

February 12, 2019

CFTC Divisions Announce Examination Priorities

Washington, DC — The Commodity Futures Trading Commission (CFTC) today announced 2019 Examination Priorities for registrants of the Division of Market Oversight (DMO), Division of Swap Dealer & Intermediary Oversight (DSIO), and Division of Clearing & Risk (DCR). This marks the first time that the agency has published Examination Priorities for its divisions.

“I commend DMO, DSIO and DCR leadership and staff for their work to bring additional transparency into the CFTC agenda in order to ensure that registered market participants devote adequate compliance resources consistent with our regulatory priorities,” said CFTC Chairman J. Christopher Giancarlo. “This first-ever publication of division examination priorities is in line with Project KISS and other agency initiatives to improve the relationship between the agency and the entities it regulates, while promoting a culture of compliance at our registrants.”

DMO

DMO’s Compliance Branch currently conducts examinations of designated contract markets (DCMs) to monitor their compliance with the Commodity Exchange Act and CFTC regulations through Rule Enforcement Reviews (RERs). In 2019, the Compliance Branch’s RERs will focus on specific elements of DCMs’ traditional self-regulatory programs, as well as emerging areas of self-regulation, where regulatory requirements and best practices may still be developing.

DMO’s Compliance Branch’s 2019 Examination Priorities include:

- cryptocurrency surveillance practices;
- surveillance for disruptive trading;
- trade surveillance practices (selected elements);
- block trade surveillance practices;
- market surveillance practices (selected elements);
- real-time market monitoring practices;
- practices around market maker and trading incentive programs; and
- DCMs’ relationships with and services received from regulatory service providers.

In addition to conducting examinations of DCMs, DMO’s Compliance Branch’s priorities for 2019 also include regulatory consultations with a number of swaps execution facility (SEFs) to provide effective oversight while the CFTC finalizes new SEF rules and the Compliance Branch develops its examination program for SEFs. (See [DMO’s 2019 Examination Priorities](#) and under Related Links.)

DSIO

DSIO’s Examinations Branch is primarily responsible for overseeing derivative markets intermediaries, including futures commission merchants (FCMs), swap dealers (SDs), major swap participants (MSPs) commodity pool operators, commodity trading advisors, introducing brokers and retail foreign exchange dealers.

The core focus of DSIO Exams is the protection of customer funds. Examinations Branch resources are primarily focused on the oversight of approximately 65 FCMs, which are the only registrants permitted by regulation to hold listed derivative customers' funds. The team also performs limited oversight responsibilities for approximately 100 SDs.

DSIO's Compliance Branch's 2019 Examination Priorities include:

- withdrawal of residual interest from customer accounts;
- accepted forms of non-cash margin;
- compliance with segregation requirements;
- FCM use of customer depositories;
- FCM customer account documentation; and
- SD/MSP relationships with third-party vendors.

DSIO Exams will continue to conduct its series of routine functions to constantly monitor the activities of CFTC registrants including, but not limited to, reviewing notices, risk management programs, financial statement filings, risk exposure reports, risk assessment reports, and chief compliance officer annual reports.

DCR

DCR examines derivative clearing organizations (DCOs) including those that have been designated as systemically important by the Financial Stability Oversight Council. Examinations of systemically important DCOs are performed in consultation with the Board of Governors of the Federal Reserve.

The scope and methodology for each examination is risk-based and individually tailored to the unique characteristics of the DCO and the products it clears. The primary goal of the examination process is to identify areas of weakness or non-compliance in activities that are critical to a safe and efficient clearing process. This includes examining financial resources, risk management, system safeguards and cyber-security policies, practices, and procedures to assess the maturity, capabilities, and overall resilience of the DCO.