



# governmentattic.org

*"Rummaging in the government's attic"*

Description of document:	Records indicating the impact of federal budget sequestration upon the Commodity Futures Trading Commission (CFTC) operations and functions, 2013
Requested date:	27-April-2013
Released date:	20-May-2013
Posted date:	19-January-2015
Source of document:	Freedom of Information Act Request FOIA Compliance Office Commodity Futures Trading Commission Three Lafayette Centre 1155 21st Street NW Washington, DC 20581 <a href="#">Online FOIA Request Form</a>

The governmentattic.org web site ("the site") is noncommercial and free to the public. The site and materials made available on the site, such as this file, are for reference only. The governmentattic.org web site and its principals have made every effort to make this information as complete and as accurate as possible, however, there may be mistakes and omissions, both typographical and in content. The governmentattic.org web site and its principals shall have neither liability nor responsibility to any person or entity with respect to any loss or damage caused, or alleged to have been caused, directly or indirectly, by the information provided on the governmentattic.org web site or in this file. The public records published on the site were obtained from government agencies using proper legal channels. Each document is identified as to the source. Any concerns about the contents of the site should be directed to the agency originating the document in question. GovernmentAttic.org is not responsible for the contents of documents published on the website.



FOIA Office

## U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW, Washington, DC 20581  
Telephone: (202) 418-5105  
Facsimile: (202) 418-5124  
[www.cftc.gov](http://www.cftc.gov)

May 29, 2013

RE: 13-00068-FOIA  
Sequestration records

This is in response to your request dated April 27, 2013, under the Freedom of Information Act seeking access to memoranda and documents created or finalized since February 1, 2013, which describe the impact of the federal budget sequestration on the Commission's operations and functions. In accordance with the FOIA and agency policy, we have searched our records, as of May 9, 2013, the date we received your request in our FOIA office.

We have located four pages of responsive records. You are granted full access to the responsive records, which are enclosed.

If you are not satisfied with this response to your request, you may appeal by writing to Freedom of Information Act Appeal, Office of the General Counsel, Commodity Futures Trading Commission, Three Lafayette Centre, 8<sup>th</sup> Floor, 1155 21st Street, N.W., Washington, D.C. 20581, within 30 days of the date of this letter. Please enclose a copy of your original request and a copy of this response.

If you have any questions about the way we handled your request, or about our FOIA regulations or procedures, please contact Kylie Polson at 202-418-5781.

Sincerely,  
  
Joan E. Fina  
Counsel

**Impact Sequestration on the on the Public, Markets, and the Mission of the CFTC**

**Immediate (occurring before June 15, 2013)**

- Implementation of new regulatory framework on the swaps marketplace will be impeded as follows:
  - Registrations of DCMs, SEFs, and SDRs will be delayed.
  - Rule and contract reviews will be hindered and less thorough, potentially increasing risks in industry non-compliance with statutory and regulatory intent.
  - The CFTC's ability to complete further mandatory clearing determination reviews will be severely limited.
  - Reviews of swap dealer's capital and margin models will be limited, impacting dealer's ability to implement.
- Reviews and examinations of selected entities to ensure compliance with statute and CFTC regulations will be further reduced as follows:
  - SIDCO and DCO reviews will be hindered severely.
  - CFTC will continue to rely on NFA to conduct any examinations of non-FCM intermediaries
- Can monitor the system safeguards compliance of significant DCMs, SEFs, and SDRs, but not other / non-major DCMs, SEFs, or SDRs.
  - Intervals between major system safeguards examinations would be notably lengthened, and non-major system safeguard examinations will be deferred.
- Cannot advance transaction and order book surveillance or automation of surveillance routines.

**Medium Term (occurring before Sept. 30, 2013)**

- Inability to support FY 2012 levels for enforcement, with reduced number of actions filed and orders imposing sanctions, disgorgement and restitution for violations.
- Limit the ability to address new enforcement authorities to protect the public, in fraud-based manipulation and anti-fraud and anti-manipulation over swaps.
- Limit the ability to respond to industry requests for interpretations and guidance under new regulatory framework.
- Hinders ongoing CFTC initiatives that strengthen its oversight and surveillance programs related to non-major systems still significant for Customer Protection.

**\*\*\* Pre-Decisional Document for OMB Only \*\*\***

- Cannot incorporate swaps data into regular surveillance beyond the needs of position limits and related hedge exemptions.

## FY 2013 CFTC Sequestration Operating Plan Revision 4

### Overview of Funding Reductions

- Based on information provided by our OMB Examiner, the CFTC would receive a 5% sequestration reduction from the current FY 2013 CR level (FY 2012 appropriation plus 0.612%).

	Full Year CR		
	S&E	IT	Total
<b>FY2012 Approp</b>	150,294	55,000	<b>205,294</b>
<b>CR Increase (0.612% of \$205m)</b>	1,256	0	<b>1,256</b>
<b>5% Sequestration Reduction</b>	(7,578)	(2,750)	<b>(10,328)</b>
<b>Subtotal</b>	<b>143,973</b>	<b>52,250</b>	<b>196,223</b>
<b>Transfer of \$10m - IT to S&amp;E</b>	10,000	(10,000)	<b>0</b>
<b>Subtotal</b>	<b>153,973</b>	<b>42,250</b>	<b>196,223</b>

- In order to operate within these reduced budget levels the CFTC will take the following actions beginning Mar 4, 2013:
  - Curtail hiring plans to reduce the FTE usage from 707 to 690 and eliminate incentive awards for an estimated savings of \$4.2m.
  - Reduce/avoid other operating costs, reduce scope or terminate existing contracts, and delay planned procurements sufficient to accomplish an estimated savings of \$2.3m.
  - Reduce staff travel and training budgets by approximately 25% from FY 2012 levels for an estimated savings of approximately \$0.6m.
  - Redirect approximately \$3.2m in FY 2012 carryover funds toward FY 2013 ongoing operations.

### Furloughs

- At this time the CFTC does not anticipate implementing any furloughs in FY 2013. This is due to high staff attrition and the prompt execution of the actions described in this plan to minimize the impact of the sequestration on CFTC employees and the agency's core mission.

### Contract Actions

- A number of existing time and materials contracts will be reduced or terminated consistent with applicable terms and conditions.
  - Certain existing non-essential contracts to provide economic research services to the agency will be terminated.
- Planned procurements will be delayed indefinitely.
- All affected contractors will receive proper notification of forthcoming contract actions.

### Reprogramming and Transfers

**\*\*\* Pre-Decisional Document for OMB Only \*\*\***

- Section 744 of the Consolidated Appropriations Act of 2012 (P.L. 112-74) and section 730 of the Consolidated and Further Continuing Appropriations Act of 2012 (P.L. 112-55) authorize the CFTC to transfer up to \$10m of required minimum technology expenditures to other purposes. The CFTC's spending plan for FY 2013 anticipates the full use of this authority and Congressional notification regarding the transfer of \$4.877m (\$10m prorated to the CR period) during the current CR period expiring on March 27, 2013 has been provided.

**Impact on the Public, Markets, and Mission**

- The actions that the CFTC plans to take in order to operate within reduced budget levels the CFTC will have the following impact on the public, the markets and CFTC's mission:
  - A decrease in resources available to the CFTC will impact implementation of new regulatory framework on the swaps marketplace.
    - Registrations of DCMs, SEFs, and SDRs will be delayed.
    - Rule and contract reviews will be hindered and less thorough, potentially increasing risks in industry non-compliance with statutory and regulatory intent.
    - The CFTC's ability to complete further mandatory clearing determination reviews will be severely limited.
    - Reviews of swap dealer's capital and margin models will be limited, impacting dealer's ability to implement.
  - Will further reduce reviews and examinations of selected entities to ensure compliance with statute and CFTC regulations.
    - SIDCO and DCO reviews will be hindered severely.
    - CFTC will continue to rely on NFA to conduct any examinations of non-FCM intermediaries
  - Can monitor the system safeguards compliance of significant DCMs, SEFs, and SDRs, but not other / non-major DCMs, SEFs, or SDRs.
    - Intervals between major system safeguards examinations would be notably lengthened, and non-major system safeguard examinations will be deferred.
  - Hinders ongoing CFTC initiatives that strengthen its oversight and surveillance programs related to non-major systems still significant for Customer Protection.
  - Cannot incorporate swaps data into regular surveillance beyond the needs of position limits and related hedge exemptions.
  - Cannot advance transaction and order book surveillance or automation of surveillance routines.
  - Will limit ability to support FY 2012 levels for enforcement, with reduced number of actions filed and orders imposing sanctions, disgorgement and restitution for violations.
  - Will limit ability to address new enforcement authorities to protect the public, in fraud-based manipulation and anti-fraud and anti-manipulation over swaps.
  - Limited ability to respond to industry requests for interpretations and guidance under new regulatory framework.