call me if any questions at (202)418-5084.

Cc:

Jamie Klima, Chief of Staff
Kevin S. Webb, Chief of Staff
John Dunfee, Chief of Staff
Daniel Bucsa, Chief of Staff
Erik Remmler, Chief of Staff
Christopher Ehrman, Director. Whistleblower Office
Anthony C. Thompson, Executive Director
Keith A. Ingram, Accounting Officer
Melissa Jurgens, Chief, Executive Secretariat Branch
A. Roy Lavik, Inspector General
Judith A. Ringle, Deputy Inspector General and Chief Counsel



Independent Auditors' Report

Chairman and Inspector General of
U.S. Commodity Futures Trading Commission:

Report on the Financial Statements

We have audited the accompanying financial statements of the U.S. Commodity Futures Trading Commission (CFTC) Customer Protection Fund (CPF), which comprise the balance sheets as of September 30, 2019 and 2018; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements (hereinafter referred to as the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of 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 Responsibility

Our responsibility is to express an opinion on the fiscal year 2019 and 2018 financial statements of CPF based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation 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 entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of U.S. Commodity Futures Trading Commission Customer Protection Fund as of September 30, 2019 and 2018, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

The information in CPF's Annual Report to Congress and the Cash Flow Analysis are not a required part of the basic financial statements, but are supplementary information required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of CPF's financial statements. However, we did not audit this information and, accordingly, we express no opinion on it.

Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of CPF's financial statements as of and for the year ended September 30, 2019, in accordance with generally accepted government auditing standards, we considered CPF's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CPF's internal control over financial reporting. Accordingly, we do not express an opinion on CPF's internal controls over financial reporting. We limited internal control testing to those necessary to achieve the objectives described in OMB Bulletin No. 19-03. We did not test all internal control relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982.

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 misstatement on a timely basis. A material weakness is a deficiency, or combination of deficiencies, 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 significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit the attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose as described in

the first paragraph of this section, and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our fiscal year 2019 audit we did not identify any deficiencies in internal control over financial reporting that we considered to be a material weakness, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CPF's fiscal year 2019 financial statements are free of material misstatements, we performed tests of CPF's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements, which noncompliance could have a direct and material effect on the determination of material amounts and disclosures in CPF's financial statements, and certain provisions of other laws specified in OMB Bulletin No. 19-03. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance as described in the preceding paragraph, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 19-03.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by Government Auditing Standards section is solely to describe the scope of our testing of internal control and compliance with selected provision of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on the effectiveness of CPF's internal control or on compliance. This communication is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering in internal controls and compliance with laws, regulations, contracts, and grant agreements which could have a material effect on CPF's financial statements. Accordingly, this communication is not suitable for any other purpose.

Allmond & Company, LLC

Lanham, MD
October 18, 2019



**FINANCIAL STATEMENTS FOR THE
CUSTOMER PROTECTION FUND
REPORT TO CONGRESS**

September 30, 2019

**U.S. Commodity Futures Trading Commission
Customer Protection Fund Report to Congress: Financial Statements**

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**Commodity Futures Trading Commission
Customer Protection Fund
Balance Sheets
As of September 30, 2019 and 2018**

	2019	2018
Assets		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 13,148,336	\$ 7,293,399
Investments (Note 3)	141,300,000	157,518,375
Prepayments	221,818	-
Total Intragovernmental	154,670,154	164,811,774
General Property, Plant and Equipment, Net (Note 4)	50,126	93,090
Total Assets	\$ 154,720,280	\$ 164,904,864
 Liabilities		
Intragovernmental:		
Employer Contributions and Payroll Taxes Payable	28,667	21,750
Total Intragovernmental	28,667	21,750
Accounts Payable	8,670,172	1,361,602
Accrued Payroll	112,825	89,881
Accrued Annual Leave	189,308	180,158
Liability for Whistleblower Awards (Note 5)	20,280,146	4,913,875
Total Liabilities	29,281,118	6,567,266
Contingent Liabilities (Note 6)		
 Net Position		
Cumulative Results of Operations - Funds from Dedicated Collections	125,439,162	158,337,598
Total Net Position	125,439,162	158,337,598
Total Liabilities and Net Position	\$ 154,720,280	\$ 164,904,864

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

**Commodity Futures Trading Commission
Customer Protection Fund
Statements of Net Cost
For the Years Ended September 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Net Costs of Operations		
Gross Costs	\$ 36,104,893	\$ 41,446,286
Total Net Cost of Operations	\$ 36,104,893	\$ 41,446,286

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

**Commodity Futures Trading Commission
Customer Protection Fund
Statements of Changes in Net Position
For the Years Ended September 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cumulative Results of Operations		
Beginning Balances, October 1	\$ 158,337,598	\$ 196,336,209
Budgetary Financing Sources:		
Nonex change Interest Revenue	<u>3,206,457</u>	<u>3,447,675</u>
Total Financing Sources	3,206,457	3,447,675
Net Cost of Operations	(36,104,893)	(41,446,286)
Net Change	<u>(32,898,436)</u>	<u>(37,998,611)</u>
Total Cumulative Results of Operations, September 30	\$ 125,439,162	\$ 158,337,598

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

**Commodity Futures Trading Commission
Customer Protection Fund
Statements of Budgetary Resources
For the Years Ended September 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
BUDGETARY RESOURCES		
Unobligated Balance from Prior Year Budget Authority , Net (Note 7)	\$ 159,272,922	\$ 236,280,890
Spending Authority from Offsetting Collections	3,024,893	3,209,206
Total Budgetary Resources	\$ 162,297,815	\$ 239,490,096
STATUS OF BUDGETARY RESOURCES		
New Obligations and Upward Adjustments	\$ 20,862,226	\$ 80,540,550
Unobligated Balance, End of Year		
Apportioned, Unexpended Accounts	141,435,589	158,636,895
Unapportioned, Unexpended Accounts	-	312,651
Unobligated Balance, End of Year (Total)	141,435,589	158,949,546
Total Budgetary Resources	\$ 162,297,815	\$ 239,490,096
OUTLAYS, NET		
Agency Outlays, Net	\$ 10,345,063	\$ 76,767,593

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

Notes to the Financial Statements For the Years Ended September 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies

A. Reporting Fund

The Commodity Futures Trading Commission (CFTC or the Commission) is an independent agency of the executive branch of the Federal Government. Its mission is to “protect market users and the public from fraud, manipulation, and abusive practices related to the sale of commodity futures and options, and to foster open, competitive, and financially sound commodity futures and options markets.”

On July 21, 2010, the “Dodd-Frank Wall Street Reform and Consumer Protection Act” (the Dodd-Frank Act, or the Act) was signed into law, significantly expanding the powers and responsibilities of the CFTC. According to Section 748 of the Act, there is established in the Treasury of the United States a revolving fund known as the “Commodity Futures Trading Commission Customer Protection Fund” (the Fund). The Fund shall be available to the Commission, without further appropriation or fiscal year limitation, for a) the payment of awards to whistleblowers; and b) 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.

The Act requires CFTC to transmit to the Committee on Agriculture, Nutrition and Forestry of the Senate, and the Committee on Agriculture of the House of Representatives a report which includes a complete set of audited financial statements and supplementary information, including balance sheet, income statement, and cash flow analysis, no later than October 30, of each year.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations for the Fund, as required by the Dodd-Frank Act. These statements have been prepared from the Fund's books and records, which are a component of the Commission's books and records, in conformity with U.S. generally accepted accounting principles (GAAP), as prescribed for the Federal government by the Federal Accounting Standards Advisory Board (FASAB) and in accordance with the form and content requirements contained in Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended. Accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

The Fund was established in July 2010 and funded by transfers from CFTC's Civil Monetary Penalties, Fines and Administrative Fees receipt account. These transfers do not meet the criteria of reportable revenue as defined by the Statement of Federal Financial Accounting Standards (SFFAS) 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*.

The financial statements report on the Fund's financial position, changes in net position, net cost and budgetary resources. The books and records of the Fund served as the source of information for preparing the financial statements in the prescribed formats. All Fund financial statements and reports used to monitor and control financial resources are prepared from the same books and records. The statements should be read with the understanding that they relate to a fund controlled by CFTC, a component of the U.S. Government, a sovereign entity.

The Balance Sheet presents the financial position of the Fund. The Statement of Net Cost presents the Fund's operating results. The Statement of Changes in Net Position displays the changes in the Fund's net position, and the Statement of Budgetary Resources shows the spending authority of the Fund derived from the deposits eligible from civil monetary collections.

C. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the Fund's balance with the U.S. Treasury. The balance in the Fund is available to pay current liabilities and finance authorized operations.

The Fund does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury makes disbursements for the Fund.

D. Investments in U.S. Government Securities

The CFTC has authority to invest amounts in the Customer Protection Fund in market-based U.S. Treasury securities. Market-based Treasury securities are debt securities that the U.S. Treasury issues to Federal entities without statutorily determined interest rates. Although the securities are not marketable, the terms (prices and interest rates) mirror the terms of marketable Treasury securities. Investments are carried at their historical cost basis which approximates fair value due to their short-term nature.

The interest earned on the investments is a component of the Fund and is available to be used for expenses of the Fund. Additional details regarding investments are provided in Note 3. Investments.

E. General Property, Plant and Equipment, Net

The Commission 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. The Commission's assets are valued net of accumulated depreciation or amortization.

As of September 30, 2019, the Commission has capitalized as software the costs for development of a website for the CFTC Whistleblower Office. Additional details regarding general property, plant, and equipment are provided in Note 4. General Property, Plant and Equipment, Net.

F. Liabilities

The Fund's liabilities consist of actual and estimated amounts that are likely to be paid as a result of transactions covered by the Whistleblower Incentives and Protection regulation, and will be paid from available balances remaining in the Fund. In addition, the salaries and operating expenses of the Whistleblower's Office and Office of Customer Education and Outreach were funded through the Fund. Total accrued payroll is composed of amounts to be paid to Fund employees as well as the related intragovernmental payable for employer contributions and payroll taxes. The accrued 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 Fund's liabilities are considered current liabilities.

G. Funds from Dedicated Collections

The Fund contains dedicated collections that can only be used to operate a whistleblower program and support customer education initiatives. See Note 1.A. for a description of the purpose of the Fund and its authority to use the revenues and other financing sources. Deposits into the Fund are credited from monetary sanctions collected by the Commission in covered judicial or administrative actions not otherwise distributed to victims of a violation of the Dodd-Frank Act or the rules and regulations underlying such action, unless the balance of the Fund at the time the monetary judgment is collected exceeded \$100 million. No new legislation was enacted as of September 30, 2019, that significantly changed the purpose of the dedicated collections or redirected a material portion of the accumulated balance.

H. Revenues and Other Financing Sources

The CFTC Customer Protection Fund is funded through monetary sanctions resulting from judicial or administrative action brought by the Commission under the Commodity Exchange Act. All collections are deposited into a receipt account. Eligible collections are transferred into the Fund from the CFTC's Civil Monetary Penalties, Fines and Administrative Fees receipt account.

Congress enacted the Dodd-Frank Act that provides the CFTC with the authority to establish the Fund. The Fund is available to the Commission, without further appropriation or fiscal year limitation. These funds are considered financing sources under U.S. Treasury Department guidelines. Per the Act, no sanction collected by the Commission can be deposited into the Fund if the Fund's balance exceeds \$100 million. The CFTC may request the Secretary of the Treasury to invest Fund amounts in Treasury obligations. No eligible collections have been transferred into the Fund since it reached its legislative maximum during FY 2014.

I. Intra- and Inter-Agency Relationships

The CFTC is an independent Federal agency. The Commodity Futures Trading Commission Customer Protection Fund is a fund within the CFTC, and these financial statements present a segment of the CFTC financial activity. The financial events of the Fund are consolidated into the CFTC annual financial statements.

J. Use of Management Estimates

In addition to accruals for goods and services, management estimates were used to calculate overhead expenses in the amount of \$1,487,000 and \$1,092,000 that were allocated to the Fund for the years ended September 30, 2019, and 2018. These amounts were derived by multiplying management's estimated overhead cost per full-time equivalent (FTE) by the number of FTE charged to the Fund.

K. Limitations of the Financial Statements

The principal financial statements included in this report have been prepared to report the financial position and results of operations of the Fund, pursuant to the requirements of Section 748 of the Dodd-Frank Consumer Protection Act. While the statements have been prepared from the books and records of the CFTC in accordance with GAAP for Federal entities, these statements are in addition to the reports used to monitor and control the financial activity of the CFTC, which are prepared from the same books and records. The statements should be read with the understanding that they are for the Customer Protection Fund, a single fund within the CFTC.

Note 2. Fund Balance with Treasury

A. Reconciliation to Treasury

There are no differences between the fund balance reflected in the Fund's Balance Sheet and the balance in the Treasury account.

B. Fund Balance with Treasury

Fund Balance with Treasury as of September 30, 2019, and 2018, consisted of the following:

	2019	2018
Unobligated Fund Balance		
Available	\$ 751,948	\$ 1,865,965
Obligated Balance Not Yet Disbursed	12,396,388	5,427,434
Total Fund Balance with Treasury	\$ 13,148,336	\$ 7,293,399

Note 3. Investments

The CFTC invests amounts deposited in the Fund in overnight short-term Treasury securities. Treasury overnight certificates of indebtedness 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 overnight certificates are Treasury securities whose interest rates or prices are determined based on the interest rates or prices of Treasury-related financial instruments issued or trading in the market, rather than on the interest rates or prices of outstanding marketable Treasury securities. 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, 2019, and 2018, were \$141,300,000 and \$157,518,375, respectively. Related nonexchange interest revenue for the years ended September 30, 2019, and 2018, was \$3,206,457 and \$3,447,675, 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 U.S. Treasury, which uses the cash for general Government purposes. As discussed above and in Note 1.D., the Commission invests the majority of these funds in Treasury securities. These Treasury securities are an asset of the Commission and a liability of the U.S. Treasury. Because the Commission and the U.S. 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 U.S. 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. General Property, Plant and Equipment, Net

Property, Plant and Equipment as of September 30, 2019, and 2018, consisted of the following:

2019				
Major Class	Service Life and Method	Cost	Accumulated Amortization/ Depreciation	Net Book Value
IT Software	5 Years/Straight Line	214,824	(164,698)	50,126
		<u>\$ 214,824</u>	<u>\$ (164,698)</u>	<u>\$ 50,126</u>

2018				
Major Class	Service Life and Method	Cost	Accumulated Amortization/ Depreciation	Net Book Value
IT Software	5 Years/Straight Line	214,824	(121,734)	93,090
		<u>\$ 214,824</u>	<u>\$ (121,734)</u>	<u>\$ 93,090</u>

Note 5. Liability for Whistleblower Awards

As mentioned in Note 1A, the 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 million 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 and the whistleblower has provided necessary banking information. As of September 30, 2019, and September 30, 2018, the Commission recorded liabilities for pending payments to whistleblowers of approximately \$20,280,146 and \$4,913,875, respectively. During FY 2019, the Commission disbursed \$8,384,664 in whistleblower awards, which included \$3,783,174 from pending payments at the end of FY 2018 and \$4,601,490 in new awards issued during the year. Accounts payable includes approximately \$7,000,000 for awards that have been finalized as of September 30, 2019.

In addition to the pending payments to whistleblowers, the Commission had 14 additional whistleblower claims currently under review as of September 30, 2019. 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 \$29,286,750.

Note 6. Contingencies

Unasserted claims are actions or potential actions the Commission is aware of in which future events may result in claims against the Fund.

In accordance with Federal accounting standards, CFTC records contingent liabilities for any unasserted claim in which payment has been deemed probable and for which the amount of potential liability can be estimated. The Commission also discloses all claims for which payment is reasonably possible. There were no unasserted claims deemed probable or reasonably possible as of September 30, 2019.

Note 7. Statement of Budgetary Resources: 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. The Adjustments to Unobligated Balance Brought Forward, October 1, as of September 30, 2019, and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Unobligated Balance Brought Forward, October 1	\$ 158,949,546	\$ 234,774,938
Recoveries of Prior Year Obligations	<u>323,376</u>	<u>1,505,952</u>
Unobligated Balance from Prior Year Budget Authority, Net	<u>\$ 159,272,922</u>	<u>\$ 236,280,890</u>

Supplementary Schedule

Commodity Futures Trading Commission
Customer Protection Fund
Cash Flow Analysis
For the Period from October 1, 2018 to September 30, 2019

Cash as of October 1, 2018		\$	<u>7,293,399</u>
Cash flows from operating activities			
Paid Ex penses for Whistleblower and Consumer Education and Outreach Offices	\$	(13,570,465)	
Refunds collected		<u>570</u>	
Net cash flows from operating activities		\$	<u>(13,569,895)</u>
Cash flows from investing activities			
Redemptions of US Treasury Securities	\$	16,200,000	
Interest collected from investing in US Treasury Securities		<u>3,224,832</u>	
Net cash flows from investing activities		\$	<u>19,424,832</u>
Net increase/(decrease) in cash and cash equivalents		\$	<u>5,854,937</u>
Cash as of September 30, 2019		\$	<u><u>13,148,336</u></u>