



COMMODITY FUTURES TRADING COMMISSION

Fees for Reviews of the Rule Enforcement Programs of Designated Contract Markets and Registered Futures Associations

AGENCY: Commodity Futures Trading Commission.

ACTION: Notice of 2014 Schedule of Fees.

SUMMARY: The Commodity Futures Trading Commission (CFTC or Commission) charges fees to designated contract markets and registered futures associations to recover the costs incurred by the Commission in the operation of its program of oversight of self-regulatory organization (SRO) rule enforcement programs, specifically National Futures Association (NFA), a registered futures association, and the designated contract markets. The calculation of the fee amounts charged for 2014 by this notice is based upon an average of actual program costs incurred during fiscal year (FY) 2011, FY 2012, and FY 2013.

DATES: Effective date: Each SRO is required to remit electronically the applicable fee on or before [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

FOR FURTHER INFORMATION CONTACT: Mary Jean Buhler, Chief Financial Officer, Commodity Futures Trading Commission; (202) 418-5089; Three Lafayette Centre, 1155 21st Street, NW, Washington, DC 20581. For information on electronic payment, contact Jennifer Fleming; (202) 418-5034; Three Lafayette Centre, 1155 21st Street NW, Washington, DC 20581.

SUPPLEMENTARY INFORMATION:

I. Background Information

A. General

This notice relates to fees for the Commission's review of the rule enforcement programs at the registered futures associations¹ and designated contract markets (DCM), each of which is an SRO regulated by the Commission. The Commission recalculates the fees charged each year to cover the costs of operating this Commission program.² The fees are set each year based on direct program costs, plus an overhead factor. The Commission calculates actual costs, then calculates an alternate fee taking volume into account, and then charges the lower of the two.³

B. Overhead Rate

The fees charged by the Commission to the SROs are designed to recover program costs, including direct labor costs and overhead. The overhead rate is calculated by dividing total Commission-wide overhead direct program labor costs into the total amount of the Commission-wide overhead pool. For this purpose, direct program labor costs are the salary costs of personnel working in all Commission programs. Overhead costs generally consist of the following Commission-wide costs: indirect personnel costs (leave and benefits), rent, communications, contract services, utilities, equipment, and supplies. This formula has resulted in the following overhead rates for the most recent three years (rounded to the nearest whole percent): 145 percent for FY 2011, 161 percent for FY 2012, and 181 percent for FY 2013.

¹ NFA is the only registered futures association.

² See section 237 of the Futures Trading Act of 1982, 7 U.S.C. 16a, and 31 U.S.C. 9701. For a broader discussion of the history of Commission fees, see 52 FR 46070 (Dec. 4, 1987).

³ 58 FR 42643 (Aug. 11, 1993) and 17 CFR part 1, app. B.

C. Conduct of SRO Rule Enforcement Reviews

Under the formula adopted by the Commission in 1993, the Commission calculates the fee to recover the costs of its rule enforcement reviews and examinations, based on the three-year average of the actual cost of performing such reviews and examinations at each SRO. The cost of operation of the Commission's SRO oversight program varies from SRO to SRO, according to the size and complexity of each SRO's program. The three-year averaging computation method is intended to smooth out year-to-year variations in cost. Timing of the Commission's reviews and examinations may affect costs—a review or examination may span two fiscal years and reviews and examinations are not conducted at each SRO each year.

As noted above, adjustments to actual costs may be made to relieve the burden on an SRO with a disproportionately large share of program costs. The Commission's formula provides for a reduction in the assessed fee if an SRO has a smaller percentage of United States industry contract volume than its percentage of overall Commission oversight program costs. This adjustment reduces the costs so that, as a percentage of total Commission SRO oversight program costs, they are in line with the pro rata percentage for that SRO of United States industry-wide contract volume.

The calculation is made as follows: The fee required to be paid to the Commission by each DCM is equal to the lesser of actual costs based on the three-year historical average of costs for that DCM or one-half of average costs incurred by the Commission for each DCM for the most recent three years, plus a pro rata share (based on average trading volume for the most recent three years) of the aggregate of average annual costs of all DCMs for the most recent three years. The formula for calculating the

second factor is: $0.5a + 0.5vt = \text{current fee}$. In this formula, “a” equals the average annual costs, “v” equals the percentage of total volume across DCMs over the last three years, and “t” equals the average annual costs for all DCMs. NFA has no contracts traded; hence, its fee is based simply on costs for the most recent three fiscal years. This table summarizes the data used in the calculations of the resulting fee for each entity:

	Actual Total Costs			3-year average actual costs	3-year % of volume	volume adjusted costs	FY 2014 Assessed Fee
	FY 2011	FY 2012	FY 2013				
CBOE Futures	\$ 98,556	\$ 29,278	\$ 235,567	\$ 121,134	0.66%	\$ 65,672	\$ 65,672
Chicago Board of Trade	5,260	238,392	164,974	\$ 136,209	29.85%	298,837	\$ 136,209
Chicago Mercantile Exchange ...	422,837	757,347	391,917	\$ 524,034	46.88%	624,386	\$ 524,034
ELX Futures	-	34,593	134,267	\$ 56,287	0.212%	29,782	\$ 29,782
ICE Futures U.S.	17,624	221,813	360,223	\$ 199,886	6.08%	146,957	\$ 146,957
Kansas City Board of Trade	30,976	34,335	559	\$ 21,957	0.17%	12,331	\$ 12,331
Minneapolis Grain Exchange	88,790	60,897	220,975	\$ 123,554	0.04%	62,122	\$ 62,122
NADEX North American	-	11,293	101,252	\$ 37,515	0.000%	18,758	\$ 18,758
New York Mercantile Exchange ..	136,565	7,411	135,316	\$ 93,098	15.41%	165,638	\$ 93,098
NYSE LIFFE US	416,069	71,317	24,802	\$ 170,729	0.50%	89,232	\$ 89,232
One Chicago	-	55,755	128,599	\$ 61,452	0.176%	32,085	\$ 32,085
SUBTOTAL	1,216,678	1,522,431	1,898,452	1,545,854	100%	1,545,799	1,210,279
National Futures Association	416,615	487,328	186,499	363,480			363,480
TOTAL	1,633,293	2,009,759	2,084,950	1,909,334			1,573,760

An example of how the fee is calculated for one exchange, the Chicago Board of Trade, is set forth here:

- a. Actual three-year average costs equal \$136,209.
- b. The alternative computation is: $(.5) (\$136,209) + (.5) (.298) (\$1,545,854) = \$298,837$.
- c. The fee is the lesser of a or b; in this case \$136,209.

As noted above, the alternative calculation based on contracts traded is not applicable to NFA because it is not a DCM and has no contracts traded. The

Commission's average annual cost for conducting oversight review of the NFA rule enforcement program during fiscal years 2011 through 2013 was \$363,480 (one-third of \$1,090,441). The fee to be paid by the NFA for the current fiscal year is \$363,480.

II. Schedule of Fees

Fees for the Commission's review of the rule enforcement programs at the registered futures associations and DCMs regulated by the Commission are as follows:

	3-year Average Actual Cost	2014 Fee Lesser of Actual or Calculated Fee
CBOE Futures	\$ 121,134	\$ 65,672
Chicago Board of Trade	\$ 136,209	\$ 136,209
Chicago Mercantile Exchange	\$ 524,034	\$ 524,034
ELX Futures	\$ 56,287	\$ 29,782
ICE Futures U.S.	\$ 199,886	\$ 146,957
Kansas City Board of Trade	\$ 21,957	\$ 12,331
Minneapolis Grain Exchange	\$ 123,554	\$ 62,122
NADEX North American	\$ 37,515	\$ 18,758
New York Mercantile Exchange	\$ 93,098	\$ 93,098
NYSE LIFFE US	\$ 170,729	\$ 89,232
One Chicago	\$ 61,452	\$ 32,085
SUBTOTAL	\$ 1,545,854	\$ 1,210,279
National Futures Association	\$ 363,480	\$ 363,480
TOTAL	\$ 1,909,334	\$ 1,573,760

III. Payment Method

The Debt Collection Improvement Act (DCIA) requires deposits of fees owed to the government by electronic transfer of funds. See 31 U.S.C. 3720. For information about electronic payments, please contact Jennifer Fleming at (202) 418-5034 or

jfleming@cftc.gov, or see the CFTC website at www.cftc.gov, specifically,
www.cftc.gov/cftc/cftcelectronicpayments.htm.

(Authority: 7 U.S.C. 16a)

Issued in Washington, DC, on October 10, 2014, by the Commission.

Christopher J. Kirkpatrick,

Secretary of the Commission.

[FR Doc. 2014-24624 Filed 10/16/2014 at 8:45 am; Publication Date: 10/17/2014]