



**U.S. COMMODITY FUTURES TRADING COMMISSION**

**Office of Inspector General**

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September 28, 2018

TO: J. Christopher Giancarlo, Chairman  
Brian Quintenz, Commissioner  
Rostin Behnam, Commissioner  
Dawn Stump, Commissioner  
Dan Berkovitz, Commissioner

FROM: A. Roy Lavik  
Inspector General

SUBJECT: Whitepaper: Expanding Customer Education Initiatives

My Office has completed a Whitepaper discussing CFTC's Customer Education Initiatives and suggesting improvements. Most notably, we asked CFTC to consider locating CFTC customer education efforts in the existing CFTC Kansas City field office, and in U.S. locations where customer complaints, CFTC enforcement actions, and use of CFTC digital outreach is most frequent ("hotspots").<sup>1</sup> Currently CFTC's customer education efforts operate out of CFTC's Washington, D.C. headquarters.

In addition, we addressed factors impacting the feasibility of increased outreach efforts by CFTC, including: 1) Consumer Protection Funds (CPF) availability and the adequacy of CFTC's financial system to track and monitor expenditures; 2) CFTC's authority to spend CPF funds on education initiatives; and 3) CFTC's ability to detail appropriate CFTC staff to strengthen OCEO on a reimbursable basis. We concluded that CFTC has the current ability to track and monitor expenditures, agreed with the Office of General Counsel that CFTC has the authority to spend CPF funds on education initiatives, concluded that CFTC has current funds available to further support education activities, and we forecast -- based on our analysis of CFTC collections activity -- that funds availability may be expected to continue.

We have reviewed Management's comments to the draft we gave them in June.<sup>2</sup> Management expressed their appreciation for our report and for the opportunity to respond to the recommendations.

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<sup>1</sup> In addition, we asked CFTC to consider detailing personnel from other Divisions to OCEO; and to consider engaging appropriate Federal, State, and local government entities and other relevant entities located in hotspots to facilitate customer education initiatives.

<sup>2</sup> Management's comments are presented in Appendix II.

Management was not convinced that our analysis of hotspots reliably indicates where customer outreach is most needed because, “[g]iven that 18 years of data was used to identify these hotspots, which ones are more recent in time?” While the hotspots are identified through the locations of 18 years of complaints and enforcement filings, they are also based on more recent data regarding the location of computer users accessing CFTC’s digital outreach. Data sources point to the same hotspots. We agree that data analytics alone cannot determine decisions, but it certainly can help determine decisions.<sup>3</sup> We are available to review our data with staff and management in detail.

Management asserted that “a digital presence can be as effective as a permanent physical presence.” We believe that a digital presence coupled with a permanent physical presence is better still. We presume the prime audience for educational outreach is somewhat sophisticated,<sup>4</sup> but still open to supplementing digital information with face to face communication.<sup>5</sup> We also take it for granted that face-to-face contact would be most effective with someone who is local, and familiar with the region.

We thank management for keeping us in the loop during their ongoing reorganization efforts, and we note that during that process they considered the possibility that “staff may need to be relocated in order to more closely collaborate.”<sup>6</sup> We agree, and believe management should consider locating staff as necessary to educate populations (including the most vulnerable) located where fraudsters prey. Locating staff in hotspots may also facilitate cooperative education efforts with financial regulators and others. In any event, we endorse Management’s affirmation to “move forward prudently in order to ensure that funds are spent wisely and in the most efficient manner possible in support of an overall education strategy.” Establishing education initiatives in the existing Kansas City field office would be, in our view, a good start.

Thank you for your continued support of my Office.

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<sup>3</sup> Similarly, Management is cautious regarding any presumption that past enforcement collections can be expected to continue. Again, statistical data standing alone cannot provide a basis for decisions; however, we do believe collection data and trends may provide ongoing guidance in consultation with the Division of Enforcement.

<sup>4</sup> We cannot say with certainty, but with high probability, that seasoned market professionals, or Ph.D.’s from the Massachusetts Institute of Technology currently working for large banks, are not the appropriate groups to reach.

<sup>5</sup> Management described “stakeholders” to include “non- or limited-English speakers, ... and the elderly.” We agree, and would note that the U.S. Census Bureau reported that, in 2016, limited-English speaking households, and households headed by a person aged 65 and older, both lagged behind the rest of the United States in computer ownership and internet subscriptions. U.S. Census Bureau, *Computer and Internet Use in the United States: 2016*, page 7, Table 4 (Aug. 2018). For these CFTC stakeholders a digital presence may not be effective at all.

<sup>6</sup> Erica Richardson, *Draft CFTC Office of External Affairs Vision and Strategy 04032018*, attachment (May 10, 2018).