



U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5110
Facsimile: (202) 418-5522
www.cftc.gov

Office of the
Inspector General

July 30, 2018

TO: J. Christopher Giancarlo, Chairman
Brian D. Quintenz, Commissioner
Rostin Behnam, Commissioner

FROM: A. Roy Lavik, Inspector General *ARL*

SUBJECT: Report on Division of Clearing and Risk (DCR) Stress-Testing Efforts

Attached is my office's report on DCR Stress-Testing Efforts, which you previously received in hardcopy in February 2018. The report we are issuing in final today is unchanged from the hardcopy you previously received.

We first reached out to the Chairman's Office in July & August 2017 to convey concerns about DCR that had been recently disclosed to us. We met with the Chairman in October 2017 with further details, and again in January 2018 with a substantially complete version of the report. We circulated a hardcopy of the report in February 2018 to the Chairman, Commissioners, and Director of DCR. We submitted our report to the Office of General Counsel for redactions in March 2018, and are still awaiting the completion of the redaction process.

Since November 2017, we have been in frequent contact with the new Director of DCR, Brian Bussey. In light of management changes, I extended the period for a management response to six months from the February draft. In lieu of a written response, we recently met with Mr. Bussey to hear updates on planned changes within DCR. We understand from Mr. Bussey that a new Deputy Director of the Risk Surveillance Branch (RSB) will be named shortly; that the new Deputy Director will have technical expertise previously lacking in that position; that he will be given considerable leeway within RSB to optimize stress-testing efforts; that there will be a reorganization of RSB, including greater integration of the related endeavors of margin model review and stress-testing; that there will be greater emphasis on technical acumen, technological development, and automation; and that there will be greater quantitative analytical support of other business divisions within the CFTC.

We look forward to seeing whether the forthcoming changes prove effective in ameliorating the conditions we documented in our report.

Attachment:

Inspection & Evaluation: CFTC Stress-Testing Development Efforts