



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

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TO: Rostin Behnam, Acting Chairman
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FROM: A. Roy Lavik, Inspector General *ARL/R*

DATE: September 29, 2021

SUBJECT: Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the Commodity Futures Trading Commission FY 2021

The Reports Consolidation Act of 2000 (RCA)¹ authorizes the CFTC to consolidate financial and performance management reports and to provide information in a meaningful and useful format for Congress, the President, and the public. The RCA requires the Inspector General to summarize the “most serious management and performance challenges facing the agency” and briefly assess the Agency’s progress in addressing those challenges.² This memorandum fulfills our duties under the RCA.

To complete our assessment, we relied on data contained in the CFTC financial statement audit and Agency Financial Report, representations by agency management, and our knowledge of industry trends and CFTC operations. The Government Performance and Results Modernization Act of 2010 defines major management challenges as “programs or management functions, within or across agencies, that have greater vulnerability to waste, fraud, abuse, and mismanagement (such as issues identified by the Government Accountability Office as high risk or issues identified by an Inspector General) where failure to perform well could seriously affect the ability of an agency to achieve its mission or goals.”³

¹ P.L. [106-531](#), § 3, 114 STAT. 2537 (Nov. 22, 2000), codified at 31 USC § 3516(a).

² Id.

³ [P.L. 111-352](#), § 3, 124 STAT. 3870 (Jan. 4, 2011), codified at 31 U.S.C. § 1115(h)(5).

CFTC's Progress on Last Year's Management and Performance Challenges

For [FY 2020](#), we reiterated information technology (IT) modernization and data governance as management challenges, and recognized the Agency appointed a new Chief Information Officer (CIO) and established the position of Chief Data Officer (CDO). Progress on last year's challenges include CFTC's cloud migration journey, which presents new challenges in a virtual and remote work environment.

We recognize that the CIO and CDO are collaboratively and methodically addressing last year's challenges. We will continue to monitor the progress of CFTC's technological journey.

Fiscal Year 2021 Management and Performance Challenges

For FY2021, we have identified three management challenges:

1. Climate change and its impact on the CFTC and the CFTC's mission;
2. Management of IT (this is repeated from FY2020 and FY2019 management challenges); and
3. Enterprise Risk Management (ERM).

These challenges, and CFTC's current actions addressing them, align with the President's risk-related priorities communicated in several Executive Orders.⁴

1. Climate Change

Climate change impacts the CFTC's mission, its physical assets and infrastructure, as well as the businesses of market participants. Therefore, we consider climate change a management and performance challenge as contemplated by the RCA. We are aware that in September 2020, the CFTC Climate-Related Market Risk Subcommittee of the Market Risk Advisory Committee released a report entitled *Managing Climate Risk in the U.S. Financial System*.⁵ In March and August of this year, U.S. Treasury Secretary

⁴ [Executive Order on Protecting Americans' Sensitive Data from Foreign Adversaries](#), EO 14034, June 9, 2021; [Executive Order on Improving the Nation's Cybersecurity](#), EO 14028, May 12, 2021; and [Executive Order on Climate-Related Financial Risk](#), EO 14030, May 2021.

⁵ Available here: <https://www.cftc.gov/sites/default/files/2020-09/9-9-20%20Report%20of%20the%20Subcommittee%20on%20Climate-Related%20Market%20Risk%20-%20Managing%20Climate%20Risk%20in%20the%20U.S.%20Financial%20System%20for%20posting.pdf>.

Janet Yellen and Acting Comptroller of the Currency Michael Hsu recognized that climate change poses an existential risk to the financial industry.⁶ Climate change impacts both the financial and agricultural markets CFTC regulates,⁷ and thereby impacts the entirety of the CFTC mission. In this regard, we note acting Chairman Behnam launched the CFTC Climate Risk Unit (CRU) in March 2021.⁸ The CRU is comprised of staff from CFTC’s operating divisions and offices, and is “intended to accelerate early CFTC engagement in support of industry-led and market driven processes in the climate – and larger [environmental, social, and governance] – space critical to ensuring that new products and markets fairly facilitate hedging, price discovery, market transparency, and capital allocation.”⁹

2. Management of IT

In addition, emerging threats cause us to again identify management of IT as a continuing management challenge. CFTC must understand and be prepared to address IT risks that impact both the agency and the industry it regulates. As to information security, CFTC cyber defenses report on emerging cyber threats, including threats to PII (Personal Identifiable Information). CFTC continues to devote resources to its cyber threat response program that operates in real-time.

3. Enterprise Risk Management

Finally, Enterprise Risk Management (ERM) presents a third management challenge. An ERM program is a critical asset to the Commission to prioritize and respond to a variety of internal and external risks, including IT-related risks. In March 2021, the CFTC hired its first Chief Risk Officer, who reports directly to the head of the Division of Administration (DA). Resource and organizational

⁶ See, *Remarks by Secretary Janet L. Yellen at the Open Session of the meeting of the Financial Stability Oversight Council*, March 31, 2021, available here: <https://home.treasury.gov/news/press-releases/jy0092>, and *Statement of Michael J. Hsu, Acting Comptroller of the Currency before the Committee on Banking, Housing, and Urban Affairs, United States Senate*, August 3, 2021, available here: <https://www.occ.gov/news-issuances/congressional-testimony/2021/ct-occ-2021-79-written.pdf>.

⁷ See, Professor Christopher Wolf, testimony before the U.S. Senate Committee on Agriculture, Nutrition, & Forestry, Subcommittee on Livestock, Dairy, Poultry, Local Food Systems, and Food Safety and Security, *Milk Pricing: Areas for Improvement and Reform*, September 15, 2021, at 2:11:06-2:12:34 states that greenhouse gasses and “environmental change” are among the important issues facing dairy farmers.

⁸ CFTC Release No. 8368-21, *CFTC Acting Chairman Behnam Establishes New Climate Risk Unit*, March 17, 2021, available here: <https://www.cftc.gov/PressRoom/PressReleases/8368-21>.

⁹ Id.

constraints may present a challenge to success in this area, and we will continue to monitor this area.

We acknowledge that CFTC's cloud migration, establishment of a Chief Risk Officer, effective cyber response program, and establishment of the CRU each advance the President's risk-related priorities communicated in several Executive Orders.¹⁰ We will continue to monitor the progress of CFTC's risk related programs as they mature.

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¹⁰ See [fn. 4](#).