AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2018

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES

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PART 3

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AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2018

TUESDAY, FEBRUARY 28, 2017.

OVERSIGHT HEARING—FARM CREDIT ADMINISTRATION

WITNESSES

DALLAS P. TONSAGER, CHAIRMAN AND CEO

JEFFERY S. HALL, MEMBER OF THE BOARD

OPENING STATEMENT—MR. ADERHOLT

Mr. ADERHOLT. Good morning. The Subcommittee will come to order. I want to welcome everyone to the Agriculture Appropriations Subcommittee's second hearing of the 115th Congress. Today's focus is the Farm Credit Administration.

I would like to note that the last time witnesses from the Farm Credit Administration came before this Subcommittee was back on March 12, 1998, almost 19 years ago. So welcome back after a little bit of a vacation.

Two weeks ago, at our first hearing, I took some time to detail some of themes that we laid out for the year. I would like to summarize those briefly: number one, evaluating and accounting for taxpayer dollars to ensure efficiency and accountability; number two, investing in rural infrastructure as a catalyst for growth; third, ensuring support for American farmers, ranchers, and producers; and, number four, protecting the health and safety of people, plants, and animals.

Today, the Subcommittee will be performing our oversight function of the Farm Credit Administration and the Farm Credit System as a whole. Unfortunately, we will not be able to discuss the fiscal year 2018 budget, due to the transition with the new Administration. But we will focus on a few areas that are important to the Subcommittee, including the operations and budget of the Farm Credit Administration; the policies and regulations of the Administration; and the worsening financial situation in today's farm economy.

Many people outside the agricultural community have never heard of the Farm Credit System, much less do they know what it actually does. I must confess I have to brush up on it myself, having been 19 years since this Committee has actually had a hearing on this.

What many people don't know is that the Farm Credit System has been in existence since World War I, and it finances a large portion of the agricultural community in this country. With total assets of $314 billion, the System is on par in size with some of the world's top 10 banks.

The Farm Credit System was created to fulfill a crucial role to provide financing to farmers, ranchers, and producers that other banks may not be able to provide. Agricultural financing is more unique than any other sector in our economy, with wild, unpredictable swings possible in commodity prices and land values in our heartland.

This Subcommittee covers every aspect of the USDA other than the Forest Service. While we do not provide direct funding to the Farm Credit Administration, we make funding decisions for USDA and the agricultural stakeholders that have a direct and real impact on the Farm Credit System. As Chairman Tonsager notes in his written testimony, the Farm Credit Administration and Congress make crucial decisions related to rural infrastructure: broadband, water systems, and housing, just to name a few. Thus, this Subcommittee's oversight responsibilities for FCA are just as critical for the other parts of our jurisdiction as the other vital USDA roles. Without the farmer and rancher's access to abundant and affordable credit, the lower the chance all of our citizens have to access an abundant supply of high-quality, relatively low-cost foods.

I look forward to discussing the Farm Credit Administration's updated budget request for fiscal year 2017. The FCA is unique because it does not receive a direct appropriation. Instead, Congress places a limitation on the assessments collected from the System's institutions as its source of funding. As you mentioned in your testimony, Mr. Chairman, the FCA has had to do some belt-tightening in the past year. What you failed to mention is that the FCA accumulated excess funding totaling $16 million in carryover balances as recently as 2013. The Subcommittee has kept the limitations relatively flat in order to require FCA to spend the carryover. In addition, FCA has a special provision that many agencies would be very envious of, and that is the ability to increase its funding by 10 percent with a simple letter to Congress.

There has been no intention of Congress trying to limit FCA's funding. This Subcommittee has simply been making sure responsible fiscal practices are carried out. With that said, I will be sure to examine your request for an increase in your limitation for the remainder of the year now that those excess funds have been expended.

With regard to policies and regulations of the Farm Credit Administration, I can imagine some of my colleagues will have questions regarding the complaints from the traditional banking sector. I have some inquiries from constituents who have from time to time asked those questions.

Finally, one thing on everyone's mind in rural America, and especially our constituents, is the state of the farm economy. 2017 will be the fourth year in a row that farm income will decline, according to estimates by the Department of Agriculture. I want to discuss the Farm Credit System's role in supporting farmers during

this downturn and, in particular, the Farm Credit Administration's work to ensure that we do not see a repeat of the 1980s Farm Credit System failure.

Chairman Tonsager, thank you for appearing here today and for taking time out of your schedule to appear before our Subcommittee. I look forward to hearing your testimony and having a productive hearing as we move forward. I believe this will be your first hearing in your new role as Chairman of the Farm Credit Administration.

Mr. Hall, I would like to welcome you in your role as a Member of the Board and the current Chairman of the Farm Credit System Insurance Corporation. Your role in providing a backstop to the Farm Credit System is now more valuable than ever.

So, at this time, I would like to recognize the Ranking Member of our Subcommittee, Mr. Bishop from Georgia, to see if he has any comments he would like to make.

OPENING STATEMENT—MR. BISHOP

Mr. BISHOP. Thank you very much, Mr. Chairman.

And let me also take this opportunity to welcome Chairman Tonsager back and Mr. Hall. It has been far too long, as the Chairman indicated, since we have had a hearing on the Farm Credit Administration. I thank you for taking the time today to come before our Subcommittee.

The Farm Credit Administration plays a vital role in helping to finance our agriculture sector. Our farmers and our producers rely on FCA to foster the providing of credit that is necessary to get their products to market. Through your role on the FCA Board, you have the important responsibility of approving FCA's policies, its regulations, and its enforcement activities against those who would engage in unsafe and unsound practices.

I look forward to a robust conversation on the current strength of the Farm Credit System and on any risk or potential weaknesses that you might see from your position on the FCA Board.

I would also like to discuss any personnel limitations or programmatic needs that could be addressed to further strengthen our Farm Credit System.

I do note that, while rural communities have had particularly difficult challenges over the past decade, there is some good news. Back in 2009, rural America was really feeling the devastating impact of the recession. Rural communities were shedding 200,000 jobs a year. Rural unemployment was 10 percent, and the poverty rates had reached heights that were unseen in decades. And, of course, the rural communities were facing stagnant wages, out-migration, and a shortage of investment capital.

But over the past few years, with the help of FCA, there are some strong economic indicators that show that rural America is rebounding. Rural unemployment has continued to decline. It is now below 6 percent, and it got there in 2015 for the first time since 2007. Rural poverty rates have fallen, though not as much as we want them to. Median household incomes in rural areas increased by, I think, 3.4 percent in 2015, and rural populations have stabilized and are beginning to grow. Child food insecurity nationwide is an all-time low. So those are some positives I think we

should remember although we have a great deal of work to do to get Americans back to the point and to help us increase the quality of life for all of us, and particularly in rural America.

So I welcome you here, and I thank both of you for taking the time to come and to share this with us this morning.

I yield back, Mr. Chairman.

Mr. ADERHOLT. Thank you, Mr. Bishop.

Mr. Tonsager, we will now listen to your testimony, and I look forward to your comments.

OPENING STATEMENT—MR. TONSAGER

Mr. TONSAGER. Chairman Aderholt, Ranking Member Bishop, and Members of the Committee, it is a privilege to appear before you today to report on the budget of the Farm Credit Administration. I have a written statement to submit for the record.

President Obama appointed me to the FCA Board in March of 2015. Last fall, the President designated me FCA Board Chairman and CEO. I have the pleasure of serving on the board with two distinguished colleagues: Jeff Hall, who is here today; and Ken Spearman.

FCA is an independent Federal agency that regulates, examines the banks, associations, and related entities of the Farm Credit System, including the Federal Agricultural Mortgage Corporation, or Farmer Mac.

Our responsibility is to ensure that the System meets its Congressional mission to provide a dependable source of competitive credit for agriculture in rural America. The FCA was created by an executive order of President Franklin Roosevelt in 1933. During the agricultural credit crisis of the 1980s, Congress gave FCA regulatory and enforcement powers similar to those of other financial regulators.

FCA is not an appropriated agency. We are funded primarily through the assessments paid by System institutions. Congress oversees our administrative expenses and sets an annual cap on them.

The Farm Credit System, which was established in 1916, is the Nation's oldest government-sponsored enterprise. It is a nationwide network of borrower-owned cooperative financial institutions and affiliated service organizations.

Currently, the System includes 4 banks and 73 direct-lending associations. The banks provide loan funds to the associations, which, in turn, provide operating loans and long-term real estate loans to farmers, ranchers, and other eligible borrowers. One of the System banks also has the authority to lend to agricultural cooperatives and rural utilities. Farm Credit banks and associations cannot take deposits. The System obtains loan funds by selling securities on the national and international monetary markets. The securities are not guaranteed by the Federal government.

For more than 100 years, the System has helped our Nation's agricultural producers provide abundant and affordable food and fiber to people at home and around the country. Currently, the System supplies 41 percent of our Nation's farm credit. I am pleased to report that the System's banks and associations are fundamentally safe and sound. For the first 9 months of 2016, the System re-

ported modest loan growth, solid earnings, and higher capital levels.

But, as regulator of the System, we do have some concerns. Debt-to-asset levels are rising while net farm income is declining. Interest rates, while still low, have begun to increase, and crop prices are expected to remain weak throughout fiscal year 2017. These factors are putting downward pressure on the value of Midwest farmland. Meanwhile, high production levels are further weighing down prices and profits in the protein and dairy sectors.

The nonaccrual rate on System mortgages was 0.76 percent as of September 30, up slightly from a year earlier. The nonaccrual rate on its production loans was 1.04 percent, up almost a quarter percentage point from the previous year.

To help the System weather this downturn in the farm economy, we are monitoring conditions closely, and we are examining institutions to make sure they are guarding against both concentration risks and collateral risks. Overseeing the safety and soundness of a nationwide network of lending institutions requires more resources during times of economic stress. For fiscal year 2017, our budget request was $70.4 million. Under the continuing resolution, the agency has been operating under the cap established by Congress of $65.6 million. As a result of the cap, we have had to delay hiring, reduce travel and relocations, and postpone IT projects. We would like to respectfully request that the cap be increased to $68 million. This will allow us to move forward with targeted IT investments and to meet pressing human capital needs.

Thank you, and I am happy to answer your questions.

[The information follows:]

Testimony of the Honorable Dallas P. Tonsager
Board Chairman and Chief Executive Officer
Farm Credit Administration
Before the House Appropriations Subcommittee on Agriculture,
Rural Development, Food and Drug Administration, and Related Agencies
February 28, 2017

Chairman Aderholt, Ranking Member Bishop, and Members of the Committee, I am Dallas P. Tonsager, board chairman and CEO of the Farm Credit Administration. On behalf of my colleagues on the FCA board, Jeffery S. Hall of Kentucky and Kenneth A. Spearman of California, and all the dedicated men and women of the agency, it is a privilege to appear before you today.

FCA is an independent agency responsible for examining and regulating the banks, associations, and related entities of the Farm Credit System (FCS or System), including the Federal Agricultural Mortgage Corporation (Farmer Mac). The banks and associations of the FCS form a nationwide network of borrower-owned financial institutions that provide competitive credit to all creditworthy farmers, ranchers, and other eligible borrowers.

FCA does not receive a federal appropriation. We pay our administrative expenses from funds that are assessed and collected annually from the institutions we regulate. Congress provides oversight of our administrative expenses and sets an annual cap on our expenses.

Our budget

For fiscal year (FY) 2017, our budget request was for $70.4 million. Under the continuing resolution, the agency has been operating under the cap established by Congress in FY 2016 of $65.6 million. As a result of the cap, we have had to delay hiring actions, reduce travel and relocations, and delay the execution of information technology projects. These items allow us to more fully meet our mission in FY 2017, so we would like to respectfully request that the cap be increased to $68 million. This will allow us to move forward with targeted IT investments and to meet pressing human capital needs.

For both FY 2017 and 2018, three factors are driving our budget. The first factor is our need to hire, train, and retain qualified individuals to replace the many employees — especially examiners — who are eligible to retire. Over the past few years, some of our seasoned employees have retired, and we expect many more to retire over the next few years. To meet our mission of examining and regulating the System, we must hire qualified people, train them well, and offer competitive compensation so that

we can retain them after they are trained. We would like to note that one of our means of hiring examiners is the Pathways summer internship program, which is exempt from the President's hiring freeze.

The second factor is the challenge presented by changes in the organization and structure of the Farm Credit System. As System institutions continue to merge and grow in size and complexity, the skill level required to examine and oversee them has increased. As a result, we have to dedicate more resources to hiring, training, and retaining the staff we need. Furthermore, we must ensure that our employees have the technology and data tools they need to do their jobs effectively. Information technology, data management, and IT security become more critical to our examination and evaluation of risk as institutions become larger and more complex.

And the third factor is the growing challenge facing the farm economy. Farm income has dropped every year for the past three years, and it appears it will drop again in FY 2017. As a result, credit quality has begun to slip among farm lenders, including System institutions. Because examining and supervising lending institutions requires more staff resources in periods of economic stress, we require more funding to meet our current human capital needs.

FCA mission

As directed by Congress, FCA's mission is to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America. We accomplish this mission in two important ways.

First, we protect the safety and soundness of the FCS by examining and supervising all FCS institutions, including Farmer Mac, and we ensure that they comply with applicable laws and regulations. If a System institution violates a law or regulation or operates in an unsafe or unsound manner, we use our supervisory and enforcement authorities to require appropriate corrective action.

Second, we develop policies and regulations that govern how System institutions conduct their business and interact with customers. Our policies and regulations protect System safety and soundness; implement the Farm Credit Act; provide minimum requirements for lending, related services, investments, capital, and mission; and ensure adequate financial disclosure and governance.

Through the oversight and leadership of the House and Senate Agriculture Committees, many important reforms were made to the Farm Credit Administration and the FCS as a result of the

agricultural credit crisis of the 1980s. These reforms included restructuring FCA as an independent arm's-length regulator with formal enforcement powers, providing borrower rights to System borrowers with distressed loans, and establishing the Farm Credit System Insurance Corporation to protect System investors. Since then, the Farm Credit System has restored its financial health and the public trust. Using our authority as an arm's-length regulator, we help the System maintain that public trust by ensuring that its institutions adhere to safety and soundness standards.

Farm Credit System mission

The FCS is a government-sponsored enterprise (GSE) created by Congress in 1916 to provide American agriculture with a dependable source of credit. The System's banks and associations form a nationwide network of cooperatively organized lending institutions that are owned and controlled by their borrowers, serving all 50 states and the Commonwealth of Puerto Rico.

According to the Farm Credit Act of 1971, Congress created the System to improve "the income and well-being of American farmers and ranchers by furnishing sound, adequate, and constructive credit and closely related services to them, their cooperatives, and to selected farm-related businesses necessary for efficient farm operations." In fulfilling this mission, the System provides credit and other services to agricultural producers, aquatic producers or harvesters, and farmer-owned cooperatives. It also makes loans for agricultural processing and marketing activities, rural housing, farm-related businesses, rural utilities, and foreign and domestic companies involved in international agricultural trade. In addition, the System provides funding and discounting services to certain "other financing institutions" and forms partnerships with commercial banks to provide credit to agriculture and rural America through participations and syndications.

In his opening statement at the subcommittee's first hearing on February 15, Chairman Aderholt mentioned several themes to guide the subcommittee's work in FY 2018. One of those themes was investing in rural infrastructure. I was encouraged to hear this because I believe that the System plays an important role in supporting rural infrastructure, and one of my priorities as chairman of FCA is to encourage it to strengthen this role.

In some cases, the System is authorized to lend directly to providers of rural infrastructure. Rural cooperatives providing electricity, water, wastewater treatment, and broadband service are among the System's many customers. But the System also can support rural infrastructure through partnerships

with other lenders, universities, and USDA. For example, it has partnered with other lenders to finance the construction of rural hospitals and nursing homes.

As part of the theme of investing in rural infrastructure, Chairman Aderholt also mentioned helping rural businesses to create unique economic opportunities. Here again the System already plays an important role. Simply by making loans to farmers, ranchers, and farm-related businesses, the System supports rural communities by providing economic opportunities for rural residents. The System also serves the credit needs of many farm-related businesses, including those involved in the processing and distribution of local foods. These businesses are important job sources in rural America.

As a regulator, we pay careful attention to the System's congressional mandate to serve the needs of young, beginning, and small farmers and ranchers. By offering competitive interest rates, flexible underwriting standards, and their expertise in the agricultural industry, System institutions make it possible for more people to enter farming and to stay in it. This is good for the producers, as well as for the rural communities in which they live.

So there is much the System is doing and can do to support rural communities — either though loans directly to eligible, creditworthy borrowers or through partnerships and participations with other lenders and organizations.

The System has successfully fulfilled its mission for more than 100 years. It adds value to agriculture and rural America at all times, but it really proves its worth in difficult times. In early 2008, when commodity prices soared, operators of grain elevators could not find the financing they needed to operate, so System institutions stepped in to meet that need. If the System had not been there, those operators would have faced a financial crisis. This was a classic example of a GSE doing exactly what Congress intended it to do. And I'm confident that the System will again prove its value by meeting the credit needs of farmers and ranchers during the current downturn in the farm economy.

The farm economy and agricultural credit

After years of historic highs, farm income reached a peak in 2013, and it has been dropping every year since then. USDA does not expect this trend to reverse in 2017. It forecasts net farm income to fall 9 percent in 2017 to $62.3 billion. That would be just half of the $123.7 billion in net farm income recorded for 2013. Crop and livestock sales and cash production expenses are expected to stay flat this year. At the same time, government payments, which rose 20 percent in 2016, are expected to fall 4 percent.

As a result of the growing stress in the farm economy, many farmers and ranchers are now having difficulty covering their costs, and this is beginning to reduce the quality of agricultural loans. While farm lenders, including the Farm Service Agency, continue to report that overall loan quality remains good, many loan performance indicators are now weaker. Nonaccrual rates for System farm mortgages stood at 0.76 percent as of September 30, 2016, up from 0.69 percent a year earlier. And nonaccrual rates for farm production loans were at 1.04 percent, up from 0.80 percent a year earlier.

Federal Reserve Bank surveys of commercial bankers in the fourth quarter of 2016 also suggest a worsening credit climate. According to the surveys, repayment rates on agricultural production loans have declined, and the number of renewals and extensions has increased.

Although lenders expect an increase in loan delinquencies and other indicators of loan repayment problems in 2017, they do not expect a large increase in problematic loans. With expectations for tight profit margins to continue through 2017, more farmers are likely to rebalance their farm balance sheets or change their operating structures to lower their production costs.

The condition of the farm economy depends in part on interest rate policy. Currently, interest rates on farm loans remain historically low, but an improving economy and labor market may prompt the Federal Reserve to make more incremental interest rate increases during 2017. The average interest rate on all System loans held nearly steady at about 4 percent during 2016.

Condition of the FCS

Despite conditions in the farm economy, the FCS remains fundamentally safe and sound and is well positioned to manage this downturn. The depth and duration of market weakness is unknown, but it will continue to present challenges for the System until markets rebound. While the current credit stress level in the System's loan portfolio is well within its risk-bearing capacity, asset quality is expected to decline modestly in 2017 from relatively strong levels in 2016. Moderate loan growth, adequate capital, and reliable access to debt capital markets are supporting the overall condition of the FCS.

The System continues to grow at a moderate pace. As of September 30, 2016, gross loans totaled $242.1 billion, up $15.3 billion or 6.7 percent from September 30, 2015. Real estate mortgage lending was up $9.5 billion or 9.2 percent as demand for cropland continued in 2016. Overall, real estate mortgage loans represent 46.7 percent of the System's loan portfolio. Production and intermediate-

term lending increased by $0.2 billion or 0.3 percent from the year before, and agribusiness lending increased by $2.6 billion or 7.7 percent.

The System also continues to enhance its capital base, which strengthens its financial position as low or negative farm returns increase financial stress on borrowers. As of September 30, 2016, System total capital equaled $52.4 billion, up from $48.9 billion the year before. The System's total capital-to-assets ratio was 16.7 percent as compared with 16.8 percent a year earlier. Moreover, 82 percent of total capital is in the form of earned surplus. The increase in total capital is due in large part to the System's strong earnings performance. For the first nine months of calendar year 2016, the System reported net income of $3.6 billion compared with $3.5 billion for the same period the previous year.

Credit quality in the System's loan portfolio continues to be strong. Relative to total capital, nonperforming assets represented 3.9 percent as of September 30, 2016. For historical comparison, nonperforming assets represented 11.6 percent of capital at year-end 2010.

The System continues to have reliable access to the debt capital markets. Investor demand for all System debt products has been positive, allowing the System to continue to issue debt on a wide maturity spectrum at very competitive rates. Risk spreads and pricing on System debt securities remained favorable relative to corresponding U.S. Treasuries.

Another factor that makes System debt attractive to investors is the Farm Credit Insurance Fund, which has a balance of over $4.4 billion. Administered by the Farm Credit System Insurance Corporation, this fund protects investors in Systemwide consolidated debt obligations. System banks also maintain liquidity reserves to ensure they can withstand market disruptions. As of September 30, 2016, the System's liquidity position equaled 177 days, significantly above the 90-day regulatory minimum required for each FCS bank.

As required by law, System borrowers own stock or participation certificates in System institutions. The FCS had approximately 1.3 million loans and 513,000 stockholders in 2016. Of these stockholders, 86 percent were farmers or cooperatives with voting stock. The remaining 14 percent were nonvoting stockholders, including rural homeowners and other financing institutions that borrow from the System. USDA's latest data (as of December 31, 2015) show that the System's market share of farm debt was 41 percent, compared with 43 percent for commercial banks.

Federal Agricultural Mortgage Corporation

Congress established Farmer Mac in 1988 to create a secondary market for agricultural real estate and rural housing mortgage loans. Farmer Mac has authority to create and guarantee securities and other secondary market products that are backed by agricultural real estate mortgages and rural home loans, USDA-guaranteed farm and rural development loans, and rural utility cooperative loans.

Farmer Mac is committed to enhancing the availability of reasonably priced credit to agriculture and rural America through its secondary market activities. Under specific circumstances defined by statute, Farmer Mac may issue obligations to the U.S. Treasury Department, not to exceed $1.5 billion, to fulfill the guarantee obligations on Farmer Mac guaranteed securities.

As measured using generally accepted accounting principles (GAAP), net income in FY 2016 (ended September 30) was up 12.8 percent from FY 2015 to $53.7 million. The increase was due primarily to unusual costs in the prior year associated with the redemption of $250 million of Farmer Mac II preferred stock. That redemption resulted in an $8.1 million one-time, after-tax loss recorded in the first quarter of FY 2015.

Core earnings, a non-GAAP measure based more on cash flow, were up by 22.0 percent over FY 2015 to $52.9 million. The increase was primarily driven by actions that suppressed core earnings in the prior year. Despite a slight drop in net effective spread in FY 2016, earnings were up because of higher program loan volume, as well as higher guarantee and commitment fees. As of September 30, 2016, Farmer Mac's core capital totaled $587.1 million, which exceeded its statutory requirement of $474.8 million. The total portfolio of loans, guarantees, and commitments grew 10.4 percent to $17.2 billion.

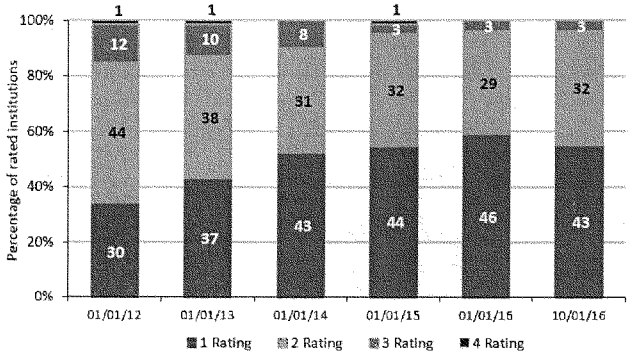
Examination programs for FCS banks and associations

To help ensure the safety and soundness of FCS institutions, FCA uses examination and supervision processes to address material and emerging risks at the institution level and across the System. We base our examination and supervision strategies on institution size, existing and prospective risk exposure, and the scope and nature of each institution's business model. The frequency and depth of examination activities vary based on risk, but each institution is examined at least once every 18 months and receives a summary of examination activities and a report on its overall condition. When necessary, we use our enforcement powers to require institutions to change their policies and practices to correct unsafe or unsound conditions or violations of law or regulations.

To assess the safety and soundness of each FCS institution, we use our Financial Institution Rating System (FIRS). This system provides a framework of ratings to help examiners evaluate significant financial, asset quality, and management factors. FIRS ratings range from 1 for a sound institution to 5 for an institution that is likely to fail. As the chart on the following page indicates, the System remains financially strong overall. Institutions are well capitalized, and the FCS does not pose material risk to investors in FCS debt, the Farm Credit System Insurance Corporation, or to FCS institution stockholders.

Although the System's condition and performance remain satisfactory overall, several institutions are experiencing stress that requires special supervision. We have increased supervisory oversight at a number of institutions and dedicated additional resources in particular to the three institutions rated 3 or worse. As of September 30, 2016, four FCS institutions were under supervisory actions, but no FCS institutions were under formal enforcement actions, in conservatorship, or in receivership.

Farm Credit System Financial Institution Rating System (FIRS) Composite Ratings



Source: FCA's FIRS Ratings Database.

Note: This chart reflects ratings for only the System's banks and direct-lending associations; it does not include ratings for the System's service corporations, Farmer Mac, or the Federal Farm Credit Banks Funding Corporation. Also, the numbers in the bars indicate the number of institutions by FIRS rating.

Regulatory and corporate activities

Regulatory activities — Congress has given the FCA board statutory authority to establish policy, prescribe regulations, and issue guidance to ensure that FCS institutions comply with the law and

operate in a safe and sound manner. We are committed to developing balanced, flexible, and legally sound regulations. Current regulatory and policy projects include the following:

- Revising regulations on eligibility and creditworthiness of FCS institution investments
- Clarifying and strengthening standards-of-conduct regulations
- Clarifying or changing the amortization limits for agricultural credit associations and production credit associations
- Revising regulations on eligibility and creditworthiness of Farmer Mac investments
- Revising the criteria in the regulations for reinstating nonaccrual loans
- Reviewing stress testing done by System institutions
- Reviewing cybersecurity requirements for System institutions
- Clarifying the disclosure and servicing requirements in the borrower rights regulations
- Evaluating regulations to reduce regulatory burden

Corporate activities — Because of mergers, the number of FCS institutions has declined over the years, but their complexity has increased, placing greater demands on both examination staff resources and expertise. As of January 1, 2017, the System had 73 direct-lender associations, 4 banks, 5 service corporations, and 2 special-purpose entities.

Serving young, beginning, and small farmers and ranchers

As part of their mission to serve all eligible, creditworthy borrowers, System institutions are required to develop programs and make special efforts to serve young, beginning, and small (YBS) farmers and ranchers. In 2015, the pace of new lending to YBS farmers generally exceeded the pace of overall System lending to farmers. The number of loans made in 2015 to young, beginning, and small farmers increased by 5.1 percent, 7.5 percent, and 6.7 percent, respectively, from 2014. Since the total number of farm loans made by the System was up by only 3.7 percent, the share of total System farm loans made to all three YBS categories rose from that of 2014. These results are encouraging given the high costs of starting a farm, the declining number of people entering agriculture, and the rising average age of farmers.

To help YBS farmers qualify for credit in 2015, FCS associations offered differentiated loan underwriting standards for YBS borrowers or made exceptions to their regular standards. More than a third of associations provided concessionary loan fees, and more than half offered lower interest rate

programs for YBS borrowers. Many associations partnered with state and federal programs to provide interest rate reductions, guarantees, or loan participations for YBS borrowers.

Working with financially stressed borrowers

Risk is an inherent part of agriculture, and the causes of risk are many: bad weather, changes in government programs, international trade issues, high interest rates, etc. These risks can sometimes make it difficult for borrowers to repay loans. To provide some protection from these risks, the Farm Credit Act gives System borrowers certain rights when they apply for loans and when they have trouble repaying loans. For example, the act requires FCS institutions to notify borrowers of the right to seek restructuring of loans before the institutions begin foreclosure. When a System institution acquires agricultural property through liquidation, the Farm Credit Act also provides borrowers the opportunity to buy or lease back their former properties. FCA enforces the borrower rights provisions of the Farm Credit Act and examines institutions to make sure they are complying with these provisions. We also receive and review complaints from borrowers who believe their rights have been denied.

This year, because of the additional stress in the farm economy, we are emphasizing the need for System institutions to do everything they can within the bounds of safety and soundness to help borrowers in difficulty. If a farmer or rancher has a good chance of becoming successful again after the economy improves, we encourage the institution to help the borrower through the difficult period. We want to help ensure the best possible outcome for every borrower.

Conclusion

We at FCA remain vigilant in our efforts to ensure that the Farm Credit System and Farmer Mac remain financially sound and focused on fulfilling their missions. While we are proud of our record and accomplishments, we remain committed to excellence, effectiveness, and cost efficiency, and we will remain focused on our mission of ensuring a safe, sound, and dependable source of credit and related services for all creditworthy and eligible persons in agriculture and rural America. This concludes my statement. On behalf of my colleagues on the FCA board and at the agency, I thank you for the opportunity to share this information.

FARM ECONOMY

Mr. ADERHOLT. Thank you. As I mentioned in my opening statement, the farm economy is experiencing a significant downturn at the moment. There are signs on the horizon that some segments of the agricultural community are going through difficult times, and USDA estimates that rough waters will continue.

In looking at the number of assets and outstanding loans in the System, it appears that risk exposure has grown significantly over the past 4 years. The amount of assets has increased by 31 percent to $314 billion, and gross loan volume has increased by 30 percent. Some have expressed concern that there could be a repeat of the 1980s farm credit crisis. The similarities are certainly there. For example, a drop in the farm income nearing 50 percent over the past 4 years, increasing debt loads, falling farmland values, increasing interest rates likely, farm loan delinquencies on the rise, and 1 in 10 farms are highly leveraged.

While there may be reasons why we may or why we may not see another credit crisis, I would like to hear your reasoning on this issue and your thoughts as we look down the road.

Mr. TONSAGER. Yes. And we agree with the concerns. We, of course, are very concerned as well. As a farmer, I went through the 1980s farm crisis in South Dakota and watched very closely some of the things that occurred at that time. It was dramatic, enormous numbers of people left rural America, and an enormous number of farms went through a bankruptcy process. It was just a horrible situation, and at that time, Congress took several steps to try to alleviate the potential risks of it happening again, of credit availability particularly. For us, they established a Farm Credit System Insurance Corporation to back the bonds that were associated. Chairman Hall is Chairman of that group. There are now about $4.5 billion in assets that have been collected from the System to back it up. They established this agency as an arm's-length regulator, where it wasn't prior to that. So we bring a different perspective, perhaps a more aggressive perspective.

The System's assets have grown significantly. The capital is now $52 billion. And the System is consolidated to a degree. The consolidation is of concern, of course, but at that time, there were over a thousand Farm Credit institutions, and now there are 77 or so. So capital-bearing is much stronger. At that time, we had double-digit interest rates. And now, of course, we have much more modest interest rates that can help us get through that time.

So there have been a number of steps. And another tool we have that may come up as a question is our ability to allow similar entities to lend, an authority that was established by Congress in order to broaden the balance sheet of the Farm Credit System where typically it is narrowly focused on agriculture. That authority allows for a broader opportunity of loans to be made to support the System.

So, you know, we believe a lot of steps have put us in a better condition to meet the challenges that you describe.

Mr. ADERHOLT. Your opinion on the state of the farm economy as a whole, the System in particular, based on your comments

there, is that you feel confident the System could weather the shock?

Mr. TONSAGER. Yes. I think that we are in much stronger circumstances. It seems to me, this is a much more corrosive long-term challenge than it is an immediate one. I think economically, some of the economists talk about quite a long cycle of low income coming up. The effect of that over time is very problematic. It affects agriculture and rural America together, and I have become concerned about that.

I am concerned about the impact on individual farmers and producers because, at that time, as we all know, there was an enormous exodus from agriculture. And how we deal with the problems of the income stream to producers, when the moment comes when a loan officer has to have a discussion with the producer about their future plans, I think that is one of the most challenging and important elements of this. We have to look for the best possible outcomes for producers who cannot simply move forward. In the 1980s, we had the worst possible outcomes.

And so my hope is that we can generate a dialogue about how producers who are going through stress, how we help meet that stress and help them deal with whatever choices they have to make.

DELINQUENCY RATES

Mr. ADERHOLT. What is the delinquency rate for loans in the System?

Mr. TONSAGER. The delinquency—there are various numbers one can focus on. We focus here on nonaccrual loans within this, and these would be loans that are not actually making payments at this time.

So the delinquency rate—and I can't recall it offhand, but it is somewhat higher than this. But the number I tend to focus on is those that are not making loans for extended period of time. And so it is relatively low at this time.

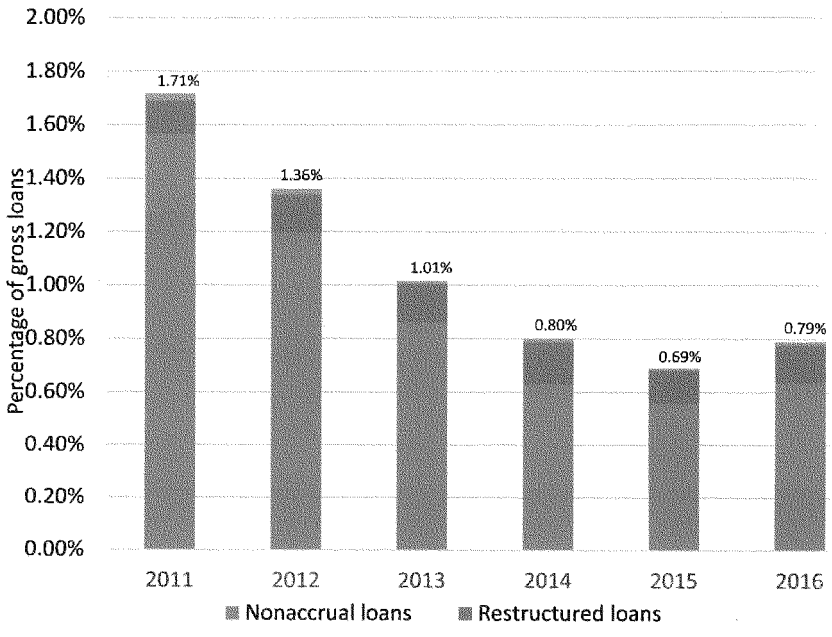
Mr. ADERHOLT. Okay. Can you get that for us, for the record?

Mr. TONSAGER. Absolutely.

[The information follows:]

In 2016, the overall credit condition and performance of the Farm Credit System (FCS) was strong and remains safe and sound today. The FCS reported solid earnings, strong capital levels, and favorable portfolio credit quality. However, since farm income is projected to decline in 2017 for the fourth consecutive year loan delinquencies may rise. With weak margins, farmers will look to strengthen their balance sheets to reduce their production costs. As of December 31, 2016, nonperforming loans amounted to 0.79 percent of gross outstanding loans. The figure below outlines the System's nonperforming loan levels from 2011-2016, the most recent six-year time frame available.

FCS nonperforming loans, 2011 - 2016



Source: Federal Farm Credit Banks Funding Corporation, Annual Information Statements

Mr. ADERHOLT. All right. Mr. Bishop.

STAFFING

Mr. BISHOP. Thank you very much.

Mr. Tonsager, your written testimony stated that hiring delays, reduced travel and relocations, and delays to executing IT projects were due to the fiscal year 2016 funding cap of $65.6 million, causing FCA to request $68 million for the fiscal year 2017 to meet your mission.

The hiring freeze was just established in January of this year. So, while it has the potential to negatively impact future hiring actions, I would like to understand where you were prior to that executive order.

Aside from the summer Pathways hiring you mentioned earlier, can you elaborate for us on what other hiring actions FCA has been undertaking to fill the current and upcoming personnel gaps?

And, finally, I would also like to know how FCA has implemented your published August 8, 2016 equal employment opportunity and diversity policy to increase diversity within the ranks of examiner and other positions.

Mr. TONSAGER. The challenge for us in the hiring freeze is it takes up to 4 years to fully train an examiner and commission them at that point. And so we have approximately 20 percent of our employees at this time that could leave at any moment, and that number moves up in just a few years to the 30, 40 percent range. And so, since we have to plan in such a long-term timeframe, our ability to keep a steady stream of people coming in is the great challenge on the human resource front.

The cap at this point, the effect on us has been, in relative terms, modest. And, again, we have to look at the long term. We see anywhere from 8 to 11 examiners a year leaving. And so that is pretty substantial. We have a pretty good class of new examiners developing at this time. So we want to be able to move forward and make sure we have extremely highly-qualified people for the examination process that has become very complex.

I hope that answers the first part of your question.

Mr. BISHOP. Can you provide us some information, though, on the, statistics, of the demographics of your equal employment opportunity and diversity results so we can see overall——

Mr. TONSAGER. Yes.

Mr. BISHOP [continuing]. What the makeup is?

Mr. TONSAGER. We will be happy to. We have implemented the plan. It requires each of the institutions to identify how they are going to serve the populations in their business area, and those plans are examined for, and we look closely at them.

[The information follows:]

In a policy statement dated August 8, 2016, the Farm Credit Administration (FCA) reconfirmed the Agency's commitment to Equal Employment Opportunity and employee diversity and its commitment to providing a workplace free of discrimination. The board updates and reissues its policy annually as a public demonstration of FCA's commitment to equality of opportunity for all employees and applicants for employment. In Fiscal Year (FY) 2016, FCA closed the year with 309 employees. With such a small number of employees, broad-based statistical data may not lend itself to reliable statistical analysis.

FCA's goal is to build and maintain a workforce that reflects the rich diversity of individual differences evident throughout this nation. We will create, maintain, and continuously improve on an organizational culture that fully recognizes, values, and supports employee diversity. FCA hires mainly through the Pathways program. Recruiting efforts include visits to a number of historically Black Colleges and Universities, Hispanic Serving Institutions, and high-minority enrollment schools. Kenneth A. Spearman, then Board Chairman and CEO of the Farm Credit Administration, visited Tuskegee University to encourage agriculture and business students there to apply for FCA jobs. The agency recruits for talented candidates to hire and train as bank examiners, and the agency reaches out to minority institutions in an effort to strengthen the diversity of its workforce. FCA has been emphasizing diversity and inclusion for the past few years. In 2012, it adopted a rule requiring the institutions it regulates to adopt strategies to increase diversity in their workforce and their customer base. Mr. Spearman also met in Washington, D.C., with presidents and deans from the 1890 land-grant institutions, which were established under the Second Morrill Act to provide higher education in agriculture and the mechanic arts to African-Americans.

Minorities represented 22.9 percent of the FCA's workforce in FY 2016, an increase of 1.8 percent from FY 2015. Women representation increased in FY 2016 to 41.08 percent from 40.27 percent in FY 2015. Individuals with disabilities in FY 2016 represented 13.4 percent of FCA's workforce, up from 12.5 percent in FY 2015. This is a favorable comparison to 8.99 percent representation of individuals with disabilities across the rest of the Federal workforce. In FY 2016, FCA employed 34 veterans, 6 are disabled and 5 are 30-percent or more disabled.

Mr. BISHOP. Thank you.

OUTSIDE LOANS

There have been some questions regarding some criticisms of FCA and the FCS by banks. There has been controversy about loans which your institutions have participated in that some say are outside the basic mission. And, of course, some folks refer to—the banks look at a $725 million loan to Verizon and the reports of loans for casinos and restaurants, and some people have difficulty understanding how that is consistent with your mission.

And, also, there is another criticism relating to loans to wealthy individuals. In the American Banking Association Journal, they say that half of the loans made by the FCS went to less than 1 percent of all borrowers in 2015 at an average loan size of $24.1 million. Some have asked why the FCS institutions, which are taxpayer-supported to some extent with certain tax exemptions, should make loans to people who are too wealthy to get farm payments. Would you respond to those criticisms for me, please?

Mr. TONSAGER. Yes. I will do my best to try and run through the list.

I guess I would start with the 1-percent number that you mentioned. Three-quarters of the loans made by the Farm Credit System are $250,000 or less. So three out of four doesn't jibe very well with the number provided by the bankers. Additionally, of course, within the portfolio, the lending institutions, there are thousands of cooperative institutions——

Mr. BISHOP. Let me ask you, is that the number of loans, or is that the value?

Mr. TONSAGER. That is the number of loans.

Mr. BISHOP. Right. So we also talked about that amount too besides the loan.

Mr. TONSAGER. Yes. And, of course, there are large farms that are involved. The statute requires us to serve all producers in areas, big and small.

But also in that, as I was mentioning, there are thousands of cooperative institutions and borrowers, especially of CoBank, who have very high credit lines. I am not sure if that number is included in this particular estimate that they made, but if it was, it would account for a lot of the size of the $24 million average just because, you know, they are service providers to the institutions.

Mr. BISHOP. I think my time is about out.

I have 9 seconds, and I yield that back.

Mr. TONSAGER. Thank you, sir.

Mr. ADERHOLT. Mr. Yoder.

FARM ECONOMY

Mr. YODER. Thank you, Mr. Chairman.

Thank you, sir, for your testimony.

I want to pick up where Chairman Aderholt left off regarding the status of the agricultural economy. Also, as a child who grew up in the eighties on a farm, I saw a lot of my neighbors going bankrupt. We worried every day that we were next. The farm economy survived, but it changed after that. You have discussed some factors that are different today, which I think we have all highlighted. We are not in the same situation we were in 1980. You have given us a little bit of an idea of what the status is right now.

Help us understand, as you work with farmers who have high yields—in Kansas last year was the highest wheat yield in history. We are the biggest wheat-producing State. We produce a number of other products very significantly. Yet the commodity prices are cut in half. And so, as your folks are sitting down with farmers trying to help them with their portfolio, I am assuming there is a balance there. On one hand, we need to be careful that we don't allow farmers to over-leverage themselves. At the same time, we need to be there as farmers try to maintain their farms and stretch these dollars.

So give us an idea of how the current agricultural economy is going to affect how your folks deal with farmers and find that balance?

Mr. TONSAGER. Well, it is certainly a constant discussion we are having with the Farm Credit System because I think we have a mandate to serve farmers in good times and bad. We have had some good times that have helped us build balance sheets and build the capacity to the System. I think the System has a real obligation to work very hard with individual producers.

I have spent many years thinking about this particular circumstance where we work with people. We all want success stories, and I think, for all producers, we want to see success stories. But I think how we handled things in the eighties, where farmers are so committed to their farms, they are willing to go to the ultimate max to borrow every dime they can just to stay in business, I think that was one of the lessons of the 1980s. They lost all equity. And I think, somewhere in this, we need people who provide really good advice to producers on their decisionmaking going through that period so, if it becomes almost impossible for them to succeed, that somebody objectively is helping them make good judgments about how they take their next steps.

And that is, I think, one of the important elements we might see coming into this difficult period. It is going to happen to some degree with producers, of course, and how we manage that I think is important. But I do believe that there is an obligation on the Farm Credit System, to the maximum extent possible, to go as far as they can to help producers get through and hopefully make it to when we see better economic growth occur.

Mr. YODER. One of the partnerships we have here is we want to ensure that we are doing everything we can to create the tools available in the markets to help these farmers. We also want to make sure we are not making it harder on farmers with undue burdens coming out of Washington, D.C. I think we also want to make sure we have emerging markets. You know, in Kansas, we exported more than $4.1 billion in agriculture products.

As we look to develop agriculture policy, can you talk a little bit about a couple things: one, undue burdens we might be placing on the farm economy that you have seen or that your folks are seeing; and, two, how Farm Credit can help in terms of exports and helping us open up additional markets?

Mr. TONSAGER. Yes. We are in the spirit of the regulatory review. The President, of course, has talked about that. Every 5 years, we initiate a regulatory review process where anybody can come forward and say, "This particular regulation isn't as useful for us," and we go through the process. So we have chosen to initiate, starting in June, that regulatory review process.

We don't currently fall under the President's memo because we are an independent agency, but we want to take up in the spirit of the regulatory review process in any case.

We can help with exports. Because of the authorities given to particularly CoBank, based out of Denver, they can finance international trade opportunities. We will continue to be focused on that and want to make sure that credit availability for trade providers can be useful.

Mr. YODER. As we look to increase markets and we look to open up opportunities to sell these goods across the world, are there things that we can be doing to assist with that? Clearly, trade is going to be a big topic in this Administration. And we want to ensure in this Committee, that we protect those who are trying to export goods around the world.

Mr. TONSAGER. Yes. And we certainly agree. We know that a significant portion of agricultural commodities are traded, and we will do our best from the resources we have to assist that.

Mr. YODER. Thank you, Mr. Chairman.

Mr. ADERHOLT. Ms. Pingree.

FCA LOANS

Ms. PINGREE. Thank you, Mr. Chair.

Thank you both very much for being here. Nice to see you again. I know you have visited our State, and so anything I say about the State of Maine probably will be familiar to you.

I first want to say I echo some of the concerns people have raised about some of the more unconventional loans. I do think it is important for all of us to make sure we thoroughly understand the System and some of the questions that are asked of us at times.

I rarely hear from the bankers in my State about Farm Credit. And just for the record, I hear from the bankers in my State quite a bit about other issues. I am always happy to hear about it.

What I often hear from farmers is that it is hard to find banks today as familiar with making agricultural, fishing, or forestry loans as it used to be. A State like Maine, where we have gone through a transition from being very much of an agricultural economy to changing quite a bit and now coming back into that sector, more often than not I hear from small, beginning farmers, medium-size farmers, farmers who want to hang onto a family business or a child is coming back in, and they need some capital to make it grow.

I want to talk to you about a few of those programs. One of them I want to start with is one that is administered by Farm Credit East. They are the ones who serve Maine. It is called FarmStart and has been there for about 11 years. It targets farming, fishing, and forestry startups that probably wouldn't get a traditional bank loan. For us, that has been a really important part of revitalizing our rural economy. I frequently say it here: we are one of the few States where the average age of our farmer isn't going up and where we have new farms coming under cultivation all the time.

We are in a great period of growth in the rural economy, but it is tenuous growth. It is not easy to make money on a farm, and it is particularly hard for beginning farmers to get that capital that they need.

As I understand it, in this program, you can receive up to a $75,000 investment, and you also have an adviser to help with the business planning and recordkeeping, which is sometimes very challenging when you are also trying to run the farm.

You have invested about $7 million in 150 participants in New England. You are allowed to take on slightly riskier deals than banks are willing to do. And, as I mentioned before, sometimes banks are just not as familiar with the challenges of a farm, and it is harder for them to evaluate it. So this is really important for our farmers, as I said, who are trying to pass on to the next generation, sell their farm to younger people, or young people who are anxious to get involved in it.

Can you tell me, from your perspective, how it is going? I am interested to know because I understand this is a regional decision. Does this happen in other regions in the country? Is it a program that should be encouraged to happen in more places, particularly those places that are looking for some stability and growth in the rural economy? Do you think you are reaching enough young, beginning farmers? Can you just talk about it a little bit now that I have talked most of the time?

Mr. TONSAGER. Yes. Thank you. Thank you for the question.

Congress chose or instructed us, passed a statute that required us to create a Young, Beginning, and Small Farmer Program nationally. The way it was implemented was that each Farm Credit institution had to create their own program. And they could create different models. In some cases, it would be a signature loan for a modest loan to help somebody start. In some cases, it is an interest rate break or a break on collateral issues. And so every institution has created this program that is in their own design.

We use our examination staff as part of the examination process to make sure they are following their own program. So what they have set down for their institution, in this case Northeast Farm Credit, is the program they think works best for their geographic area. But we follow up with our examination team, ask them how it is going, get data about how it is going, information we can certainly provide to you. That has been, I think, a great success.

And so I think the opportunity is for the individual institutions, if they hear from you or from their constituents or their borrowers, they can adjust the programs and have maybe a more unique twist to their area if it takes that. So I think that is precisely the program——

Ms. PINGREE. So, just to follow up on that, I understand how you would sort of follow that people are following their own program rules and administering the program appropriately, but how do you evaluate whether it is reaching enough farmers and whether it is adequately serving the mission that you are charged with serving?

Mr. TONSAGER. Well, we do look at the performance of the programs in each area. But as to their adequacy, I think that is a fair question to ask that I can't respond to. I just don't know the answer to, say, for Maine, is this enough for that area?

Of course, they continue to bear the responsibility for the performance of their institutions, and perhaps some could go deeper with the subsidy they might provide, but perhaps some can't.

Ms. PINGREE. I am exactly out of time, but I would be interested in following up with you both on evaluation tools for our region. Also, I would like to see what happens in other regions just to see if, in spite of the fact that we seem to be doing well in my area, is this applying to the rest of the country where I am sure it is also needed. Thank you very much.

[The information follows:]

The Farm Credit Act stipulates that each Farm Credit System (FCS) bank must have written policies that direct each association to establish a program for furnishing sound and constructive credit and financially related services to young, beginning and small (YBS) farmers and ranchers. Associations must also coordinate with other government and private sources of credit in implementing their YBS programs. The act requires that each institution must report yearly on the lending volume, operations and achievements of its YBS programs.

The FCA regulations require each FCS lender's YBS program to include a mission statement that describes the program objectives and specific means to achieve the objectives. The FCA regulations also require each program to include annual quantitative targets for credit to YBS borrowers. These targets should be based on reliable demographic data for the institution's lending territory. Further, each program must include outreach efforts and annual qualitative goals for offering credit and related services that are responsive to the needs of the YBS borrowers in the institution's service territory.

Through FCA's oversight and examination activities of FCS institutions, FCA encourages them to conduct self-assessments to review their performance and market penetration in the YBS area.

FCS institutions meet the YBS mission in a variety of ways such as offering flexible interest rates, financial education, and modified underwriting standards. For example, Farm Credit East has the FARMSTART program. This program provides an operating line of credit for up to $75,000 to farmers and ag businesses with limited financial resources who are not generally eligible for conventional lending programs.

Farm Credit Services of America (FCSA) has a Development Fund that provides similar assistance. The Development Fund assists YBS farmers and ranchers who have a plan to start, grow or remain in agriculture by providing them with working capital loans and further business planning assistance. Through the AgStart Program, FCSA also provides modified credit underwriting standards for those YBS borrowers that may not meet traditional credit standards. This program aims to help YBS borrowers grow and move into a conventional loan program. FCSA also hosts an annual conference that provides educational services and networking opportunities to help YBS borrowers with business development.

The following tables describe FCS lending to YBS borrowers in 2015:

YBS loans outstanding
As of December 31, 2015

	Number of loans	Percentage of total number of System farm loans	Dollar volume of loans in millions	Percentage of total volume of System farm loans	Average loan size
Young farmers/ranchers	188,696	18.1	$27,070	11.0	$143,458
Beginning farmers/ranchers	274,942	26.4	$41,473	16.9	$150,844
Small farmers/ranchers	502,398	48.2	$46,729	19.0	$93,012

Table 48
YBS loans made during 2015
As of December 31

	Number of loans	Percentage of total number of System farm loans	Dollar volume of loans in millions	Percentage of total volume of System farm loans	Average loan size
Young farmers/ranchers	62,143	17.2	$9,430	11.3	$151,749
Beginning farmers/ranchers	79,642	22.0	$12,741	15.2	$159,938
Small farmers/ranchers	150,022	41.4	$11,815	14.1	$78,754

Sources: Annual Young, Beginning, and Small Farmer Reports submitted by each System lender through the Farm Credit banks.

Thank you, Mr. Chair.

Mr. ADERHOLT. Mr. Rooney.

CITRUS GREENING

Mr. ROONEY. Thank you, Mr. Chairman.

As you know, for more than a decade, we have been fighting citrus greening in the State of Florida, and that is something that obviously saps our trees of their vitality and produces a bitter-tasting fruit. The Florida citrus industry is also facing a decreased demand for orange juice. Both these problems are directly impacting our production.

The USDA estimates that the 2017 season will be about 70 million boxes, and that is down a million from their estimates in January. That is something I believe that we can survive, but until a cure is found, which we are working on, they need to get trees in the ground as soon as possible.

So my question to you, a couple of questions, actually: what role do you think the FCA can play in ensuring our growers have the access to credit they need in order to make this happen? Especially in light of the fact that, as farm incomes drop, credit quality will drop, and that impacts our growers' access to credit and their repayment capacity. What types of restructuring policies or programs do you have in place to ensure my growers can repay in a responsible and suitable way? What kind of assurances could you offer them at this time? Thank you.

Mr. TONSAGER. Well, one of the unique characteristics of the Farm Credit System is that it is required to give producers borrower rights. That means that if a producer does not believe that the Farm Credit institution is working with them well enough to adjust to their needs, they can challenge the decision by the Farm Credit institution about restructuring of their debt.

And so it is one of the unique requirements of the agency. It is one of the opportunities for producers that, if the System isn't working with them as they think it should be, then they have the right to challenge the decisionmaking process of the System to correct that.

My belief is that the System will work very hard. I have had the opportunity to travel to 13 States since I have been back in the agency, and I plan to get to every State at some point, meeting with them and making sure that they are respecting the idea that we are an agency of the Federal government or a GSE that has this requirement about going to greater lengths to help producers through difficult times, and it is precisely that I think the System was created for. So please be assured that we will press them regarding their needs to service producers to the extent they can be.

Mr. ROONEY. Thank you.

Thank you, Mr. Chairman. I yield back.

Mr. ADERHOLT. Mr. Pocan.

MERGERS

Mr. POCAN. Thank you, Mr. Chairman.

And thank you to our witnesses.

Mr. Tonsager, as we talked ahead of time, you helped put together a blue cheese operation in Montfort, the western edge of my

district. I think, actually, Ron Kind probably has a bigger share of that town, but I have got a little bit of it as well. So it was very nice to have you here.

In your testimony, you mention the mergers of the financial institutions that you are dealing with, and specifically, you said there is some stress because of the staff you already have and needing more specialized staff because of that. Can you talk a little bit about the circumstances behind those mergers and what impact it may have had on access to credit?

Mr. TONSAGER. Well, when a merger is proposed, we go through an extensive process to look at every single element of the merger proposal, including and primarily how that is going to affect the service to individuals.

And it is a tough call. I think all of us like to see smaller institutions be successful because we believe they are more intimately engaged with the producers in their community. That is important. But the 1980s taught us that too small an institution can be overwhelmed sometimes if it isn't careful, and larger institutions have a bit of a greater capacity. So it is a constant struggle and a constant debate within the agency and the System each time there is a proposed merger.

I had the opportunity to speak to their annual meeting a few weeks ago. I proposed a year of dialogue between the Farm Credit Administration and the System about the merger process because we have some enormously strong and large financial institutions and we have some very small ones that feel very strongly that they can best serve the needs of their producers. These are farmer-owned organizations. So they live in these territories, and they talk to their friends and neighbors. It is one of the great attributes of a cooperative and the System in that it has that intimate relationship.

So I appreciate your question. We look very hard at these individual mergers and hope that we are working toward creating the right balance in each geographic area about what is available.

Mr. POCAN. And has it caused any access to credit problems that——

Mr. TONSAGER. Not that we are aware of, but I think that needs to be constantly on the table. The System has about 1,100 local offices across the United States, despite there are only 77 institutions. They do have extensive networks of offices.

DAIRY

Mr. POCAN. And, specifically, you talked about the high production in dairy. Are you noticing any unique trends in that area? Clearly, that is one of the biggest industries.

Mr. TONSAGER. Yes. As a 25-year dairy farmer, I went through that. Dairy policy is one of the toughest policies of all because it takes such a commitment on the part of the dairy farmer to be in it and then have to live with prices that they don't always control.

My understanding, for this year, there is a belief there will be some modest improvement in dairy prices because of reduced production in other parts of the world. And so I am very hopeful that maybe we will see some strength in the market.

BROADBAND

Mr. POCAN. I feel like I have to bring this issue up every chance I get. Rural broadband, obviously is very important in my district, in many people's districts. Is there any way that, within your agency, you can help ensure that rural broadband infrastructure needs are not forgotten in the work that you are doing?

Mr. TONSAGER. One of the direct authorities of CoBank is rural utilities, including broadband, and they have great interest in that area. I know it is very difficult in remote areas because generally there is a need for some kind of subsidy in order to afford the capital involved with it. But I think all of us really want to see broadband be as expansively used as possible. My hope is that CoBank particularly will engage as heavily as they can in that.

Mr. POCAN. Whatever you can do to encourage that. We are tracking cows and everything else with it now, and if you don't have it—I live in one of those areas where we don't have it. So I hear it a lot from my neighbors. It makes my trips back home a little better if we help address this. So thank you very much.

I yield back, Mr. Chairman.

Mr. ADERHOLT. Mr. Valadao.

SYSTEM STRUCTURE

Mr. VALADAO. Thank you, Mr. Chairman.

Mr. Chairman, as the only dairyman up here on the dais, I appreciate the last questions. Pricing has been difficult and has been one of the things that we have worked on through the Farm Bill for California specifically, and hopefully we can get on a better footing for the future. As far as the Federal pricing, it is just a headache. Prices actually dropped again a little more this week.

Mr. TONSAGER. Did they?

Mr. VALADAO. Yes. My question, though, is, in your remarks earlier this month at the Farm Credit Council annual meeting, you talked a lot about System structure. Can you describe any areas of concern or potential improvement within the Farm Credit System structure?

Mr. TONSAGER. Yes. I think that they do a great job. I think that they do aggressively go out. I think that we need to look at the long term, and the number one thing we need to do is make sure that every potential creditworthy borrower has the opportunity to have access. I don't have any dramatic proposals about modification of the System structure, but I think we should think in terms of three or four criteria going forward that might make sure, as the System evolves and changes, that it evolves in a way that first and foremost assures access by producers and the users of the programs.

CONSOLIDATION

Mr. VALADAO. So, on the CRS report that my staff got for me, it talks about how the consolidation has happened quite a bit over the last few years, from the 1940s, where there were over 2,000 lending institutions, now we are down to basically four regional banks. You mentioned in that speech a point where the System could be left with too few banks.

How do you reduce a systemic risk? Do you think it would be beneficial to the System to have more district banks, and if so, how do you suggest this is achieved? Could some of the larger associations convert into System banks? And when we had that really tough time in the dairy industry, 2009–2010, that was one of the issues. People were running from the industry, and they wanted nothing to do with it. That was a tough time for all of us. So I guess those two kind of pile into each other.

Mr. TONSAGER. Well, again, I think, you know, we need to look at the ability to spread risk. For instance, institutions that have to make a lot of loans to a lot of producers in the area, the way that risk is applied. You know, a smaller institution just can't make a number of credits that might be larger and take too much risk. And we are constantly pressing them on how they spread their risk.

So I think the balance point comes as institutions that are able to provide the intimate service that some producers especially need but also either to take the risk themselves or be able to spread that risk with banks, which we do. There is an enormous amount of risk sharing that goes on with individual banks across in a particular credit.

I think finding that balance within the System where we can assure, when an institution makes a loan, they are capable of dealing with the risks associated with that and working intimately with the borrower.

HIRING FREEZE

Mr. VALADAO. Before I am done, on that hiring freeze, making sure that you put people on the ground that actually understand what agriculture is, is something that is amazingly helpful when you are trying to make decisions. And when you have to explain to your bank what agriculture is, the amount of risks involved, and the fact that we are getting water allocations hopefully in the next few weeks when crops should have actually been in the ground a few months ago, and it is just a tough time in California, but having people at least working with your lending institution that understand or have some sort of background is always helpful. So thank you again for your time.

And I yield back.

Mr. TONSAGER. Thank you.

Mr. ADERHOLT. Ms. DeLauro.

INCOME LIMITS

Ms. DELAURO. Thank you very much, Mr. Chairman.

And good morning. Thank you for being with us this morning.

Mr. Tonsager, a number of the Federal programs have income limits in place to ensure that the resources go to those in need. Programs, such as food stamps, Medicaid, WIC, Pell grants, Head Start, school lunch, Section 8 housing programs, they all have limits in place.

We spend a lot of time investigating fraud, waste and abuse in the SNAP program; little time investigating abuse in the crop insurance program, which does not have income limits in place. In fact, 50 members of the Forbes 400 list of the richest Americans

got at least $6.3 million in farm subsidies between 1995 and 2014. That is according to the Environmental Working Group analysis.

It is my impression that lending through the Farm Credit Administration is not subject to income limits, and that some of your resources may be going to, while good people in all respects, but are going to those who are wealthy individuals who may, in fact, not need the same kind of help that some other farmers might.

I just mention and, Mr. Chairman, if I can, I would like to put this article in the record. It is an April 5, 2016, article by Bert Ely. In 2015, almost half of FCS lending goes to just 4,458 borrowers. My colleague, Mr. Bishop, mentioned the size of some of those loans. And the issue becomes, as the question is put here, can taxpayer-subsidized financing be justified for any of these borrowers?

[The information follows:]

ABA BANKING JOURNAL

In 2015, Almost Half of FCS Lending Goes to Just 4,458 Borrowers

April 5, 2016

By Bert Ely

For years, the FCS's Annual Information Statement presented data on the number of FCS loans outstanding at year-end by size of loan, with this loan data aggregated by size range. I have long criticized this practice, because many FCS borrowers, especially larger ones, have multiple FCS loans. Consequently, Information Statement readers could not gain a sense of the extent to which the FCS provides taxpayer-subsidized loans to very large borrowers, even though the FCS has long had the capability of aggregating loan data by borrower.

In fact, prior Information Statements provided data on the total amount lent to the FCS's ten largest borrowers. Finally, the 2015 Information Statement provides data for all loans aggregated by borrower. What an eye-opener! At December 31, 2015, just 4,458 persons or entities – less than one percent of the FCS's 527,462 borrowers – had each borrowed at least $5 million from the FCS. Their loans totaled $107.3 billion, or 45.5% of total FCS loans outstanding at year-end 2015, *for an average loan size of $24.1 million*. Within that group were 49 borrowers with an average loan balance of $417 million, including one loan exposure in the $1 to $1.5 billion range and another five loan exposures in the $750 million to $1 billion range. Can taxpayer-subsidized financing be justified for any of these borrowers?

FCA bookletter raises doubts about FCS similar-entity lending

Perhaps in response to criticisms raised at the House Agriculture Committee's December 2 hearing on the FCS, on March 10 the Farm Credit Administration (FCA) issued a bookletter on "similar-entity" lending by FCS institutions. Bookletters are regulatory guidance the FCA issues to FCS institutions. According to the bookletter, a qualified similar-entity borrower is "a person or entity that is not eligible for [an FCS] loan but has operations 'functionally similar' to the operations of an eligible borrower." For example, Verizon and AT&T are similar entities because CoBank can lend to cooperatives which provide telephone and wireless communication services. However, similar entity loans cannot be made to companies engaged in activities outside the FCS's lending authorities. For example, the FCS cannot lend to an investor-owned casino since FCS institutions cannot lend to a cooperatively owned casino. Presumably, similar-entity lending levels the playing field between entities eligible to borrow from the FCS and direct competitors ineligible to borrow from the FCS. By virtue of being able to borrow from the FCS

at taxpayer-subsidized interest rates, those similar-entity borrowers, of course, gain a financing edge over competitors who do not borrow from the FCS.

Similar-entity lending occurs when one or more FCS institutions "purchase participations in loans originated by [non-FCS] lenders to qualified similar entity borrowers," subject to three limitations. First, the aggregate amount lent to the borrower by all FCS institutions "must not, at any time, equal or exceed 50 percent of the principal amount of the loan." For example, FCS institutions, in the aggregate, cannot buy more that $50 million of participations in a $100 million loan a commercial bank had made to a large sugar producer. Second, the total amount lent by an FCS institution to a single similar entity "must not exceed 10 percent of an institution's total capital," unless its shareholders have approved a higher limit, up to 25 percent. Third, "the aggregate dollar volume of similar entity participations held by [any one FCS] institution must not exceed 15 percent of its total assets."

If each FCS institution's similar-entity lending had reached that 15 percent limit at the end of 2015, total FCS similar-entity lending could have equaled $67.1 billion, given that the combined assets of all FCS banks and associations on December 31, 2015, totaled $447.4 billion. That amount of similar-entity lending would have equaled 28.5 percent of all FCS loans outstanding at the end of 2015. It is unlikely that total FCS similar-entity lending would have reached that limit, but interestingly, the FCS Annual Information Statements provide no data on the FCS's similar-entity lending. Future FCS financial statements should do so.

According to the bookletter, "Congress established the similar entity authority to provide [FCS] institutions and [non-FCS] lenders [including banks] with a tool to manage risk. By lending to similar entities, [FCS] institutions can reduce geographic, industry, and individual borrower concentrations." That is a highly dubious proposition, for this reason: The similar entities to which FCS institutions can lend are limited to the same industries as entities and persons eligible to borrow from the FCS. Similar-entity lending authority does not empower the FCS to lend to persons and entities FCS institutions cannot lend to, such as casinos and automobile manufacturers. Since CoBank can lend to telephone cooperatives, that supposedly justifies CoBank lending to Verizon and AT&T. Presumably, individual FCS institutions can diversify their geographic and industry risks by purchasing participations in loans to borrowers located elsewhere in the country or by purchasing a portion of a loan participation CoBank had previously purchased in a loan to an investor-owned utility such as AT&T or Verizon. However, through such transactions, the FCS, as a whole, has increased its aggregate risk exposure to those industries, including agriculture, where it already has substantial credit risk. That increased risk concentration hardly represents sound risk diversification for the FCS.

Although the four FCS banks are separately chartered and managed institutions, they have joint-and-several liability for debt securities sold to investors by the FCS's Federal Farm Credit Banks Funding Corporation. However, the first line of defense in preventing an FCS default on its debt securities is the Farm Credit System Insurance Corporation (FCSIC), which is funded by assessments, comparable to FDIC assessments, on the FCS banks. The FCS banks in turn pass a portion of those assessments through to the associations they fund; in 2015, the FCS banks assessed FCS associations for $169 million of the $261 million in premiums paid to the FCSIC. The combination of joint-and-several liability and FCSIC assessments binds the four FCS banks

and 76 direct-lending FCS associations into what essentially is one highly interconnected financial institution implicitly backed by U.S. taxpayers.
The FCS's similar-entity lending authority has enabled the FCS to make loans to borrowers not otherwise eligible to borrow from the FCS, thereby increasing FCS's taxpayer risk by untold billions of dollars. That additional credit risk resides in those sectors and regions of the economy where the FCS already has a substantial risk concentration, further exacerbating the FCS's already extremely concentrated risk in large borrowers, as reported in the article above. For that reason alone, Congress needs to reexamine the rationale for the FCS's similar-entity lending authorization.

CoBank: $1.7 billion of loans to investor-owned utilities

Although CoBank normally does not disclose information on its similar-entity lending to investor-owned utilities, such as Verizon and AT&T, during CoBank's annual investor conference call on March 10, I posed this question: At year-end 2015, what was the total amount of CoBank's lending to investor-owned utilities. To my present surprise, CoBank later provided an answer – approximately $1.7 billion. That amount equaled 8.7% of CoBank total lending on December 31, 2015, to electric, telecommunication, and water/wastewater utilities. These participations are especially profitable for CoBank because of its tax breaks and cheap funding; that additional profitability subsidizes its other lending activities.

CoBank did not provide data on participations in loans to investor-owned utilities it had sold to other FCS institutions, but it probably is substantial since those other institutions had a total of $6.1 billion of utility loans outstanding at the end of 2015, almost all of which consisted of loan participations purchased from CoBank. CoBank's spokesman said it is routinely approached by large commercial banks to buy loan participations. That may be true, but that does not mean that CoBank should buy them. CoBank's rationale reminds me of the Flip Wilson saying: The devil made me do it.

My question to you in this regard, and I have a couple of others, is your view of applying income limits to Farm Credit Administration, to FCS, and might that allow you to be able to address the needs of lower income farmers and also reduce the risk to U.S. taxpayers?

Mr. TONSAGER. There are a number of thoughts in there. I will try to do my best briefly.

There is not a limit to income that exists. The story you referred to, and I would have to read it carefully, but, as I mentioned earlier, a number of the accounts—there are large loans to large institutions. But within the portfolio, there are also large loans to grain elevators and local cooperatives and dairy processing companies that take larger lines of credit that may be part of that number.

In discussions about limitations, I would want to make sure that we would be looking at those institutions that serve producers, and we wouldn't want to have particular limits on them that would interfere with that.

The System does not have a direct subsidy from the Federal government. It has some advantages that have been given to it that are important. But its job, by definition for the last 100 years, is to serve all producers, large and small, throughout rural America. So of course, we could have many policy discussions about it.

Ms. DELAURO. Certainly, but I think it is probably worthy to take a look at what the portfolio is, who are the entities or the individuals who are getting the loans, I think as we do with other Federal programs in so many ways.

In addition to that, I think it might be that the Congress—and I won't pursue this—needs to reexamine the rationale for FCS' similar entity lending authorization that Mr. Bishop made reference to as well. And those are the kinds of things I think we ought to ask for for this committee of your agency.

SMALL FARMS

Let me just talk about the Northeast for a quick second here. My home State of Connecticut, diverse, large farms, small farms, part-time farmers. The average size of farms in my district is about 62 acres. The majority of sales are under $1,000.

As a regulator, how do you take into account the unique market conditions of the Northeast and ensure that these small farms do not get left behind? And do you have a breakdown for each region of the country on the number, amount, and types of loans that are given out? And if you do have such a list, I would like to have you submit that to this Committee. But how do you ensure that small farms do not get left behind, like those in my Congressional district?

Mr. TONSAGER. I think it is greatly advantageous to us, and the Congress has wisely created a Young, Beginning, and Small Farmer Program that we have implemented.

Ms. DELAURO. Right.

Mr. TONSAGER. We can provide you plenty of information regarding the services in your area and the number of producers that are receiving those services. We examine each institution for their compliance with the Young, Beginning, and Small Farmer Program,

and we have the data that can show you the performance of that program in your area as well as nationally.

[The information follows:]

Connecticut is served by CoBank, ACB and Farm Credit East, ACA. These Farm Credit System (FCS) institutions provide credit to many diverse agricultural operations in the state. The Farm Credit Act stipulates that each FCS bank must have written policies that direct each association to establish a program for furnishing sound and constructive credit and financially related services to young, beginning, and small farmers and ranchers. A "young" farmer or rancher is defined 35 years old or younger when the loan is made; a "beginning" farmer or rancher has been operation a farm or ranch for not more than 10 years and a "small" farmer or rancher generates less than $250,000 in annual gross sales of agricultural or aquatic products. As part of the young, beginning, and small farmer and rancher mission in Connecticut, the System had loans outstanding to 167 young, 279 beginning and 450 small farmers and ranchers at the end of 2016.

Ms. DELAURO. I would love to see that and the amount of loans that are going to farmers in my community. Not all new and beginning farmers. There are a lot of dairy farmers and people who have been there for years and years and years who need help. Thanks. Thank you.

Mr. TONSAGER. Thank you.

Ms. DELAURO. Thank you, Mr. Chairman.

Mr. ADERHOLT. Dr. Harris.

POULTRY PRODUCTION

Dr. HARRIS. Thank you very much.

I have a question about the poultry industry, which is important in my district. At the USDA Outlook Forum last week, USDA's Chief Economist, Rob Johansson, highlighted that one in five farms that specialize in wheat, cotton, poultry, and hogs has a debt-to-asset ratio of over 40 percent and, therefore, is very susceptible to changes in prices. So it puts the producers in that category. They are highly leveraged.

Since the poultry industry is a significant economic driver in my district, I found this statistic to be pretty alarming and was going to ask you about what kind of stress the Farm Credit System is currently seeing in the poultry industry, especially with the possibility of avian flu spreading.

Mr. TONSAGER. Well, the Farm Credit System has significant interest in that, and it has worked closely with USDA loan guarantee programs to help deal with the risks associated with that. Quite often a poultry producer will have a Farm Credit System loan as well as a USDA loan guarantee with it.

As I mentioned to the Chairman earlier, we will be pressing the System to work hard because we have had some very good times, and now we have the responsibility to help producers get through the more difficult times. We will be happy to take a close look at poultry within the agency to see the exact conditions and happy to provide you the information regarding that to any degree you would wish.

Dr. HARRIS. Do you feel that this statistic, the high leverage and the susceptibility to the outside influence, again, of the avian flu could impact the ability for my poultry farmers and their supporting agriculture industry to get FCS loans?

Mr. TONSAGER. The System will look in loanmaking to the potential for success. They will make a judgment, wanting to see a success story coming out of that project. So they will study individually loans in that context.

But yes, I think they have the capacity to take some risks associated with that. If we were in the 1980s, loan leverages would be much higher. And so during the course of what we learned from that time, the System has corrected and tried to make sure that the loan ratios are not excessive, and I think that is one of the lessons that was learned, and it has been applied into the circumstance.

Now, for your producers, I think, again, the System needs to work with them in such a way to make sure that they can see the plan; they can understand the potential results from it. We don't control the price, and we don't control the income. But we want to be as responsive as we can to help producers be as successful during a risky period.

Dr. HARRIS. So these would be the tools that are available within the System to work with a highly leveraged borrower, as you suggest.

Mr. TONSAGER. Right.

Dr. HARRIS. And just a final question. What percent of the System's loan portfolio is either in poultry or related to poultry?

Mr. TONSAGER. I believe it is 6 percent. We will clarify that with you.

[The information follows:]

As of December 31, 2916, the FCS had an outstanding gross loan volume of $248.8 billion. Loans to the poultry and egg sector totaled $6.5 billion, or about 2.6 percent of the System's portfolio. Loans to Maryland borrowers totaled $2.3 billion, of which 20 percent were to the poultry and egg sector (see table below for a summary of the FCS loan volume in Maryland).

Maryland System Loan Volume as of 12/31/2016

By Loan Type	Book Val FCSL
Real Estate Mortgage	43.5%
Energy	25.5%
Production and Intermediate Term	20.8%
Processing and Marketing	6.4%
Farm Related Business	1.3%
Rural Residence Real Estate	1.3%
Lease receivables	0.7%
Cooperatives	0.5%
MRIs	0.1%
Water/Waste disposal	0.0%
Grand Total	100.0%

Maryland System Loan Volume as of 12/31/2016

By Commodity	% of Book Value
Energy and Water/Waste	20.4%
Poultry and eggs	20.0%
Cash grains	15.2%
Rural Home Loans/Landlords	7.5%
Other	7.5%
General farms, primarily livestock	7.0%
Dairy farms	3.5%
General farms, primarily crop	3.4%
Horticulture	3.1%
Forestry	3.1%
Agricultural services and fish	2.6%
Cattle	2.2%
Field Crops	1.5%
Farm supplies and marketing	1.3%
Food Products	0.7%
Tree fruits, nuts and grapes	0.4%
Other livestock	0.2%
Hogs	0.1%
Cattle feedlots	0.1%
Cotton	0.0%
Grand Total	100.0%

Dr. HARRIS. Thank you very much. I yield back.

Mr. ADERHOLT. Mr. Young.

SMALL AND BEGINNING FARMERS

Mr. YOUNG. Thank you, Mr. Chairman.

Welcome, gentlemen. One thing I really appreciate about this committee—in a bipartisan way—is our advocacy for the small farmer, the beginning farmers as well.

Tagging on to what my colleague Ms. DeLauro, said about transparency in the number of loans that are out there for small farmers, how many there are? And I want to get an idea of the different silos you have with your loans—small producers and farmers, the agriculture industry—to try and get a better picture of that. Can you put those into silos for us right now?

Mr. TONSAGER. Yes. Three-quarters of the loans made are $250,000 or less. And if you would just let me glance for a minute. One out of six loans are to young farmers; one out of the five loans are to beginning farmers; and one out of the two loans are to small farmers going by the USDA definition.

Mr. YOUNG. Where can we get information on where your loans go in our States or districts? That would be very, very helpful. Do you have that information?

Mr. TONSAGER. Yes, we can get that information for you. We may have to go to the institution involved to get it.

[The information follows:]

As of December 31, 2016, FCS had an outstanding gross loan volume of $248.8 billion. In the state of Iowa, the outstanding loan volume for the FCS totaled $13.8 billion or 5.3 percent of the System loan volume at the end of 2016.

Iowa System Loan Volume by Loan Type	% of Loan Volume
Real Estate Mortgage	55%
Production and Intermediate Term	22%
Cooperatives	10%
Rural Residence Real Estate	5%
Energy	2%
Lease receivables	2%
Processing and Marketing	1%
Water/Waste disposal	1%
Communication	1%
Farm Related Business	1%
Grand Total	100%

Iowa System Loan Volume by Commodity	% of Loan Volume
Cash grains	47%
Hogs	11%
Farm supplies and marketing	10%
Rural Home Loans/Landlords	10%
Cattle feedlots	5%
Energy and Water/Waste	3%
Poultry and eggs	3%
Other	2%
General farms, primarily crop	2%
Dairy farms	2%
Cattle	2%
General farms, primarily livestock	1%
Food Products	1%
Biofules	1%
Grand Total	100%

Mr. YOUNG. When you say "the institution involved," you mean, who you give the loans to, or——

Mr. TONSAGER. The institution that made the loans——

Mr. YOUNG. The regional institution, okay.

Mr. TONSAGER. We may have it available immediately, or we may have to give them a call and say, we need to understand this member's district and what kind of——

Mr. YOUNG. Because I think that transparency would be great in helping us get a better understanding of how you are affecting the agriculture economy, particularly the smaller farms and beginning farmers.

Mr. TONSAGER. Sure.

Mr. YOUNG. And with my colleague from Maine, Ms. Pingree, regarding beginning farmers, it is a big deal for me, and I know it is for a lot of people on this Committee, everybody, in fact.

Mr. TONSAGER. Right.

Mr. YOUNG. There are no statutory targets that you have for getting these loans to beginning farmers. Is that correct?

Mr. TONSAGER. That is correct.

Mr. YOUNG. Should there be? What is your real commitment to the beginning farmer? I am not doubting it, but how forcefully and aggressively are you really targeting the beginning farmer?

Mr. TONSAGER. We have a YBS program established by Congress, and that program requires the institution involved to set their targets for what they want to achieve, and we examine to see if they are doing it. So there is not a statutory requirement for a certain level, but there is a lot of passion for it.

Now, these institutions see a real direct benefit for their future is for beginning farmers to happen, because it means business to them. And so they have a desire—and it is not just a complete business desire; it is a passion; it is an agriculture institution; as farmers, they are farmer-owned organizations, they have board of directors. They want to see it too.

Mr. YOUNG. They probably come looking to you for help. What are you doing to go aggressively market and find these folks who want to get into agriculture? Do you have any programs? Any outreach? What are you doing?

Mr. TONSAGER. It is generally part of their plan within their organization. And we could certainly find you an example of a plan by an institution about what they do to do it. Sometimes they give an interest rate break, sometimes they give a collateral break, sometimes they will have a signature loan, like they do in Ms. DeLauro's area, where they will actually write a check without collateral.

Mr. YOUNG. You mentioned every 5 years you are going to start doing a regulatory review process. Have you done that before?

Mr. TONSAGER. Yes. It is done every 5 years.

Mr. YOUNG. It is done every 5 years. Do you make any kind of report to Congress on that?

Mr. TONSAGER. I am not sure, but we will certainly find out for you.

Mr. YOUNG. If you don't, will you start? We will find that helpful.

Mr. TONSAGER. Yes, it will be useful. Our regulatory agenda, which we publish, has on it that we will begin in June our regu-

latory review where anyone can pose any idea they have for reduction in regulation.

[The information follows:]

The Farm Credit System Reform Act of 1996 requires FCA to continue its comprehensive review of regulations governing the FCS to identify and eliminate unnecessary and burdensome or costly regulations, or regulations not based on law (12 U.S.C. §2252, note). As such, FCA has frequently reviewed its regulations to eliminate those that are ineffective or burdensome. Further, the FCA board has also developed a policy statement on its regulatory philosophy to (1) promulgate regulations that are necessary to implement the law; (2) support achievement of the System's public mission; and (3) ensure the System's safety and soundness.

As reflected in FCA's current Regulatory Projects Plan, we plan to issue a notice this year requesting comment for the removal or revision of outdated, unnecessary, or burdensome regulations. As we have in the past, we plan to provide a summary of the results of our review in the *Federal Register*.

As required by the Farm Credit Act of 1971, as amended, FCA sends all proposed regulations to the House Committee on Agriculture and the Senate Committee on Agriculture, Nutrition and Forestry 30 days prior to publication in the *Federal Register*. In addition, we publish and post on our website the FCA Performance and Accountability Report at *https://www.fca.gov/rpts/performance_*reports.html, which provides detailed information to Congress, the Office of Management and Budget, FCA stakeholders, and the public as to what we have done and how well we have carried out our mission. We also post FCA's Plan for Retrospective Analysis of Existing Rules, Regulatory Projects Plan, and policy statements on our website at *https://www.fca.gov/law/perf_*plan.html.

RURAL INFRASTRUCTURE

Mr. YOUNG. Okay.

Mr. Pocan has left, but he brings up an issue, and I know it is an issue important to a lot of us, and that is your investments in lending for rural infrastructure. And the one that comes up time and time again is if you really want to see the agriculture and rural economy boom, it is going to be through broadband and communications, not that we haven't seen it crack at times.

We have a lot of telecommunication cooperatives in my district in Iowa. Do you reach out to them? Do you use them? I mean——

Mr. TONSAGER. Many of the local cooperatives you have are probably financed by CoBank. And so, I can't say that for sure. They are—yes, they would certainly be in somewhat——

Mr. YOUNG. Okay.

Mr. TONSAGER. But CoBank is one of the key providers for telecommunication cooperatives in rural America.

Mr. YOUNG. But for all of our regional lenders, will we be able to find out who you are lending to and how much? I mean, we want to be conscious of the propriety information and privacy, but——

Mr. TONSAGER. Sure.

[The information follows:]

The Farm Credit System is a network of customer-owned cooperative financial institutions and service organizations serving all 50 states and the Commonwealth of Puerto Rico. CoBank, ACB, one of the four FCS banks, is an Agricultural Credit Bank, which has a nationwide charter to make loans to agricultural and aquatic cooperatives and rural utilities, as well as to other persons or organizations that have transactions with, or are owned by, these cooperatives. In Iowa, CoBank, ACB provides credit to support the telecommunications industry. As of December 31, 2016, Iowa's telecommunications industry accounted for about 1 percent of the System's $5.3 billion outstanding loan volume in the state.

Mr. YOUNG [continuing]. Privacy is another thing I am very concerned about with IT security, making sure that you are governing

and keeping hackers away from trying to come in and steal information and putting a lot of people at risk. I hope you are doing that, and conscious of what is out there.

Mr. TONSAGER. We restructured administratively recently to specifically raise the stature of the IT security process. We hired a new individual, who has leading experience in that area, and we are extremely conscious, because there is a very large portfolio of producers with confidential information.

Mr. YOUNG. Thank you very much.

I yield.

Mr. TONSAGER. Thank you.

Mr. ADERHOLT. So, Mr. Palazzo.

FUNDING LIMITATION

Mr. PALAZZO. Thank you, Mr. Chairman.

Gentlemen, thank you for being here today.

In your testimony, you cited several reasons for Congress to increase the agency's cap from $65.6 million to $68 million. This is a modest increase, and I understand the reasoning you put forth in your testimony. However, I am concerned about the trickle-down effect and what signal it might send to the folks back home. I will try and explain that.

I don't hear much in terms of complaints from credit associations of banks in my State of Mississippi, but when I do, it generally deals with increased regulation and increased annual fees assessment. They have experienced yearly increases in their assessment fees, even though their loan volume doesn't drastically increase. One executive director noted the $70,000 increase in their annual free assessment from fiscal year 2016 to fiscal year 2017, putting them at about $500,000 annually.

In your testimony, you also indicated the desire to revise and/or implement new regulations. So to bring it together, the yearly increase in FCA's annual fee assessment issued to system institutions coupled with the desire to increase or revise regulations and general oversight results in a logical fear for them. The fear is that because of the co-op structure of FCA, increased fee assessments increase the operating costs, resulting in a decrease patron's dividend, which, in turn, decreases profit, which could reasonably increase the cost of borrowing.

So my question for you, Mr. Tonsager, is do you believe this is a valid concern? And if so, how would you go about reassuring farmers, lenders, and others that you remain fiscally prudent, that lifting this cap won't, down the road, result in increased costs for customer owners?

Mr. TONSAGER. The measurement we typically use on the efficiency side is the dollar cost per $100 lent. And so, 10 years ago, we were costing the system 2.5 cents for $100 of credit lent, and now it is 1.7 cents. Now, a lot of that has to do with growth. The system's scale over the last 10 years has probably doubled from, you know, the mid hundred billions to now $324 billion of assets, about $270 billion of outstanding credit.

We have efficiencies in that, but there are additional challenges to deal with the growth scale and the financial complexity of the transactions that occur. There is risk shared events, there is use

of the marketplace to do that. So our people need a very high technical level to do their examinations, make sure we understand the complex transactions that are involved with it.

Mr. PALAZZO. So the assessments are increasing. What is driving the increase in assessments? Is it the increased regulations? Increased oversight, when loan volume, is still pretty much the same? So I guess that their concern is that there are actions being taken at the FCA that are going to drive up their operating costs, which is going to be passed on to the consumer ultimately. And are you saying that that is what you are planning on doing? But I am asking you, how can you allay some of those fears that this isn't going to happen with your increase in the cap?

Mr. TONSAGER. I think we have an obligation to be transparent with them and talk to them and tell them about our future plans. My senior staff met with the Farm Credit Council recently, reviewed completely the budget that we proposed with them, and made it clear to them. And if we need to go further to the individual institutions, we will be happy to do that as well.

We think that, net wise, our efficiency—our costs against their dollar per lending has dropped significantly over the time period involved, mostly because of the growth in the system. And, so, I think we are doing a quite efficient job for the challenge that we are with, but I certainly understand your concerns and be happy to set some benchmark with you and talk with you over time about where we go and help make sure you have a complete understanding of our costs.

AQUATICS

Mr. PALAZZO. Absolutely. I will look forward to checking back with you on that.

In your testimony, the term "aquatics" was mentioned. Can you dig deeper into that? By "aquatics," what do you mean? I guess, there are subcategories of aquatics, and are there any trends? Is this something that is increasing? You know, we have seen increased activity in aquatic agriculture in Mississippi, and so are we talking about catfish, oyster farming, or you know, saltwater species being grown, not in, you know, not on the coast but in the hinterland? Can you just expand on at that?

Mr. TONSAGER. My belief is we can serve all of those, and I will rely on one of my folks sitting behind me here to let me know if I am wrong in saying that. But I believe that individual catfish farms are financed. I have actually seen one, but it has been some time, that was financed by the institutions. Fishermen that go out into the ocean. And in the plains, there was a substantial amount for a while of fish farms that were inside buildings and so forth that I believe were financed by the system.

Mr. PALAZZO. Is there any trend that you can point to that increase loans, increase categories?

Mr. TONSAGER. Not off the top of my head, but we will certainly provide it to you. We can tell you what the growth is.

[The information follows:]

As of December 31, 2016, FCS had an outstanding gross loan volume of $248.8 billion. Aquaculture makes up 0.5 percent of the Systemwide lending activity. In

Mississippi, aquaculture lending has increased over the past five years. The following table highlights aquaculture loans in Mississippi from 2012 to 2016.

SYSTEM AQUACULTURE LOANS OUTSTANDING IN MISSISSIPPI, DECEMBER

[million $]

2012	2013	2014	2015	2016
27.4	24.5	29.6	40.9	39.9

Source: FCSLoans2 Database.

Mr. PALAZZO. Thank you, gentlemen.

Mr. TONSAGER. Okay.

Mr. PALAZZO. Mr. Chairman, I yield back.

POULTRY

Mr. ADERHOLT. Thank you.

Let me follow up on the question that Dr. Harris had mentioned in his line of questioning.

Like him, my poultry industry is very big, very important. We are the third largest poultry producing State in the country. It produces at least 14,000 jobs in my Congressional district alone.

The vitality of the industry is difficult to predict, and I just want to reiterate that the uncertainty that a lot of these growers face is very real, and any certainty that the Farm Credit System can provide to try to combat that volatility is very important, and I just wanted to reiterate that. Because, like I said, that is a big concern for the folks in my State, and especially with the outbreak of the avian influenza, you know, many growers are forced to exterminate a significant amount of their flocks at poultry growers in general.

So I want to call that to your attention. But, like I said, I thank you for your attention on that and for shedding some light on that. I also wanted to associate myself with the comments of Dr. Harris and how important that is.

PERSONNEL COMPENSATION

Let me switch to a discussion about your budget situation. In looking at the fiscal year 2017 request, your largest cost is personnel compensation. It appears that between fiscal year 2015 and fiscal year 2016, these costs decreased by about $.5 million. On the other hand, your personal benefit cost increased by $1.5 million. In addition, the number of your full-time equivalent staff increased from fiscal year 2015 to 2016 by 20 FTEs according to answers to questions for the record last year.

Can you talk to us a little bit about the cost of personal compensation and how it decreased from one year to the other in conjunction with a significant increase in hiring, and why the cost of personal benefits went down. It would seem that both of these costs would increase, but please talk a little bit about that to our Subcommittee.

Mr. TONSAGER. Yes, sir.

My belief is that what we see is a group of retirements of older employees during that period that have significantly higher salaries, and a group of younger employees that come in that have

lower costs associated with their salaries is probably the reason why that may have occurred at that time.

We are required, by statute, to study the salary structure and compensation structure of other financial regulators, the FIRREA regulators, and to remain competitive with that group.

Our examination people, particularly, are people that have nearly the same technical skill requirements of bank examiners, or credit union examiners, or securities exchange examiners. And, so, we are required by the statute to keep our competitive nature somewhat in the same range as that particular group.

So we try to put together a package to our folks in some—it varies some between agencies, so we try to look for the things at that we think might help us attract examiners, particularly other employees that would be in the same range.

I am speculating regarding the particular cost of the employees, why it was a bit less one year over another. The increase that we have come with is a recognition of our need to bring along classes of employees because of the very long term development of examiners.

Only about 60 percent of the people we hire for examination actually make it to a commissioned examiner status. The program is tough, and they have a lot of work to do.

Mr. ADERHOLT. I am sorry. What was that percentage?

Mr. TONSAGER. The program is tough for them——

Mr. ADERHOLT. What percentage was that?

Mr. TONSAGER. It was only about 60 percent of the people we initially hire for examination are successfully commissioned after 4 years.

Mr. ADERHOLT. Thank you for that.

Mr. TONSAGER. And so it is a recognition, I think on our part, that we need—we didn't have enough people coming along to fill the positions we needed filled, and there is a number that has dropped off during that time.

Mr. ADERHOLT. Mr. Bishop.

IT INVESTMENTS

Mr. BISHOP. Thank you very much.

Ken Spearman provided testimony for a February 2016 hearing, an obligations table for the past 10 fiscal years were submitted. Information technology was budgeted at zero for fiscal year 2007 through fiscal year 2015. FCA OIG issued results of an FCA risk project audit. It was dated March 31, 2016, where IT risks were uncovered. Analysis and data modeling played a critical role in FCA's safety, soundness in regulatory functions. With the institutional mergers over the years and as the system works to maintain public trust by ensuring that adherence to the safety and soundness standards, can you discuss why keeping the IT infrastructure updated was not a budgeted priority item? The current system structure scales back the benefits of direct customer access to the institutions, and operating through remote locations removes the local lender understanding of agriculture and credit needs as well as commodity types that producers have come to rely on FCA to embody.

Are we inadvertently setting ourselves up for an economic crisis in the agricultural community by having institutions that could be too big to fail? And how is FCA keeping a watchful eye on the inherent risk that would arise by having too few banks?

And then, I will just ask my second question to expedite time.

DROUGHT

As reported in May of 2016, the drought monitor, the country suffered varying drought conditions ranging from severe to extreme from California, the midwest, to the southeast. Can you comment on how the drought conditions impacted your member banks and institutions, and do you have any recommendations or suggestions to minimize the financial effects caused by the drought?

Mr. TONSAGER. Well, first of all, the Chairman wisely chose to create a separate division relative to IT, information technology, and deliberately worked to adjust the needs associated with that technology to make sure we had the adequate security in the area. So I just wanted to respond to that portion of the question.

When we see a drought condition, we monitor for those as well, and so when California's occurred, we closely studied——

Mr. BISHOP. I am sorry. I didn't—did I—were you addressing the——

Mr. TONSAGER. You raised a question——

Mr. BISHOP [continuing]. IT?

Mr. TONSAGER. Yes, IT.

Mr. BISHOP. You are saying even though you didn't request money, that you are now setting up a separate division for that?

Mr. TONSAGER. We have always funded the IT division, so I am a little unclear why you would see a zero report on our budget panels for that particular area.

Mr. BISHOP. It was in conjunction with Mr. Spearman's testimony, he provided a table for fiscal year 2017, and——

Mr. TONSAGER. Okay.

Mr. BISHOP [continuing]. The information technology line item is zero.

Mr. TONSAGER. Yes. And my staff just pointed out to me if you go to management services, it was not broken out as a separate category. There were certainly funds used for information technology.

Mr. BISHOP. But it wasn't listed in the——

Mr. TONSAGER. It was not listed in that category. And so, we have a substantial commitment to information technology. And I apologize that it is not broken out specifically for you in that column.

Mr. BISHOP. It would be helpful to us if we could, at least, see it, it was a little more transparent for us.

Mr. TONSAGER. Yes.

Mr. BISHOP. Thank you. Now, go ahead with the drought.

Mr. TONSAGER. The drought, what we do is we look closely at the safety and soundness of the institutions involved. And, so, we will ask them to look at their portfolio under the extreme drought circumstances, and give us an idea of how much risk is to the institution. One of the things I want to move us toward is a more information-based approach about the individual producers and how

that affects them as well. We typically rely on USDA data when we look at the circumstance in that area. But I want to grow in our understanding as an agency about the direct effect.

As the Federal regulator, we look at individual institution safety and soundness; we need to spend more time looking at the safety and soundness of the individual producers. So that is part of my plan, at least, in expansion of that.

Mr. BISHOP. Yes. And we have a real concern with the drought monitor itself, making sure the drought monitor gets accurate and reliable information in a timely manner. We have had some issues with that in the southeast, particularly in my district. I don't know if you could, perhaps, give us some advice and counsel on what we need to do to make sure that the drought monitor process works effectively, efficiently, and timely.

Mr. TONSAGER. Okay. We will certainly do so.

Mr. BISHOP. Thank you.

Mr. ADERHOLT. Mr. Young.

UNCONVENTIONAL LOANS

Mr. YOUNG. Thank you, Mr. Chairman.

I am going to bring up the infamous Verizon loan, not because I want to shame you or anything, but I want to make sure that this isn't happening again.

I was pleased to learn that last March the FCA issued guidance through book letter 67 to its lending institutions to guard against these types of similar entity lending loans. And so my question is, are you having the proper oversight to make sure these procedures are in place? What are they? How do you keep an eye on this? Just give me an overview of what happened and where we are going with this.

Mr. TONSAGER. We provided guidance to the system institutions regarding each of the programs, in this case, the book letter. And so they are allowed to make these investments. Now, the similar and the lending is an initiated loan made by a bank. And the Farm Credit System has offered the opportunity, if they choose, to buy into that loan at the request of the bank making the lending involved. But we have provided this structure to them. They have also internally gone through a significant amount of work to improve the guidance. They recognize the reputation risks they have in making these loans.

Additionally, so they could go out and make the loans, but when we examine an institution, we look at those loans to look and see if we can find where they might be out of compliance with the statute or regulation that we provided to them.

In addition, individual bankers or other parties might have identified to us a loan that they are concerned about, or investment they are concerned about into these kinds of loans. Our regulatory staff and our General Counsel will consider each of those loans as they are identified, and cause the institution, if we believe it is out of compliance, to deal with it.

Mr. YOUNG. So that would be divesting.

Over the last few years, how many times can you think of some instances where the FCA asked Farm Credit to divest itself, for

whatever reason, because of what may have been legal, but looked bad and wasn't in the spirit of the law?

Mr. TONSAGER. I can think of three or four offhand, but I will ask my counsel if he recalls.

Is that number correct?

It is a small number, three or four.

[The information follows:]

The Farm Credit Act established the Farm Credit System to ensure a safe, sound and dependable source of credit and related services for all creditworthy and eligible persons in agriculture and rural America. By establishing regulations and examining FCS institutions, the Farm Credit Administration enforces the lending authorities and limitations set forth in the Farm Credit Act. We work to create a regulatory environment that provides for stakeholder confidence in the FCS's mission, financial strength and future vitality. If we find a loan outside of the lending authorities and limitations set forth in statute or regulation, we can and do require the institution to take remedial action, which in some cases includes divestiture.

The agency has provided guidance to institutions where a loan, including a similar entity participation, may "not be in the spirit of the law". Bookletter-067 provides agency guidance to FCS institutions on similar entity lending. It makes clear that the similar entity authority (12 U.S.C. 2122) may subject the FCS to significant scrutiny from FCA, Congress, and the public because it permits the System to participate in loans to ineligible borrowers. For this reason, FCA expects that all FCS institutions that participate, or plan to participate, in similar entity loans have policy, procedures, and internal controls that identify, evaluate, and mitigate various risks associated with this authority. FCA will continue to study and assess other issues and risks associated with FCS lending to similar entities and may issue further guidance in the future.

Mr. YOUNG. Well, thanks for keeping an eye on this, and I hope you will continue to be diligent.

FARM ECONOMY

Five years ago, the farm economy was doing better than it is today. It is suffering a downturn. And last month, a *Hoosier Ag Today* article referenced a conversation with the regional vice president for Farm Credit America about the outlook for 2017. The article referenced how many are referring to 2016 as a year when many farming operations burned up the last of their working capital, and many farmers would be facing hard decisions.

So the question is, is the FCS tightening up loans with farmers and because of the downturn and because of the burning up of capital that is alleged?

Mr. TONSAGER. Well, I would say, certainly, there are some farmers that have burned up their capital. I don't think it is a very large number at this point. What we are finding is many producers who are young don't have established capital in real estate and so forth, and so they appear to be the most vulnerable to that kind of thing. So it is of great concern. Of course, that is the group we want to keep in business. I have not seen a deliberate tightening or a policy that says we are going to tighten capital at this time.

Mr. YOUNG. Okay. So if you were to tighten capital for your farmers, beginning farmer or just your average farmer, where would your loans go?

Mr. TONSAGER. I am sorry. I don't——

Mr. YOUNG. Where would your loans go if you weren't loaning to them? Where would you focus? Where else would you look if you found that it wasn't a good deal to be doing as much lending to the average farmer or beginning farmer?

Mr. TONSAGER. I don't know that there would be a look anywhere particularly. They would take customers as they came in, I suppose. I don't know of a deliberate strategy that says we are going to shift from this group of farmers to some other group. Generally, the system is not restrained other than to the amount of capital it has that can support lending. So it doesn't usually have to choose between one or the other. If it has adequate capital, it can loan. It is not restrained otherwise.

So if such a thing existed, I would be extremely concerned if there was a deliberateness in that kind of a movement and a desire to move away from certainty in a particular group. I think that is something the regulator would have to intervene and take some action.

Mr. YOUNG. Well, I hope you will make the majority of your lending to the beginning farmer, and really come up with a strategy for them, as well as to your average farmer.

Mr. TONSAGER. Yes, I would agree.

Mr. YOUNG. Thank you for being here, Chairman, and Mr. Hall, and I yield.

Mr. TONSAGER. Thank you, sir.

Mr. ADERHOLT. Ms. Pingree.

FORESTRY AND FSMA

Ms. PINGREE. Thank you, Mr. Chair.

I have just two more questions, and I will put them together so you can answer them both.

My first is similar to some of the questions people have asked about the challenges that farmers are facing around the forestry industry. In our State, about 39 percent of Farm Credit East's loan portfolio in Maine goes to forest products. So that is the largest segment of their loans there. I know that is a very highly valued relationship; it is well-respected in the State. The forest industry is worth about $882 million to our economy and supports about 7,300 jobs. So that is a big impact. As I am sure you know, there's been a lot of transition in the forest products industry. We have seen closure of a tremendous number of mills, and there is a lot of work going on right now to examine what kinds of forest products we could get in, how can we be more competitive in another industry, and what kind of technology could help us looking into the future.

So I would love to hear you talk a little bit about how Farm Credit has been supporting the forest products industry, similar to some of the challenges people had in dairy and other kinds of agriculture. Are you looking at any kind of flexible lending during these tough times, or have you implemented that?

And my other question, just so you can go into the second one, I know that you do, in a variety of areas, a lot more than just credit. You help people with recordkeeping, estate planning, crop insurance, and really assist farmers in a variety of ways. So it is possible that, like me, you have heard a lot about the farmers who have to implement the FSMA rules (Food Safety Modernization Act). It has raised so many concerns. There are a lot of uncertainties out there. Just in Farm Credit East there are 14,000 customers, so they interact with a lot of farmers. You probably have

questions about FSMA, it seems like Farm Credit could be an important resource to people, and I think you have done a little bit about that.

Could you talk a little bit more about plans to help farmers transition, help educate farmers about it, even if it is just referring them to other places where they can get that information, because there will be capital issues in that, and they are both important? I will just give you the time to talk about those two issues.

Mr. TONSAGER. Thank you. I agree completely regarding the forest industry. And it takes long-term capital to help do that, but also, the sale of some of the off-put from the forest market, such as the pellet industry that is predominant in your State and in the region. I have seen the use of timber for the purpose of heating greenhouses, for example, where they use the extra timber in that area. So it is an important element, and I appreciate that.

I am sorry, the second part of your question? I was so wrapped up in thinking about the first, I just——

Ms. PINGREE. Do you want to answer about FSMA or more about the forest products industry?

Mr. TONSAGER. FSMA—since Farm Credit institutions are cooperatives, they have the ability to address other issues like that. I know particularly in the food products industry, they provide webinars to individual producers so they can get the information about the requirements of FSMA in order to make sure that their food products might be more usable in the more substantial market in the northeast, particularly, food products for local food markets in that area.

Ms. PINGREE. So what you are saying is you think there is some activity going on, but it is possible there could be more or——

Mr. TONSAGER. Yes, certainly. I think they—there is substantial development in the food product markets in the northeast as well as across the country, and so those requirements, they have the ability to work with their producers and giving the information necessary to make sure we have qualitative as well as quantitative products available.

Ms. PINGREE. Great. Well, I hope that continues throughout the country. Certainly, I think farmers are going to need the assistance in making the transition, but as I said, there are also capital requirements to make sure food processing that happens on farms, and a variety of things, that people have the finances behind them to make those changes.

So I yield back the balance of my time. Thank you, Mr. Chair.

Mr. TONSAGER. Thank you, ma'am.

Mr. ADERHOLT. Ms. DeLauro.

FUNDING LIMITATION AND STAFFING

Ms. DELAURO. Thank you very much, Mr. Chair.

First off, I would like to second what my colleague, Mr. Young, has said. I hope that we can work together, because I think that this reexamining of the rationale for this similar entity lending and what this means and what is happening in this realm is a real concern, and I think that we need to really have Congress take a look at this again, and to make a determination as to what it really means for the lending process.

Let me just ask a couple of other questions, Mr. Tonsager. In your testimony, you mentioned that the agency spending is limited annually by Congress.

Mr. TONSAGER. Yes, ma'am.

Ms. DELAURO. You further describe the spending limitations put in place by this body, required you to delay hiring actions, reduce travel relocations, and delay the execution of information technology projects.

Do you know why Congress began limiting the spending of your own funds? I will take a page out of my colleague, Ms. Pingree's book here, with regard to your testimony, you talked about the budget cap established by Congress, you had to delay hiring, all those things that I just said. You further described over the past few years, some of your seasoned employees have retired, that you expect many more to retire over the next few years.

So my question is, can you tell me how President Trump's January 23, 2017 memorandum regarding the hiring freeze would further impact the work of the Farm Credit Administration? And as I asked the Inspector General a week ago, I would like to hear from you and get a report from you of what that hiring freeze means, specifically, what you will not be able to do? Whose loans you will not be able to service? What are the services that you provide that will be curtailed?

[The information follows:]

The Farm Credit Administration has concerns about a mid-to-long-term hiring freeze. The FCA is a small agency that currently has 309 employees. Approximately 60 of the agency's employees are currently eligible for retirement and an additional 50 are eligible to retire over the next four years. As those employees announce their retirements, a mid-to-long-term freeze will impact our ability to hire and train positions necessary to fulfill the agency's mission to maintain the safety and soundness of the Farm Credit System. The retirements have affected, and will affect all areas of the agency workforce including the Office of Examination, the Office of Regulatory Policy, and the Office of Information Technology. For a smaller agency such as FCA, each employee performs multiple duties and has many varied functions, so the loss of those skill sets has a more immediate impact on the operations of the agency.

So why did the Congress begin limiting your spending of your own funds, and how will the hiring freeze impact your work?

Mr. TONSAGER. Well, the Farm Credit System is a unique enterprise. It has been around a very long time. It does not use Federal funds, but I believe the cap has been in place for many years. We are required, or obliged, to report to Congress, talk about that. I think the intention was to make sure that we don't do something excessively. So it is not something that concerns us that we have to report to you all, of course, that what we are doing, and it is an important part of our process to do that.

The effect on us, of course, we——

Ms. DELAURO. How much oversight do we have?

Mr. TONSAGER. Pardon me?

Ms. DELAURO. How much oversight do we have with regard to you?

Mr. TONSAGER. We are generally subject to the Full Committee. We meet with them and occasionally with the Senate Full Committee and report to them.

Ms. DELAURO. What does "occasionally" mean?

Mr. TONSAGER. Every few years.

Ms. DELAURO. Every few years?

Mr. TONSAGER. I can't recall the exact number of times it has been before the Senate, but generally, we have ongoing contact with your staff all the time. We have a working staff that provides our information. We provide reports to the Committee staff and to other member staff about the functions of our agency. So there is a steady supply of material that is provided by us to the Congress about our individual activities.

Ms. DELAURO. No, you report to the Senate, you report to the House. How often do you come and the oversight with regard to the House? Is that every few years as well?

Mr. TONSAGER. Annually? Every 2 years.

Ms. DELAURO. Every 2 years. Okay.

And the hiring freeze, I have asked for the report, but just tell me about the hiring freeze and your services.

Mr. TONSAGER. We have been restrained from hiring some folks. We have targeted investments that we want to make into IT technology that we haven't been able to make yet. Travel has been restrained. And for us, the examiners, we want them to be in the institutions. We gather a lot of data from them directly by transmission of data——

Ms. DELAURO. So the ways you have had to curtail your hiring, your IT, et cetera, is that compounded by the hiring freeze that the President has proposed?

Mr. TONSAGER. Well, yes, it has restrained us from hiring some people that we would like to hire.

Ms. DELAURO. So that will cause you a further difficulty in order to carry out your job?

Mr. TONSAGER. Yes, ma'am.

Ms. DELAURO. Thank you. And I appreciate the report. Thanks so much.

Mr. TONSAGER. We will certainly follow up with you.

Ms. DELAURO. Thank you, Mr. Chairman.

STAFF RETENTION

Mr. ADERHOLT. Thank you.

Let me switch to a little bit about the examiners, we talked a little bit about it earlier. Of course, the single most important role of the agency is the safety and soundness of the system, or in layman's terms, is to make sure a similar event does not occur like the crash of the 1980s.

This is best accomplished by ensuring the integrity of the system's financial institutions through examinations and other checks. One issue I have come to understand is your difficulty in retaining talented examiners, which comprise the majority of your workforce. Due to the uniqueness of the Farm Credit System, you provide specialized training for these individuals.

Mr. TONSAGER. Yes, sir.

Mr. ADERHOLT. This requires a significant amount of time and financial commitment. However, you seem to lose these individuals relatively quickly, either to the System itself or other agencies under its purview. You discussed a little bit, and referred about eight to ten leaving per year. What is your overall retention rate in the office examination?

Mr. TONSAGER. I am sorry, I am struggling to come up with the number. Doug, if you could help me.

We have about a 10 percent attrition rate. So I suppose that would mean about a 90 percent retention.

Mr. ADERHOLT. Okay. What is the average cost in time commitment for training a new examiner?

Mr. TONSAGER. I think the costs over the 4-year period are close to $500,000.

Mr. ADERHOLT. Per examiner?

Mr. TONSAGER. Per examiner. That is why we very much want to retain as many as we can——

Mr. ADERHOLT. Yeah.

Mr. TONSAGER [continuing]. Of course, along the way.

Mr. ADERHOLT. Well, given that significant amount of investment, it seems it would be wise to require a certain length of service in exchange. I know other agencies do this, our retired colleague, who was the Ranking Member of this subcommittee, Sam Farr, would use the Peace Corps as an example. He was very supportive and very involved with the Peace Corps.

Do you have any policies like this or anything preventing you from putting in place some kind of policy like the Peace Corps?

Mr. TONSAGER. That is a new question for me. I am sorry I can't directly respond. If my staff could tell me, or I could provide a direct response to you.

I would say that our Inspector General, as part of her process, looks at elements of the agency all the time, including the examination process. And provide a report to us, I think, not long ago, about the retention in the program and so forth.

So let me find a good answer for you. I don't know if we legally can provide that kind of a restraint on them, a sign-up period, as the Peace Corps may do, but I will certainly get back to you regarding that.

[The information follows:]

The core mission of the Farm Credit Administration is to oversee the safety and soundness of the Farm Credit System, a nationwide network of customer-owned lending institutions. Our Office of Examination plays a critical role in accomplishing this mission. It develops oversight plans; conducts examinations; monitors the System's condition and current and emerging risks to the FCS; and develops supervisory strategies to ensure that the FCS operates in a safe and sound manner, complies with the law and regulations, and fulfills its public policy purpose.

Our examination staff are highly trained. They understand the unique risks of agriculture and have both financial and regulatory experience. New examination staff are required to successfully complete the agency's rigorous commissioning program to ensure the examiner has the knowledge, skills, and competencies to conduct examinations of the FCS institutions. The commissioning program is a multi-year tiered program that includes both formal classroom and on-the-job training to provide the trainee the various tools necessary to become a commissioned examiner. To become commissioned, each trainee must demonstrate competency through rigorous testing.

In the most recent past, the agency has explored proposals for retention agreement with examiners. We have also consulted with the other Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) agencies. For several reasons, we believe that such an agreement would not be in the best interests of the agency. It would put us at a competitive disadvantage with the other FIRREA agencies that do not have such agreements, and Congress has directed us consult with FIRREA agencies to maintain comparability in pay and benefits. Such an agreement could discourage qualified and competitive applicants from accepting a starting position with our agency versus FIRREA agencies that do not have the same requirement.

Further, most examiner attrition occurs after 8 to 10 years of work, which is typically longer than the useful life of such an agreement.

Mr. ADERHOLT. Well, let me just say that, if you do need some specific legal authority to do this, please let us know. But like I say, it is a significant amount of dollars that are invested, as you say, half a million dollars per examiner, and my understanding is that many of them do leave fairly quickly. I think this is something that you seriously want to look at and explore. And if you could get back with us on what the options might be, I think the Subcommittee would be very interested in knowing that.

Mr. TONSAGER. Certainly. I will say that it takes about 4 years. And those that are leaving are generally in the 8- to 10-year category, where somebody comes in and might compete with us and cause them to move on to different area. So generally speaking, we probably have their services—for those who leave, many are very long term, of course, but that group that might move on, that is kind of the category, that we—the area that we lose them at.

Mr. ADERHOLT. Okay.

Mr. Bishop.

Mr. TONSAGER. Yes, sir.

INFRASTRUCTURE

Mr. BISHOP. Thank you very much.

The Administration and Congressional leadership on both sides of the aisle have indicated that rebuilding the Nation's infrastructure is a priority. Funding infrastructure projects will be critical, of course, to improving the roads, the bridges, the ports, in order to energize the economy. Given the fact that rural communities and agriculture also depend on infrastructure in order to thrive, do you share my concern that steps need to be taken to ensure that rural America is not left behind in this infrastructure-building process? And what do you see as FCA's role in restoring America's rural infrastructure?

Mr. TONSAGER. I think our role and the tools we have give us access to GSC funding, which has been highly competitive with the Federal Treasury rates. And so I think in the long-term financing of rural infrastructure, including broadband, we can bring access to those resources that do that. And we have expertise in working with small communities especially on rural water and rural electric systems, as well as broadband systems.

So I think there is capacity in this system to do that. Those loans are typically, once they are in place, very successful loans in the way they are structured. We don't have the capacity to provide grants, such as the USDA or other Federal agencies have that could bring the cost down into a more affordable range.

Mr. BISHOP. Do you partner with them——

Mr. TONSAGER. Yes.

Mr. BISHOP [continuing]. Rural utilities, for example?

Mr. TONSAGER. Yes. Rural electric, rural water, yes.

Mr. BISHOP. Broadband, so you can actually partner with those communities that may be able to get a grant from them and you can offer——

Mr. TONSAGER. Yes.

Mr. BISHOP [continuing]. Additional funding through loans?

Mr. TONSAGER. We can, and we do. I think it is incredibly important. We also get into funding hospitals, clinics, fire halls, we make investments. Those have to be structured as an investment option for the institutions to be involved with them. The system has partnerships all over rural America and does all kinds of things in those categories. And perhaps another time we can talk about them.

Mr. BISHOP. You mentioned hospitals. Rural health care is really, really critical at this point in time. Rural Development does have the community facilities programs. Are you partnering with the Rural Development agency on some communities that are trying to maintain and expand the healthcare facilities——

Mr. TONSAGER. Yes. Absolutely.

Mr. BISHOP [continuing]. Through the community development——

Mr. TONSAGER. Right.

Mr. BISHOP [continuing]. Through the facilities program?

Mr. TONSAGER. Yes. And we require that a Farm Credit institution engaged in that must offer an opportunity for a local bank to be involved with the project as well. So part of the information we give them or the letters we give them has that requirement on each of those kinds of projects, that they seek out local participants.

Mr. BISHOP. Is that number increasing or is it decreasing around the challenges with the ACA?

Mr. TONSAGER. I think the demand is increasing. We have slowed somewhat because we are now improving every project that is identified individually. We did a test with them where we allow them all to do it. And as we examined the results from that, we found that we have to now go through this approval process to make sure they stay in compliance with the Federal statutes.

Mr. BISHOP. Thank you, Mr. Chairman.

Thank you.

Mr. ADERHOLT. Mr. Young.

Mr. YOUNG. Mr. Hall.

Mr. HALL. Yes, sir.

Mr. YOUNG. Nice to see you.

Mr. HALL. Thank you.

ASSESSMENTS

Mr. YOUNG. You are Chairman of the Farm Credit System Insurance Corporation. Is that correct?

Mr. HALL. That is correct.

Mr. YOUNG. Set up to be a backstop to help the FCS if there is a problem. It currently has a capital of around how many billion?

Mr. HALL. It is around $4.5 billion.

Mr. YOUNG. $4.5 billion and has credit lines from the U.S. treasury for about $10 billion.

Mr. HALL. That is correct.

Mr. YOUNG. Okay. Is this a sufficient amount with assets over $300 billion?

Mr. HALL. We believe it is adequate. When the Farm Credit Insurance Corporation was established, a 2 percent secure base amount was determined to be actuarially sound. So as the system grows, their assessment to fund that insurance fund has gone up.

So we believe, based on what Congress approved, we are sufficiently covered.

Mr. YOUNG. Okay. So you are not looking to change that in any way?

Mr. HALL. No, sir.

Mr. YOUNG. Okay. That ratio, compare that to that of the FDIC in terms of cash of capital on hand.

Mr. HALL. For the insurance fund, I am not sure how it compares to our FIRREAs. I would say it is pretty consistent among other Federal agencies.

Mr. YOUNG. Okay. What is the funding mechanism for the corporation, and are there any reforms that you think need to take place in your opinion?

Mr. HALL. The funding mechanism is through an assessment. You mentioned the assessments of the institutions earlier. As the size of the institutions grow, the amount that they have to fund the insurance fund does increase. We have seen as the system grows, that assessment has gone up. If there was a year where there was no growth, then the assessment would not increase.

Mr. YOUNG. Okay. And being raised in Indiana, getting a degree from Purdue——

Mr. HALL. Yes, sir.

Mr. YOUNG [continuing]. And working for Kentucky, who do you root for in March Madness?

Mr. HALL. Well, it is a complicated thing in my household. I went to Purdue. My wife went to University of Loyola, and my daughter is getting ready to attend the University of Kentucky, so it gets more complicated.

Mr. YOUNG. So I think the safe answer is Alabama or Georgia.

Thank you, Mr. Chairman.

Mr. HALL. The answer is yes.

Mr. YOUNG. Thank you, Mr. Hall.

Mr. HALL. Thank you.

Mr. ADERHOLT. Thank you, and thank you, Mr. Young, for asking that question. Mr. Hall, that was something I had on my list that I wanted to ask about, because the Farm Credit System Insurance Corporation is important, and knowing that that is set up as a backstop to help the Farm Credit System during a failure is important. So thank you, Mr. Young, for calling attention to that and getting clarification on that for the Subcommittee.

So with that, let me say thank you both for being here today and for your answers to our questions. We appreciate the work that you do with Farm Credit Administration and your service there, and we look back to having you in the future, maybe it won't be another 19 years.

The Subcommittee is adjourned.

FARM CREDIT ADMINISTRATION
QUESTIONS FOR THE RECORD for FISCAL YEAR 2018
HOUSE AGRICULTURE APPROPRIATIONS SUBCOMMITTEE

Questions Submitted by Chairman Robert B. Aderholt

Guaranteed Loans

1. In meeting Basel III standards, can Farm Credit Institutions use USDA guaranteed loans to reduce, minimize or meet the actual amount of risk on the books to meet this formula?

   The Farm Credit Administration's (FCA's) role is to regulate Farm Credit System institutions and Farmer Mac to ensure that they follow applicable laws and regulations. This ensures the safety and soundness of these institutions. In 2016, FCA modernized its capital regulatory requirements to ensure that they are comparable to the Basel III framework, a standardized approach to capitalization that other federal banking regulatory agencies have adopted, but consistent with the System's cooperative structure.

   FCA capital regulations allow System institutions to use USDA guarantees to reduce the credit risk associated with loans on their books. Therefore, System institutions may use government loan guarantees as part of their capitalization strategy to meet their regulatory requirements. However, another important reason a System institution may use loan guarantees is to help extend credit to farmers and ranchers who do not qualify for a standard loan. The loan guarantee helps farmers receive credit at reasonable terms to finance their operations.

   It's also worth noting that the Farm Credit Act provides FCS borrowers with an extensive set of borrower rights (12 U.S.C. 2199 – 2202e). Loan guarantees may be a helpful tool for restructuring and refinancing the debt of borrowers, giving them time to make changes to their operations so that they may return to profitability and stay on the farm.

2. Do Farm Service Agency (FSA) loan guarantees reduce the amount of capital the institutions and associations are required to have in place?

   Under FCA regulations (§628.32), a federal loan guarantee reduces a loan's risk-weight, which in turn reduces the amount of capital a System bank or association is required to hold against the loan. For example, most agricultural loans without a government guarantee are normally risk-weighted at 100 percent. This means an institution is required to hold $8 in capital for every $100 in outstanding loans. When a conditional guarantee is

applied to a loan, FCA regulations at § 628.32(a)(1)(ii) stipulate that an institution must assign a 20 percent risk weight to the portion of an exposure that is conditionally guaranteed. The risk-weighting of loans with a "conditional" guarantee is reduced to 20 percent, which means an institution would only be required to hold $1.60 in capital for every $100 in loans that have a conditional guarantee.

3. What is the total amount of federally guaranteed loans being used by the System?

   FCA regulations allow System institutions to use loan guarantees from the U.S. government or from any U.S. government agency or government-sponsored enterprise (GSE). USDA loan guarantees are the most commonly used guarantees by System institutions. As of December 31, 2016, the System had $6.4 billion in federally guaranteed loans in its portfolio.

4. What other guaranteed loans does the System use besides the Farm Service Agency (e.g., USDA Rural Development, Small Business Administration, etc.)?

   FCA regulations allow all System institutions to use loan guarantees from the U.S. government or from any U.S. government agency or GSE to reduce risk in the institutions' loan portfolios. The most commonly used federal loan guarantees are from USDA's Farm Service Agency, USDA's Rural Utilities Service, and from the Small Business Administration.

5. Please provide a table showing the amount of guaranteed loans by originating government agency, type of loan (operating, ownership, etc.), and recipient System institution for the past three years for the entirety of the System.

   The agency does not track the loan guarantee data with this level of granularity. System institutions only report the aggregate amount of federal loan guarantees. The table below provides the aggregate amount by System institution.

Federally Guaranteed Loans by Institution
(thousands of dollars), December 31

District/Institution	Federal Guarantee		
	2014	2015	2016
Texas District	550,312	576,500	648,592
Ag New Mexico, FCS, ACA	6,764	10,102	13,212
AgTexas FCS	225,927	230,152	269,774
Alabama ACA	96,720	111,237	128,380
Alabama Ag Credit, ACA	28,423	28,552	30,488
Capital Farm Credit, ACA	26,935	29,974	31,752
Central Texas ACA	-	-	-
FCB of Texas	3,089	2,495	2,440
Great Plains Ag Credit, ACA	8,348		
Heritage Land Bank, ACA	1,274	203	168
Legacy Ag Credit, ACA	11,914	17,348	22,616
Lone Star, ACA	2,590	2,368	1,396
Louisiana Land Bank, ACA	4,911	8,253	9,481
Mississippi Land Bank, ACA	540	1,323	1,756
Plains Land Bank, FLCA	-	-	-
Southern AgCredit, ACA	62,039	69,713	83,306
Texas FCS	70,838	64,780	53,223
AgFirst District	1,571,852	1,606,116	1,593,808
AG CREDIT ACA	515,890	514,344	502,131
AgCarolina ACA	9,439	10,680	13,460
AgChoice ACA	87,462	73,448	58,081
AgFirst FCB	17,320	15,221	12,402
AgGeorgia ACA	33,889	33,567	34,681
AgSouth ACA	154,641	162,383	167,863
ArborOne, ACA	75,302	80,392	83,314
Cape Fear ACA	80,352	74,266	64,498
Carolina ACA	92,581	97,910	101,535
Central Florida ACA	15,364	19,397	24,504
Central Kentucky ACA	67,346	70,624	71,306
Colonial ACA	9,206	10,525	8,334
FC of the Virginias ACA	35,610	40,323	39,491
First South ACA	126,846	133,904	143,679
Florida ACA	35,862	36,380	35,089
MidAtlantic ACA	69,052	79,413	83,285
Northwest Florida ACA	6,605	9,064	7,037
Puerto Rico ACA	26,600	28,254	31,549
River Valley AgCredit, ACA	72,054	79,658	81,174
Southwest Georgia ACA	40,431	36,363	30,395

Federally Guaranteed Loans by Institution (continued)
(thousands of dollars), December 31

AgriBank District	1,721,734	1,945,649	2,222,921
1st Farm Credit Services, ACA	292,203	371,344	472,675
AgCountry ACA	30,062	53,398	98,855
AgHeritage ACA	35,234	30,983	25,903
AgriBank, FCB	82,263	83,298	71,537
AgStar ACA	84,630	182,414	203,502
Badgerland Financial ACA	101,282	121,219	131,517
Delta ACA	19,117	23,603	25,073
Farm Credit Illinois, ACA	19,756	22,567	28,242
Farm Credit Mid-America ACA	281,141	317,648	327,008
FCS Financial, ACA	202,375	211,604	230,929
FCS of America ACA	119,469	98,008	103,041
GreenStone ACA	258,658	244,878	270,011
Mandan ACA	12,894	18,909	24,698
Midsouth ACA	3,708	4,306	5,648
North Dakota ACA	20,312	19,378	25,042
Progressive FCS, ACA	37,611	37,171	60,500
United ACA	33,530	28,630	43,306
Western Arkansas ACA	87,489	76,291	75,434
CoBank District	2,537,342	2,348,233	1,929,735
AgPreference, ACA	13,505	15,532	17,932
American AgCredit, ACA	22,034	19,673	22,241
Chisholm Trail ACA	141	139	
CoBank, ACB	1,886,028	1,741,541	1,279,802
Colusa-Glenn ACA	6,006	4,944	4,537
East Central Oklahoma ACA	21,722	18,878	
Enid ACA	1,264	1,749	3,728
Farm Credit East, ACA	281,584	257,767	248,472
Farm Credit West, ACA	12,486	16,074	28,515
FCS Southwest ACA	28,583		
Fresno-Madera ACA	1,548	1,853	3,303
Frontier ACA	3,206	3,290	2,838
Golden State ACA	1,967	2,189	2,440
Hawaii ACA	9,433	9,997	10,939
High Plains ACA	2,130	2,317	1,784
Idaho ACA	17,872	17,918	21,325
Ness City, FLCA	6,055	6,485	8,384
New Mexico ACA	8,163	9,628	12,847
Northwest FCS, ACA	89,153	87,808	92,264
Oklahoma AgCredit, ACA			19,099
Premier ACA	11,001	8,863	9,936
Southern Colorado ACA	13,445	15,789	18,349
Southwest Kansas ACA	2,759	4,088	3,044
Western AgCredit, ACA	26,604	24,104	22,580
Western Kansas ACA	1,476	1,595	2,979
Western Oklahoma ACA	23,589	30,386	47,103
Yankee ACA	41,017	41,989	41,458
Yosemite ACA	4,571	3,637	3,836
System	6,381,240	6,476,498	6,395,056

Source: FCA Call Report

6. Do government-guaranteed loans count as an asset, capital, or liquid asset for meeting these standards?

Loans are accounted for as assets under U.S. generally accepted accounting principles, regardless whether they have government guarantees.

7. Are these guaranteed loans being used as a government program to meet a government requirement and could this practice potentially obfuscate the actual level of risk in the System?

   While loan guarantees transfer most of the risk of loss to the government, this transfer does not in any way obfuscate the risk in the System. FCA capital regulations allow System institutions to use USDA guarantees to reduce the credit risk associated with loans on their books. Therefore, System institutions may consider using government loan guarantees as part of their capitalization strategy to meet their regulatory capital requirements.

   Loan guarantees are a commonly used tool employed to serve the credit needs of eligible borrowers who are a higher credit risk based on the institution's underwriting standards. Therefore, a loan guarantee helps the System serve all eligible *creditworthy* borrowers (12 U.S.C. 2001). Loan guarantees may also be a critical tool considered for use when a borrower, whose loan has become distressed, exercises his or her borrower rights (12 U.S.C. 2199 – 2202e) included in the Farm Credit Act.

8. Please provide a list of all Farm Credit Administration (FCA) field offices and indicate the number of staff associated with each office. Were there any significant changes in the number of staff at each office in fiscal year 2016 or fiscal year 2017 to date? If so, please provide specifics.

   There were no significant changes in the number of onboard staff at any individual field office in either FY 2016 or estimated for FY 2017.

Number of Onboard FCA Staff by Office Location	
McLean field office (headquarters)	159
Sacramento field office	20
Denver field office	48
Bloomington field office	38
Dallas field office	29
Rest of U.S.	8
Total	302*
*As of May 10, 2017, this represents all onboard staff, including part-time employees.	

9. Please provide a table showing the agency's FTEs by office for the past 10 fiscal years and include the estimated levels for fiscal year 2017.

Full-Time-Equivalent Staffing Levels by Office
FYs 2008 – 2018

Organizational Unit	Actual FY 2008	Actual FY 2009	Actual FY 2010	Actual FY 2011	Actual FY 2012	Actual FY 2013	Actual FY 2014	Actual FY 2015	Actual FY 2016	Ceiling FY 2017 Est.	Ceiling FY 2018 Est.
Office of the Board	9.9	8.9	8.6	9.8	9.3	9.4	10.0	9.9	10.2	10.2	10.2
Office of the Chief Executive Officer (CEO)	1.2	1.9	1.7	2.0	3.0	2.8	2.3	2.3	3.0	3.0	3.0
Office of Congressional and Public Affairs	5.9	5.0	6.1	6.6	5.0	5.1	5.0	5.2	5.0	6.4	6.6
Office of Examination	139.2	149.8	163.6	171.2	172.6	163.7	166.9	162.4	173.0	179.9	174.9
Office of General Counsel	14.1	13.6	12.9	13.6	13.1	13.5	13.8	13.7	12.0	12.8	13.4
Office of Management Services[1]	46.5	48.8	50.7	49.9	50.4	48.1	48.9	48.3	25.5		
Office of the Chief Financial Officer										10.2	10.2
Office of Agency Services										19.8	19.0
Office of Information Technology[2]									24.1	28.9	30.0
Office of the Inspector General	4.6	4.6	4.6	4.6	4.6	4.0	4.2	5.7	5.5	6.0	6.0
Office of Secondary Market Oversight	4.0	4.0	4.0	3.7	4.6	4.2	4.7	5.0	5.0	5.3	5.3
Office of Regulatory Policy	26.0	24.2	24.3	25.0	25.0	22.6	22.1	24.2	26.4	27.1	27.1
Total	251.4	260.8	276.5	286.4	287.6	273.4	277.9	276.7	289.7	309.6	305.7

[1] As the result of a reorganization in May 2016, the Office of Management Services was divided into two offices: the Office of Agency Services and the Office of the Chief Financial Officer. The two new offices divided between them the FTEs of the Office of Management Services.

[2] The Office of Information Technology was established in May of 2015. It had been part of the Office of Management Services. All FTEs for the Office of Information Technology were part of the Office of Management Services prior to FY 2016.

10. Please provide a table showing the ratio of managers and supervisors to other personnel for the past 10 fiscal years and estimated levels for fiscal year 2017.

Ratios of Managers and Supervisors to Other Personnel	
2007	1:6
2008	1:6
2009	1:6
2010	1:6
2011	1:6
2012	1:5
2013	1:6
2014	1:6
2015	1:5
2016	1:5
2017	1:5
2018	1:5

11. Please provide a table showing FCA obligations by office for the past 10 fiscal years and include the estimated levels for fiscal year 2017.

FCA Obligations by Office, FYs 2008 – 2018
(Dollars in Thousands)

Organizational Unit	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Est.	FY 2018 Est.
Office of the Board	$2,030	$1,966	$2,172	$1,990	$1,926	$1,897	$2,090	$2,251	$2,445	$2,659	$2,735
Office of the Chief Executive Officer	347	346	405	505	730	677	628	690	775	927	953
Office of Congressional and Public Affairs	1,050	946	1,237	1,440	1,219	1,239	1,306	1,444	1,481	1,834	1,806
Office of Examination	21,193	23,270	26,469	27,987	27,698	27,072	28,862	29,184	31,154	33,514	34,393
Office of General Counsel	2,744	2,752	2,756	2,976	3,029	3,275	3,511	3,652	3,395	3,677	3,981
Office of Management Services[1]	10,264	10,174	11,210	11,669	11,696	11,145	12,539	14,420	7,740		
Office of the Chief Financial Officer										3,878	3,903
Office of Agency Services										4,761	4,660
Office of Information Technology[2]									8,348	9,638	10,872
Office of the Inspector General	934	985	1,038	1,067	1,096	948	1,006	1,312	1,400	1,637	1,697
Office of Secondary Market Oversight	1,009	1,002	1,078	966	1,074	1,038	1,280	1,447	1,417	1,511	1,572
Office of Regulatory Policy	4,304	4,246	4,545	4,777	4,720	4,522	4,599	5,122	5,897	6,364	6,653
Total obligations	**$43,875**	**$45,687**	**$50,910**	**$53,377**	**$53,188**	**$51,813**	**$55,821**	**$59,522**	**$64,052**	**$70,400**	**$73,225**

[1] As the result of a reorganization in May 2016, the Office of Management Services was divided into two offices: the Office of Agency Services and the Office of the Chief Financial Officer. The two new offices divided between them the budget of the Office of Management Services.

[2] The Office of Information Technology was established in May of 2015. It had been part of the Office of Management Services. The budget for the Office of Information Technology was established in the Office of Management Services prior to FY 2016.

[3] Excludes costs of certain offices, such as Examination and General Counsel, that assist in the examination and supervision of Farmer Mac.

*The figures listed for FY 2017 and FY 2018 are the budgets that were approved by the FCA board.

12. Please provide a table showing FCA unliquidated/open obligations by office for the past 10 fiscal years.

FCA Unliquidated/Open Obligations by Office, FYs 2007 – 2016 (Dollars in Thousands)										
Organizational Unit	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Office of the Board	$272	$122	$84	$186	$104	$117	$58	$60	$79	$91
Office of the Chief Executive Officer	5	0	20	26	29	50	38	30	40	31
Office of Congressional and Public Affairs	83	172	94	185	253	133	106	146	218	217
Office of Examination	1,060	1,978	1,718	1,792	2,025	1,741	1,229	1,282	1,443	1,408
Office of General Counsel	110	199	201	209	227	220	154	208	167	145
Office of Management Services[1]	1,858	1,676	1,623	1,788	1,400	1,780	1,321	2,631	3,612	1,488
Office of Information Technology[2]										2,634
Office of the Inspector General	80	71	87	110	81	82	43	66	70	82
Office of Secondary Market Oversight	108	175	134	145	153	86	65	155	230	118
Office of Regulatory Policy	173	219	233	332	294	311	179	193	256	258
Total unliquidated/ open obligations	$3,749	$4,612	$4,194	$4,773	$4,566	$4,520	$3,193	$4,771	$6,115	$6,472

[1] In FY 2017, the Office of Management Services was reorganized into the Office of the Chief Financial Officer and the Office of Agency Services.

[2] The Office of Information Technology was established in May of 2015. It was previously part of the Office of Management Services. All obligations for the Office of Information Technology were established in the Office of Management Services prior to FY 2016.

13. What is the cost of operating the agency to Farm Credit System institutions and Farmer Mac?

The FY 2017 appropriations bill limits the agency's administrative operating expense paid from System institution assessments at $68.6 million. The estimated FY 2017 operating costs of the agency are $66.1 million for the Farm Credit System and $2.5 million for Farmer Mac.

14. Please provide a table showing assessments on Farm Credit System institutions and Farmer Mac for the previous 10 fiscal years and estimated for FY 2017.

Section §607.5 of FCA regulations states, "Prior to September 15 of each year, the FCA shall determine the amount of assessment to be collected from each System institution for the next fiscal year under §§ 607.3 and 607.4 and shall provide each institution with a Notice of Assessment." Therefore, FCA uses its board-approved budget as its basis for assessing the Farm Credit System. This may create instances where the total assessment is higher than the limitation on operating expenses that is included in the annual congressional appropriations bill. This may affect the agency's carryover funding levels. The tables below provide assessment information for Farm Credit System institutions and Farmer Mac.

FCS Assessments, FYs 2008 – 2018 (includes Farmer Mac) (Dollars in Millions)	
2008	$42.5
2009	$45.1
2010	$49.1
2011	$52.5
2012	$54.1
2013	$50.0
2014	$50.0
2015	$51.5[1]
2016	$58.3
2017	$69.8[2]
2018 Est.	$71.3[3]

[1]Assessment was reduced by $3 million for the fourth quarter.

[2] FCA expects to reduce assessments by $3 million.

[3] Assumes FCA uses carryover.

Farmer Mac Assessments, FYs 2008 – 2018 (Dollars in Millions)	
2008	$2.05
2009	$2.05
2010	$2.25
2011	$2.20
2012	$2.25
2013	$2.38
2014	$2.38
2015	$2.40
2016	$2.45
2017	$2.50
2018 Est.	$2.50

15. Please provide a table showing the total carryover available at the end of each fiscal year beginning in fiscal year 2007. What is the estimate of carryover for fiscal year 2017?

Total Carryover at End of Each Fiscal Year FYs 2007 – 2017	
Fiscal Year	Assessment Carryover Amount (In Millions)
2007	$12.5
2008	$12.9
2009	$13.6
2010	$13.5
2011	$13.2
2012	$16.5
2013	$16.0
2014	$11.7
2015	$5.2
2016	$0.9
2017 est.	$1.3

16. Please provide a table showing the limitation, per million dollars, and the corresponding assessment that would be assumed per $100 if the limitation was set from a range of $60,000,000 to $80,000,000 given current levels of assets, institutions, and associations.

The following table is based on $319,915 million in total assets for the Farm Credit System as of 12/31/2016.

FCA Annual Limitation (FCS Annual Assessment)	Assessment (Per $1,000,000 in FCS Assets)	Assessment (Per $100 in FCS Assets)
$60,000,000	$187.5498	$0.0188
$65,000,000	$203.1790	$0.0203
$70,000,000	$218.8081	$0.0219
$75,000,000	$234.4373	$0.0234
$80,000,000	$250.0664	$0.0250

17. Please provide a table showing the amount of refunds or reduced assessments to Farm Credit System Institutions and Farmer Mac for the previous 10 fiscal years and estimate for fiscal year 2017.

As mentioned in the response to question 14, section §607.5 of the FCA regulations states, "Prior to September 15 of each year, the FCA shall determine the amount of assessment to be collected from each System institution for the next fiscal year under §§ 607.3 and 607.4 and shall provide each institution with a Notice of Assessment." Therefore, FCA uses its board-approved budget as its basis for assessing the Farm Credit System. This may create instances where the total assessment is higher than the limitation on operating expenses that is included in the annual congressional appropriations bill. This may affect the agency's carryover funding levels.

FCA Budget Breakdown (In Millions)									
Year	Board-Approved Budget*	Carry-over Used	FCS Institution Assessment	Farmer Mac Assessment	Total Assessment	Congressional Limitation	Reduced Assessment Amount	Refunded Assessment	Year-End Assessment
2007	$44.25	$2.75	$39.30	$2.20	$41.50	$44.25		$0.00	$41.50
2008	$46.00	$3.45	$40.50	$2.05	$42.55	$46.00		$0.00	$42.55
2009	$50.00	$4.90	$43.05	$2.05	$45.10	$49.00		$0.00	$45.10
2010	$54.50	$5.40	$46.85	$2.25	$49.10	$54.50		$0.00	$49.10
2011	$59.40	$6.90	$50.30	$2.20	$52.50	$59.40		$0.00	$52.50
2012	$60.00	$5.90	$51.85	$2.25	$54.10	$61.00		$0.00	$54.10
2013	$61.00	$11.00	$47.62	$2.38	$50.00	$61.00		$0.00	$50.00
2014	$63.30	$13.30	$47.62	$2.38	$50.00	$62.60		$0.00	$50.00
2015	$65.10	$10.60	$52.10	$2.40	$54.50	$60.50	($3.00)	$0.00	$51.50
2016	$65.60	$7.30	$55.85	$2.45	$58.30	$65.60		$0.00	$58.30
2017 Est.	$69.80	$0.00	$67.30	$2.50	$69.80	$68.60	($3.00)	$0.00	$66.80
2018 Est.	$72.60	$1.30	$68.80	$2.50	$71.30	$72.60		$0.00	$71.30
* Does not include revenue from reimbursable activities.									

18. FCA also receives funds from interest earned on investments with the Treasury and uses the interest earned to build and maintain an Agency reserve. Please provide a table showing the balance in the reserve for each fiscal year since it was established.

Like other agencies covered by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, FCA is authorized to maintain a reserve. This reserve is authorized under section 5.15 of the Farm Credit Act (12 U.S.C. 2250), Farm Credit Administration Operating Expense Fund. Per agency guidelines, the interest reserve must be able to cover at least two months of agency operating expenses, and it must not exceed a maximum of 30 percent of the agency's budget. Reserve expenditures are controlled and authorized by the FCA board.

FCA Reserve	
FY	Balance (In Millions)
2007	$8.0
2008	$9.0
2009	$9.5
2010	$10.0
2011	$10.6
2012	$11.1
2013	$11.5
2014	$11.8
2015	$12.1
2016	$12.3

19. How much did FCA spend on reception and representation expenses in fiscal years 2013-2016 estimated for fiscal year 2017?

    FCA's reception and representation expenses were $312 for fiscal year 2014, $584 for fiscal year 2015, and $2,040 for fiscal year 2016. The budgets for FYs 2017 and 2018 estimate $6,500 for reception and representation expenses.

20. Did any FCA employees travel internationally in fiscal years 2016 and 2017 to date? Please provide the location, an explanation of the purpose of the trip, and cost.

    FCA does not have any current or planned international travel in fiscal year 2017.

    For FY 2016, there was one international trip to China for one employee, a senior economist in our Office of Regulatory Policy. The China trip was conducted under the Scientific Cooperation Exchange Program, which was established in 1978 by the U.S. Department of Agriculture under a cooperative agreement with China's Ministry of Agriculture. The program's objectives are to promote U.S. agricultural priorities, encourage long-term cooperation, create a positive atmosphere for trade, and enhance overall relationships between the United States and the People's Republic of China. For this trip, the objectives were (1) to learn about China's plans for farmer support policies in the next five years and potential impacts on U.S. agricultural markets, agricultural borrowers, and lenders; (2) explain U.S. experience in supporting farmers and current U.S. farm programs; and (3) exchange views with Chinese colleagues on best practices for supporting farmers.

    The sponsoring program agency was USDA's Foreign Agricultural Service. The travel period was two weeks, beginning April 15, 2016, and ending April 28, 2016. The

majority of the time was spent in Beijing visiting various ministry officials. Four days were spent traveling to the provinces of Shandong and Sichuan to visit ministry officials. Travel expenses were paid by USDA and China's Ministry of Agriculture except for incidental expenses of $388.25.

21. Please provide a list of any and all business class travel and first class travel for fiscal year 2017.

FCA employees on temporary duty travel for official business are governed by the Federal Travel Regulations and FCA Policy and Procedure 708. The exception to this occurs when an employee requires a reasonable accommodation pursuant to 29 U.S.C. 791. When that need for reasonable accommodation exists, the employee takes the lowest-cost ticket available that meets the requirements of the employee's 29 U.S.C. 791 reasonable accommodation need.

22. Please provide a table showing FCA's reimbursable agreements for fiscal years 2014 through 2017.

FCA Reimbursable Agreements
Fiscal Years 2014 – 2017

	FY 2014	FY 2015	FY 2016	FY 2017 (YTD)
U.S. Department of Agriculture	$83,305	$600,000	$0	$0
Farm Credit System Insurance Corporation	$334,230	$366,330	$366,770*	$461,760
National Consumer Cooperative Bank	$295,592	$105,195	$140,798	**

*The $478,778 agreement amount for FCSIC reported on the FY 2017 QFRs represented an estimate for FY 2016. We have updated the amount to reflect the actual agreement amount for FY 2016.

**Note: FCA is required under 12 U.S.C., Chapter 31, Section 3025, to perform annual examination and audit work for the National Consumer Cooperative Bank. In accordance with this statute, FCA must be reimbursed for costs incurred but must not obtain funds in advance.

23. Please provide a list of recommendations from FCA's Inspector General for which management decisions are pending as of February 28, 2017.

As of February 27, 2017, there were no management decisions for which an agency decision was pending, as all inspector general recommendations were "agreed-upon actions." For further information, the Office of Inspector General's most recent Semiannual Report to Congress, issued March 31, 2017, includes a list of all agreed-upon actions that were open or unimplemented as of March 31, 2017. The report is available at https://www.fca.gov/Download/InspectorGeneral/SemiannualReports/SemiannualReportMarch2017.pdf.

24. Has FCA contracted for any studies or analyses with private entities or other governmental entities during the past five fiscal years? If so, please describe the studies and/or analyses and include information on the cost of the study or analysis.

FCA Contracts Fiscal Years 2012 – 2016			
FY	**Contractor**	**Services Provided**	**Price**
2012	Towers Watson	To provide compensation consulting services	$4,000
2012	CRW Management Consultants	To analyze and assess the needs of the human resource department in automating processes	$41,800
2012	Connie Harshaw	To serve as a human resource consultant	$100,000
2012	Office of the Comptroller of Currency	To conduct a compensation survey	$11,996*
2013	Towers Watson	To provide compensation consulting services	$38,260
2013	Office of the Comptroller of Currency	To conduct a compensation survey	$8,511*
2014	Towers Watson	To provide compensation consulting services	$19,000
2015	Callister Nebeker & McCullough	To provide consulting services for establishing and maintaining a benefit plan	$16,000
2015	Towers Watson	To provide compensation consulting services	$35,684**
2015	Delta Research	To provide human resource consulting services	$80,000
2015	True North	To provide consulting services for data warehouse solutions	$136,000
2015	Office of the Comptroller of Currency	To conduct a compensation survey	$9,000*
2015	Digital Management Inc.	To provide consulting services for data warehouse solutions	$144,000
FCA did not contract for any studies or analyses in FY 2016. *Interagency agreements to conduct compensation surveys were not included in the prior year's reporting. ** For FY 2015, the prior year reporting included the Towers Watson contract, which was awarded for $90,000; however, $35,684 was the total amount expended on the contract.			

25. Please provide FCA's compensation scale by classification level for staff in FYs 2016 and 2017.

The FCA salary structure are the same for FYs 2016 through 2018.

2017 Base Salary Range Structure										
Grade	First Quintile		Second Quintile		Third Quintile		Fourth Quintile		Fifth Quintile	
45	183,315	207,157	207,158	230,988	230,989	254,822	254,823	278,653	278,654	302,486
44	159,273	179,978	179,979	200,683	200,684	221,389	221,390	242,094	242,095	262,800
43	140,059	158,266	158,267	176,473	176,474	194,681	194,682	212,888	212,889	231,096
42	122,421	138,335	138,336	154,249	154,250	170,165	170,166	186,079	186,080	201,994
41	107,004	120,914	120,915	134,824	134,825	148,736	148,737	162,646	162,647	176,556
40	93,528	105,686	105,687	117,844	117,845	130,004	130,005	142,162	142,163	154,321
39	81,750	92,377	92,378	103,004	103,005	113,632	113,633	124,259	124,260	134,887
38	71,453	80,742	80,743	90,030	90,031	99,320	99,321	108,608	108,609	117,897
37	62,457	70,576	70,577	78,695	78,696	86,815	86,816	94,934	94,935	103,053
36	54,591	61,688	61,689	68,784	68,785	75,882	75,883	82,978	82,979	90,075
35	47,715	53,918	53,919	60,120	60,121	66,324	66,325	72,526	72,527	78,729
34	41,706	47,127	47,128	52,549	52,550	57,971	57,972	63,393	63,394	68,814
33	36,454	41,193	41,194	45,932	45,933	50,672	50,673	55,411	55,412	60,150
32	34,716	39,229	39,230	43,742	43,743	48,256	48,257	52,769	52,770	57,282
31	33,066	37,364	37,365	41,663	41,664	45,961	45,962	50,260	50,261	54,558
30	31,491	35,584	35,585	39,678	39,679	43,772	43,773	47,866	47,867	51,959

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) requires federal financial regulators to strive to achieve comparability in compensation and benefit programs. Section 1206 of FIRREA directs FCA and other federal bank regulatory agencies (FBRAs) to "seek to maintain comparability regarding compensation and benefits." These provisions enable FBRAs to attract and retain qualified staff. The agency annually surveys the other FBRAs and adjusts its employees' compensation and benefits consistent with FIRREA. The agency also surveys the private sector, the System banks, and the General Schedule agencies for purposes of general comparison. FCA's compensation policy provides compensation at a level comparable to the average market rate provided by other FBRAs.

26. Please provide tables showing the loan volume and net income of Farm Credit System institutions for the past five fiscal years.

Gross Loans and Net Income for the Farm Credit System (million $)

	2016	2015	2014	2013	2012
Gross Loans	248,768	235,890	217,054	201,060	191,904
Net Income	4,848	4,688	4,724	4,640	4,118

Source: 2016 Annual Information Statement, Federal Farm Credit Banks Funding Corporation

27. Please update the Committee on FCA's opinion of the financial health of the Farm Credit System. Provide an explanation of the top five risks to the System and what factors work to mitigate this risk and what factors can increase this risk. What is FCA doing in response to any potential increased risk?

The Financial Health of the Farm Credit System

The FCS continues to be fundamentally safe and sound. Its overall condition and performance is strong. In 2016, it reported higher earnings, increased capital, and favorable portfolio credit quality.

While the FCS is financially sound, a small number of individual System institutions displayed some weaknesses in 2016. As the System's regulator, we addressed these weaknesses by increasing our oversight and supervision of these institutions.

The System reported higher earnings in 2016 despite the difficult economic conditions faced by U.S. agricultural producers. For the year, System net income equaled $4.85 billion, up $160 million or 3.4 percent from 2015. The change was largely due to an increase in net interest income partially offset by higher provisions for loan losses and noninterest expenses.

Net interest income increased $432 million to $7.4 billion in 2016. This increase was due to a higher level of average earning assets, partially offset by a lower net interest margin. Driven largely by growth in loan volume, average earnings assets increased $24.7 billion, or 9.0 percent, to $299.6 billion. The System's net interest margin continued to compress in 2016, decreasing 6 basis points to 2.49 percent. Lower lending spreads, caused by competitive pressures and higher debt costs, negatively affected margins. Return on average assets declined to 1.56 percent in 2016 from 1.64 percent in 2015, and the return on average capital decreased to 9.44 percent from 9.87 percent.

The System continued to grow at a moderate pace in 2016. Total assets increased to $319.9 billion, up $16.4 billion or 5.4 percent from 2015. Gross loan balances were $248.8 billion at year-end, up $12.9 billion or 5.5 percent from the previous year.

The growth in System loan balances was largely due to increases in real estate mortgage, agribusiness, and rural infrastructure lending. Real estate mortgage lending was up $6.6

billion, or 6.2 percent, mainly due to continued demand for cropland. Real estate mortgage loans represent the largest component of the System's loan portfolio at 46.0 percent.

Agribusiness lending, largely consisting of loans to cooperatives and loans for processing and marketing operations, was up $3.0 billion, or 8.3 percent, in 2016. Rural infrastructure lending, representing loans to electric power, communications, and water and wastewater industries, grew by $1.6 billion, or 6.4 percent.

Overall, the quality of System loans remains relatively strong. However, credit stress continued to intensify for the crop and livestock sectors in 2016. Weak prices caused by strong production levels and relatively high input costs left many producers facing tight margins and less liquidity. Profitability for much of the livestock sector should improve in 2017, but low commodity prices will still challenge cash grain producers. Although loan delinquencies continued to be low in 2016, they are expected to increase in 2017.

As of December 31, 2016, nonperforming loans totaled $2.0 billion, or 0.79 percent of gross loans outstanding, up from $1.6 billion, or 0.69 percent, at year-end 2015. Loan delinquencies (accruing loans that are 30 days or more past due) increased to 0.26 percent of total accruing loans from 0.20 percent at year-end 2015.

The allowance for loan losses was $1.510 billion, or 0.61 percent of loans outstanding, at year-end 2016. This compares with an allowance for loan losses of $1.280 billion, or 0.54 percent of loans outstanding, at year-end 2015. The System recognized provisions for loan losses of $266 million in 2016 as compared with $106 million in 2015 and $40 million in 2014. Net loan charge-offs remained low at $45 million in 2016 as compared with $37 million in 2015.

Throughout 2016, the System had reliable access to the debt capital markets to support its mission, and investor demand for all System debt products remained favorable. Securities due within a year increased by 13.3 percent while securities with maturities greater than one year increased by 1.5 percent. In total, Systemwide debt increased by 5.9 percent.

Each System bank maintains a liquidity reserve to ensure adequate liquidity to meet its business and financial needs, especially during unforeseen disruptions in the capital markets. As of December 31, 2016, the System's liquidity position was 180 days, twice the number of days required by the regulatory minimum and almost unchanged from year-end 2015, when the liquidity position was 181 days.

Investments available for sale (based on fair value) increased 9.5 percent to $54.7 billion in 2016, with a weighted average yield of 1.49 percent. Mission-related and other investments available for sale (based on fair value) increased 14.7 percent to $344 million, with a weighted average yield of 2.73 percent. Mission-related and other

investments held to maturity increased 6.4 percent to $2.6 billion, with a weighted average yield of 3.06 percent.

As permitted under FCA regulations, each System bank may hold federal funds and available-for-sale securities in an amount not to exceed 35 percent of its average loans outstanding for the quarter. Criteria for eligible investments are defined by FCA regulations. If an investment no longer meets the eligibility criteria, it becomes ineligible for regulatory liquidity calculation purposes, but the bank may continue to hold the investment provided certain requirements are met.

The System's capital position remained strong in 2016. Total capital equaled $52.3 billion at December 31, 2016, compared with $48.8 billion at year-end 2015. The System continued to build capital primarily through net income earned and retained. At year-end 2016, the System's capital-to-assets ratio was 16.4 percent, compared with 16.1 percent in 2015.

Surplus accounts for a large majority of total capital. FCA regulations establish minimum capital levels that each System bank and association must achieve and maintain. As of December 31, 2016, the permanent capital ratios for all System banks and associations were significantly above the regulatory minimum of 7.0 percent. The ratios ranged between 15.5 percent and 21.3 percent for System banks and between 13.2 percent and 36.6 percent for System associations. In addition, as of December 31, 2016, the FCS had $4.5 billion of restricted capital in the Farm Credit Insurance Fund.

Top Five Risks to the System

1. **Low grain and soybean prices** — Grain and soybean prices have declined for the past several years because of large global supplies. It is expected that prices will remain relatively low for the next few years because world production capacity has grown significantly, yielding large global crops. Adverse weather may cause prices to spike temporarily. However, longer-term prices are expected to remain subdued. These low prices have had an adverse impact on the profitability of grain and soybean producers and have led to deteriorating credit quality in the Farm Credit System as well as at agricultural commercial banks. The primary factor that can increase this risk is if lenders use unrealistic, optimistic cash flow projections during the underwriting process. This risk can be mitigated by conservative underwriting and regular communication with the borrower. FCA is being diligent in the examination process. Examiners are looking at institutions' underwriting, credit administration, and internal controls to ensure that risks are being well managed. We also examine each institution's stress testing process.

2. **Rising interest rate environment will impact credit risk** — Low interest rates the past several years have helped support farmland values and kept borrowing costs low. Rising interest rates, conversely, will have the opposite effect. Farmers who are struggling to break even because of low commodity prices now must contend with rising interest costs as well, putting additional pressure on their bottom lines. This risk will be greater for more highly leveraged borrowers and those who are struggling to generate a profit. Those who seek to acquire additional debt as a substitute for income can be severely affected. This risk can be mitigated by locking in current relatively low interest rates using fixed rate financing where possible.

3. **A substantial correction of farm real estate values** — Real estate mortgage loans accounted for about 46 percent of the System's total loan portfolio on December 31, 2016. Farm real estate serves as the primary collateral for these loans. Therefore, a substantial correction in farm real estate values, after years of rapid appreciation, could leave a significant portion of these loans with insufficient collateral. A farm real estate market correction is underway. Surveys conducted by several Midwestern universities indicate that farmland values have fallen significantly in 2016. Declines range from 6 percent to 10 percent. The most recent Federal Reserve surveys of agricultural bankers show that Midwest farmland values declined in 2016. For example, bankers estimate that farmland declined 1 percent on average from a year ago in the Chicago District. Most of the district states experienced some deterioration in their agricultural land values, with Michigan leading the decline at 8 percent, followed by Illinois and Iowa, each with 2 percent declines. The Kansas City Federal Reserve District surveys showed a 6 percent to 7 percent decline in 2016, with much sharper declines in Kansas and Nebraska. However, FCA oversight of System institutions indicates that the amount System institutions were willing to lend on farm real estate was generally restrained during the period of rising values. For example, institutions used lending caps, sustainable lending value models, and shortened lending terms to minimize lending risk associated with the higher valuations. This conservatism will help mitigate the financial fallout to the System from a large correction in values, which would affect the financial condition of many System borrowers.

4. **Deterioration in the international trade environment** — Exports are vital to the economic health of U.S. agriculture. For example, about two-thirds of all U.S. almond and walnut production is exported; roughly 45 percent of U.S. soybeans and wheat production is exported to foreign markets; and exports of U.S. pork and broilers account for about 20 percent of the nation's total production. There is a risk that attempts to renegotiate existing trade agreements such as NAFTA will harm current relationships and lead to unintended consequences. Canada, Mexico,

and China are the United States' top three agricultural export markets. A resurgence of trade protectionism among our trading partners could be very harmful to the nation's exports. This risk is borne most by Farm Credit institutions with a high exposure to export-dependent commodities such as tree nuts, soybeans, wheat, pork, and poultry. An institution can mitigate this risk by purchasing and selling participations to lessen its exposure to export-dependent commodities.

5. **A severe recession in the general economy** — A severe recession, if this should occur, could have an adverse effect on the state of the agricultural economy and the financial condition of the Farm Credit System. A recession in the United States would likely influence economic growth globally and ultimately lead to lower demand for U.S. farm exports. Also, off-farm income is an important source of repayment for many System loans. An increase in unemployment could lead to reduced off-farm income and credit quality problems at some Farm Credit institutions. Also, housing-related loans such as timber, logging, horticulture, and nurseries are frequently hard hit when the country goes into recession. Strong underwriting and loan portfolio diversification can help mitigate this risk.

FCA's Response to Risk Areas

FCA maintains strong examination and supervision oversight of all System institutions. We are very aware of the changing risk conditions addressed above, and we have factored these risks into our Office of Examination Operating Plan, our National Oversight Plan, our examination oversight program, and each institution's examination plans.

The 2016 National Oversight Plan highlighted intensifying credit risk as a key risk issue. This risk topic focuses on intensifying credit and collateral risks associated with deteriorating commodity prices, high-cost real estate (owned and rented), and aggressive capital spending by some borrowers in prior periods. We specifically identified how producers may generate net losses in 2015/2016 as commodity prices erode and farm input costs (seed, fertilizers, chemicals, etc.) remain relatively static.

We are starting to see the impact of these events on some borrowers – generally the large and more aggressive farmers with a high proportion of leased acres. These individuals will likely be first to experience repayment capacity problems and eroded working capital. As part of this risk topic, we encouraged the System to be proactive and responsive by counseling customers, restructuring debts, and establishing and monitoring stronger credit controls. We also reminded institutions to update their ability to handle increased credit risk through special credit departments and to ensure that all FCA borrower rights requirements are administered properly.

Finally, we have readied our examiners for more credit and collateral risk stress. As mentioned previously, we have updated our examination programs and plans. The agency has also hired highly experienced credit specialists to complement our FCA examiners. These resources allow us to provide in-depth credit and collateral risk evaluations at all System institutions on a risk-based prioritization.

In summary, we believe we issued the System an appropriate cautionary message before risk conditions began to erode. We also prepared ourselves well by adjusting our examination program and priorities and by hiring resources to help us identify and measure changing risk conditions. We have also maintained a strong and flexible supervisory program that requires institutions to take corrective actions when needed. While we expect some increased credit risk in 2016/17, we believe the System is very well-positioned to both manage and absorb these risks.

28. Are there any System institutions that are under heightened scrutiny or examination by FCA? Please provide a summary of each situation.

FCA's examination manual details the three levels of supervision used by the Office of Examination (OE). Most institutions operate under "normal" supervision. OE uses "special" supervision to remediate weaknesses in institutions that have more significant weaknesses but where the board and management are considered willing and able to carry out corrective actions. "Enforcement" supervision is used when the risk profile of the institution is unsatisfactory and the board and management are considered unwilling or unable to carry out corrective actions.

Currently there are no institutions under enforcement supervision. Three institutions with combined total assets of about $2.2 billion are operating under special supervision. In each of these cases, the institution is financially sound but has experienced operational or managerial weaknesses. OE has issued direction to each agricultural credit association to address the identified issues, and each is progressing towards compliance.

In the first institution, its largest branch experienced operational and managerial breakdowns. The board and management have taken the necessary corrective actions, and we are currently evaluating the effectiveness of the corrective actions.

The second institution experienced a loss of several senior managers in a short period. In response, the board implemented a joint management agreement with a neighboring agricultural credit association, and this agreement has stabilized operations. The two institutions are now pursuing a formal merger, which is planned to take effect on October 1, 2017, pending FCA and shareholder approval.

The third institution under special supervision had previously announced its intent to merge with another agricultural credit association. However, after a change in the third

institution's board, the board voted to terminate its intent to merge. This action caused its CEO to resign and has left the association with board governance concerns and an interim CEO. The institution remains well capitalized and profitable despite the management changes and organizational redirection.

Number of Institutions by Supervisory Classification

Supervisory Classification	Number of System Banks and Associations[1]	Assets Under Examination[2] (In Millions)	Percentage of Assets Under Examination
Normal Supervision	74	$467,512	99.5%
Special Supervision	3	$2,226	0.5%
Enforcement Supervision	0	$0	0.0%
Total	77	$469,738	100.0%

[1] Supervisory classification as of April 30, 2017.

[2] "Assets under examination" represent the total assets of all System institutions prior to the elimination of interrelated transactions between System banks and associations as of December 31, 2016.

29. Please update the Committee on FCA's opinion of the financial health of Farmer Mac and the Farm Credit System Insurance Corporation (FCSIC).

As of March 31, 2017, FCSIC's Insurance Fund is fully funded at the statutory 2 percent secure base amount, with $4.55 billion in assets. Those assets are only invested in U.S. government-guaranteed securities.

As of December 31, 2016, Farmer Mac is operating safely and has the financial capacity to meet its obligations and fulfill its mission. Farmer Mac experienced steady growth in its Farm & Ranch loan purchases, as well as its AgVantage products. Farmer Mac's total program activity increased to $17.4 billion as of December 31, 2016, from $15.9 billion a year earlier, an increase of 9.4 percent. Core capital (the sum of the par value of outstanding common stock, the par value of outstanding preferred stock, paid-in capital, and retained earnings) remained above the statutory minimum requirement. As of December 31, 2016, it totaled $609.7 million, exceeding the statutory minimum capital requirement of $466.5 million by $143.2 million. Ninety-day delinquencies are improving. Farmer Mac experienced a decrease in delinquencies to $21.0 million, or 0.34 percent of Farm & Ranch loans, compared with $32.1 million, or 0.56 percent, as of December 31, 2015. For the year ended December 31, 2016, Farmer Mac experienced increases in reported net income available to common stockholders, core earnings, and net interest income.

30. Please respond to recent criticisms from the American Bankers Association that the FCS no longer serves a demonstrated market need; looks to major U.S. corporations as its customers; operates without transparency; receives unfair tax status; and is directly competing with larger financial institutions.

The Farm Credit System is a network of borrower-owned cooperative financial institutions and service organizations serving all 50 states and the Commonwealth of Puerto Rico. Created by Congress in 1916 to provide American agriculture with a dependable source of credit, the FCS is the nation's oldest government-sponsored enterprise. FCS institutions provide credit and financially related services to farmers, ranchers, producers or harvesters of aquatic products, and agricultural and aquatic cooperatives. They also make credit available for agricultural processing and marketing activities, rural housing, certain farm-related businesses, rural utilities, and foreign and domestic entities involved in international agricultural trade. The System raises funds for its business activities by selling securities in the national and international money markets; its Systemwide debt funding is subject to FCA approval. The U.S. government does not guarantee the securities issued by the System.

Congress formed the FCS as a system of farmer-owned cooperatives to ensure that farmer- and rancher-borrowers participate in the management, control, and ownership of their institutions. The participation of member-borrowers helps keep the institutions focused on serving their members' needs. The System helps to meet a broad public need by preserving liquidity and competition in rural credit markets in both good and bad economic times. The accomplishment of this public goal benefits all eligible borrowers, including young, beginning, and small farmers, as well as rural homeowners.

The U.S. Department of Agriculture's estimate of total farm business debt for the year ended December 31, 2015, was $364 billion, up 5.4 percent from its $346 billion estimate for year-end 2014. USDA estimates that, from 2005 to 2015, total farm business debt rose by more than $155 billion, or 74 percent. In inflation-adjusted dollars, this is an increase of $104 billion, or 46 percent. At year-end 2014, USDA's estimate of debt by lender shows that the System held 39.6 percent of total farm business debt, while commercial banks held 41.7 percent. Except for brief periods, the FCS has typically had the largest market share of farm business debt secured by real estate. At year-end 2014, the System held 45.2 percent of this debt, compared with 37.3 percent for commercial banks. Commercial banks have historically dominated non-real estate farm lending. At year-end 2014, commercial banks held 47.5 percent of this debt, and the System held 32.2 percent.

One of FCA's oversight roles is to ensure that the System fulfills its mission to agriculture and rural America by maintaining its presence in the agricultural marketplace and providing competitive and dependable credit for all eligible and creditworthy

farmers, ranchers, aquatic producers or harvesters, and agricultural cooperatives. In fact, the System has served its mission during the difficult markets of the past years to help producers and rural America. For example, in early 2008 commodity prices soared. System institutions stepped forward to meet the critical financing needs of the grain elevator industry. Loans to this customer-owner segment at CoBank alone increased 176 percent, from $4.2 billion at February 28, 2005, to $11.6 billion at May 31, 2008. Similar increases in loan demand from grain elevators occurred at the other System banks.

Since then, the System has met increased demands for financing machinery and higher input costs for producers. System institutions also helped Midwestern borrowers affected by floods and worked with livestock, dairy, and hog producers during stressful market conditions. Overall, the System continued to have access to funds and increased its lending to agriculture and rural America during a financial crisis and severe recession.

The Farm Credit Act authorizes CoBank to lend to farmer-owned cooperatives and rural utilities. Many farmer-owned cooperatives have also grown into large agribusinesses with nationally recognized brands that the public sees on the shelves of their grocery stores — for example, Welch's, Ocean Spray, Sunkist, and Land O'Lakes. These cooperatives serve an important role in American agriculture and are eligible System borrowers. These farmer-owned cooperatives represent a small portion of the System's customers. In fact, of the $319 billion loan portfolio, only 5.6 percent of the System's loan portfolio are loans to cooperatives. Further, loans to young, beginning, and small farmers make up a significant portion of the System's outstanding loans. Currently, one out of every six outstanding System loans is to a young farmer or rancher; one out of every four loans outstanding is to a beginning producer; and one out of every two is to a small farmer or rancher.

The Farm Credit Act exempts Farm Credit banks and federal land bank associations from state and federal taxes and income related to the Insurance Fund. It does not exempt the agricultural credit bank (CoBank), the agricultural credit associations (ACAs), the production credit associations, or the System's service corporations from taxes. In addition, the act allows FCA to approve the chartering of a farm credit bank as a tax-exempt operating subsidiary of the System's agricultural credit bank or the chartering of a federal land bank association with direct lending authority as a tax-exempt operating subsidiary of an agricultural credit association. For example, CoBank, ACB, operates with a farm credit bank subsidiary, and the ACAs operate with federal land bank association subsidiaries.

The System's taxable institutions that operate as cooperatives may qualify for tax treatment under Subchapter T of the Internal Revenue Code. Under certain provisions, these cooperatives can exclude from taxable income amounts distributed as patronage refunds in the form of cash, stock, or allocated equities. The exclusion is subject to the

borrowers' consent to include in their individual taxes the income distributed as patronage refunds.

31. Please describe the tax advantages that the Farm Credit System experiences compared to traditional banks.

Congress created the Farm Credit System in 1916 as a system of farmer-owned cooperatives to provide farmers and ranchers with a dependable source of credit. FCS institutions provide credit and financially related services to farmers, ranchers, producers or harvesters of aquatic products and agricultural and aquatic cooperatives. They also make credit available for agricultural processing and marketing activities, rural housing, certain-farm related businesses, rural utilities, and foreign and domestic entities involved in international agricultural trade.

To fulfil its mission, Congress also provided the System certain tax exemptions. These exemptions help the System to meet its mandate to serve all creditworthy borrowers in good times and bad at competitive rates. The Farm Credit Act exempts farm credit banks and federal land bank associations from state and federal taxes and income related to the Insurance Fund. It does not exempt the agricultural credit bank (CoBank), agricultural credit associations (ACAs), production credit associations, or the System's service corporations from taxes. However, the act does allow the FCB subsidiary of CoBank to be tax exempt, as well as the federal land bank association subsidiaries of the ACAs.

The System's taxable institutions that operate as cooperatives may qualify for tax treatment under Subchapter T of the Internal Revenue Code. Under certain provisions, these cooperatives can exclude from taxable income amounts distributed as patronage refunds in the form of cash, stock, or allocated equities. The exclusion is subject to the borrowers' consent to include in their individual taxes the income distributed as patronage refunds. This is similar to the tax treatment of commercial banks with 100 or fewer stockholders under Subchapter S of the Internal Revenue Code. Subchapter S corporations do not pay taxes at the corporate level; rather, the income of the commercial bank is taxed at the shareholder level.

Comparing operating advantages of the System and competitor banks is complex since the System pays interest on the funds it uses for operations, whereas most traditional banks currently pay virtually no interest on deposits. System banks pay interest on bonds issued to investors, and these investors pay federal income tax on the interest they earn on the System bonds they have purchased.

To the extent the System may have tax benefits, these benefits come with a mission obligation and risks that banks would not have, such as statutorily mandated borrower protections and the restriction of lending primarily to borrowers in the agricultural sector.

32. Please update the Committee on FCA's efforts to recruit and retain staff, especially examiners.

The agency continues to focus recruiting efforts on entry-level examiners hired into the commissioning program using the federal government's Pathways Program. Through this program, the agency focuses on recent college graduates, hiring roughly 15 associate examiners as well as summer interns. Recruiting includes attending career fairs and making presentation to targeted classrooms and university-sponsored organizations of land grant universities, historically black colleges and universities, Hispanic-serving institutions, and universities with high minority enrollment.

To recruit high-quality candidates, we use alumni who are strong advocates for what the agency can offer and often have connections with professors. With successful recruiting, we are more likely to have individuals apply for the examiner and internship positions who are interested in examination work and have the potential skill set to succeed. With internships, we have an opportunity to hire rising seniors and provide them a three-month look at life as an examiner; this gives them and the agency a chance to see if FCA is a good fit before hiring them full-time upon graduation. With associate examiners, we have established an FCA-tailored assessment questionnaire and identified four online tests to better identify those applicants with the potential skill sets needed to be successful commissioned examiners. With better-targeted recruiting to identify candidates for whom FCA is a potentially good fit, we will increase the likelihood of retaining those individuals. Regarding retention efforts, the agency offers the following:

- Competitive salary and benefits
- Flexible work schedules and telecommuting options, when warranted
- Extensive training options, once commissioned
- Specialty career paths, once commissioned
- Competitive advancement opportunities

33. Please provide a total cost of legal fees incurred by FCA over the past three fiscal years and provide a detailed list of the source of the costs and respective amounts, including the cost of settlements associated with employee grievances, complaints, etc.

Legal Fees and Costs Associated With Complaints				
Classification	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017 through April 30, 2017**
Legal Fees			$8,267	$0
Compensation	$45,000	$25,000		$0
Total	$45,000	$25,000	$8,267	$0

Entity Designations

The Farm Credit Act of 1971 provides three entity designations associations under which associations can form as: 1) Production Credit Associations; 2) Federal Land Credit Associations; and, 3) Agricultural Credit Associations. According to the Congressional Research Service, the most beneficial structure is referred to as a "parent Agricultural Credit Association". Today, the majority of the associations are Agricultural Credit Associations with only two Federal Land Credit Associations for a total of 72. That is in comparison with the 1200 or so total associations that existed in the 1980s.

No Production Credit Associations are in existence today. Yet in the 1980s prior to the Farm Credit System crashing and requiring a Federal bailout, there were about 370 of these institutions in existence. Today there are none.

34. Why were Production Credit Associations (PCAs) the main entities to fail?

There was no structural failure of PCAs; rather, PCAs and federal land credit associations (FLCAs) chose to merge and form agricultural credit associations (ACAs). Three factors hastened the elimination of standalone PCAs. First, the Agricultural Credit Act of 1987 allowed PCAs and FLCAs to merge and form ACAs. This combined the two lending authorities into a single institution, which enabled one-stop shopping for agricultural loans. Second, there was a court ruling that confirmed the tax-exempt nature of profits made on the long-term lending activity of ACAs. For that reason, the System adopted a parent-subsidiary structure that allows an ACA to own a PCA operating subsidiary and a FLCA operating subsidiary. Third, for PCAs and FLCAs that could not find merger partners, FCA allowed the formation of institutions with differing lending authorities and allowed those two institutions to merge and form an ACA and restructure into an ACA parent-subsidiary structure.

Most System institutions changed their corporate charters — some through mergers or consolidations and some through restructuring. As of January 1, 2017, the System was made up of 73 direct-lending associations (71 ACAs, each with a PCA subsidiary, and 2 standalone FLCAs), 3 farm credit banks (FCBs) and 1 agricultural credit bank (ACB), with an FCB operating subsidiary. These structural changes were driven by the same forces affecting the entire financial services industry, including increased competition brought on by globalizing financial and agricultural markets, technological innovations in agricultural production, and statutory changes.

System PCAs continue to exist. Because of the restructuring of System associations, each PCA operates as a subsidiary of a parent agricultural credit association.

35. What was the structural failure with these entities that has caused them to no longer be in existence?

There was no structural failure of PCAs; rather, PCAs continue to exist and operate as subsidiaries of parent agricultural credit associations.

36. Has anyone come forward to apply for one of these entity designations in recent history?

Not as a standalone PCA. Beginning in the late 1990s, each PCA was organized to become a merger partner of an FLCA so that the two institutions could become a single ACA with operating subsidiaries.

37. Are there any tax or regulatory differences for PCAs that differ from the other two?

No standalone PCAs exist today; rather, production lending activities are conducted through the ACA or the PCA operating subsidiary of an ACA.

Yes, there are tax and regulatory differences among ACAs, PCAs, and FLCAs. ACAs and their PCA operating subsidiaries are taxable entities, whereas FLCAs and income generated by standalone FLCAs and FLCA operating subsidiaries (from the long-term lending function) are tax-exempt.

The only significant regulatory difference is that PCA operating subsidiaries are only authorized to make or guarantee short- and intermediate-term loans under title II of the Farm Credit Act. Loan terms are generally for no more than seven years, with certain exceptions for loans to producers or harvesters of aquatic products and those approved by the association's funding bank. In contrast, standalone FLCAs and FLCA operating subsidiaries are only authorized to make real estate mortgage loans under title I of the Farm Credit Act with maturities of not less than 5 years and no more than 40 years (i.e., long-term loans).

ACAs have the authorities of FLCAs and PCAs. They are authorized to make long-term real estate mortgage loans and short- and intermediate-term loans. All long-term real estate mortgage loans made under title I of the Farm Credit Act by an ACA or FLCA must be secured by a first lien interest in real estate. No similar statutory security requirement applies to short- and intermediate loans made under title II of the act. ACAs, PCAs and FLCAs may also provide technical assistance and financially related services to borrowers, applicants, and members.

38. Please provide a brief description of the difference between each entity designation.

As noted above, the key difference is the term to maturity of the loans made. PCA operating subsidiaries are only authorized to make or guarantee short- and intermediate-term loans under title II of the Farm Credit Act. They received their direct lending authority to make long-term real estate mortgage loans through section 7.6 of the act. In contrast, FLCAs and FLCA operating subsidiaries are authorized to only make long-term real estate mortgage loans under title I of the Farm Credit Act. ACAs are authorized to make long-term real estate mortgage loans and short- and intermediate-term loans.

39. Does FCA have any pending regulations or rules that would affect PCAs, possibly making it easier for them to re-open their doors?

The authority under section 2.0 of the Farm Credit Act for 10 or more farmers, ranchers, or producers or harvesters of aquatic products to organize a PCA could be used by a group of those individuals in the future. We do not have any pending regulations or rules that would affect the System's structure or the process for organizing a PCA.

40. Is this entity designation something Congress should consider repealing if it re-opens the Farm Credit Act?

Currently, PCA operating subsidiaries are an integral part of the System's structure, so we do not believe a repeal of the PCA designation should be considered.

41. What is a "parent Agricultural Credit Association" and what entities in the System currently have this designation?

To assist in making the System more efficient, the Agricultural Credit Act of 1987 allowed PCAs and federal land bank associations to merge voluntarily into a new entity, the agricultural credit association. Today, all but two associations have adopted the ACA parent structure, with PCA and FLCA operating subsidiaries to disburse short-, intermediate-, and long-term loans. This structure enables an integrated, full-service lending business. The ACA and its PCA and FLCA operating subsidiaries agree to guarantee each other's debts and obligations, pledge their assets as security for their direct loans from their funding bank, and combine their capital and assets to absorb any losses. They share the same board of directors, management, and staff. This structure

allows each ACA to meet the credit and financial needs of the farmers, ranchers, and aquatic producers and harvesters in the most cost-effective manner possible.

As of January 1, 2017, there were 71 System ACAs with PCA and FLCA operating subsidiaries and 2 stand-alone FLCAs. Pending mergers could reduce the number of ACAs to 68 and stand-alone FLCAs to 1. Information on each institution is available at the following link:
https://apps.fca.gov/FCSPublicDirectory/PubViewInst.aspx?u=610000

Farm Credit System Insurance Corporation (FCSIC)

The Farm Credit System Insurance Corporation had $4.45 billion in assets at the end of 2016. Additionally, the Federal Financing Bank, under the general supervision of the US Treasury, extended a $10 billion line of credit to the Insurance Corporation in 2013 and this has been renewed yearly since.

42. Does the Insurance Corporation currently have access to a total of over $14 billion in capital?

No, the Insurance Corporation does not currently have access to over $14 billion in capital. As of March 31, 2017, it had access to $4.55 billion held in the Insurance Fund. As noted, in 2013 it entered into a $10 billion credit line agreement with the Federal Financing Bank that would increase the amount in the Insurance Fund available to provide as assistance to System banks. However, this line of credit is only available in extremely limited circumstances where external market conditions prevent the System from obtaining funding necessary to repay its outstanding debt obligations issued to investors. Also, the credit line funds may not be used to assist a System institution that has internal credit or solvency problems. Because the market circumstances that allow it to call on the line are not present, FCSIC does not have access to the $10 billion now.

43. Given the uncertainty in today's agricultural markets and given the FCS' total size of $314 billion on September 30, 2016, how confident is FCA that these funds are enough to protect the System from financial risk or disruption? Please explain.

As noted, there is uncertainty in today's agricultural markets. Commodity prices — , particularly corn and soybean prices — have declined, and these commodities are two of the largest cash crops in the System. To reduce risk, Farm Credit System institutions are holding more than the required level of capital, and that capital, along with the assets in the Insurance Fund, equaled 16.4 percent of the System's total assets at year-end. We are confident that these risk funds, along with effective risk management practices, will help protect System institutions from financial risk.

44. Are there any plans to increase FCSIC premiums required of FCS institutions?

The FCSIC board will review the insurance premium rates in June 2017. At present, the board does not believe an increase will be required. So far this year, growth in insured debt is modest, and it is possible that the Insurance Fund will be above the 2 percent secure base amount in June 2017.

45. How much are System institutions required to pay to FCSIC? Please provide a table showing the amount of each institution for the past three years.

As specified in the Farm Credit Act, premium assessments are 20 basis points (one basis point is 1/100th of one percent) on adjusted insured debt outstanding unless they are reduced by the board of directors. For 2017 the premium assessment is 15 basis points. Premiums are calculated using the banks' average daily insured debt outstanding for the year just ended, adjusted downward for government- and state-guaranteed loans and investments. Premiums assessed on adjusted insured debt outstanding were 12 basis points in 2014, 13 basis points in 2015, and 17 basis point in 2016. Also, there is a risk surcharge of up to 10 basis points on nonaccrual loans and on other-than-temporarily impaired investments.

FCSIC's insurance premiums are set at the beginning of the year with the goal of reaching and maintaining the statutory 2 percent secure base amount at the end of the calendar year. However, if growth of insured debt is greater than forecast when premium rates are established or the Insurance Fund is used for some authorized purpose, the Insurance Fund will end the year below the secure base amount and FCSIC will need to collect additional premiums in the following year to make up the shortfall. If growth of insured debt is less than forecast when insurance premium rates are set, then the Insurance Fund may end the year above the secure base amount. If that occurs, the FCSIC board has the discretion to refund the excess in the Insurance Fund above the secure base amount — minus insurance obligations and the anticipated operating expenses for the coming year — to System banks and holders of Financial Assistance Corporation stock in accordance with the formula specified in the Farm Credit Act.

System banks remit their insurance premiums to FCSIC by the end of January each year based on the premium rates set by FCSIC. The following table shows the amount of remittance by each bank for the past three years. For reference, there was $258 billion in insured debt at year-end 2016, a 6 percent increase from $243 billion at year-end 2015 and up 8 percent from $226 billion at year-end 2014.

Insurance Premiums by Bank for Past Three Years			
	2014	2015	2016
AgFirst	$24,878,000	$28,612,000	$39,538,000
AgriBank	$89,715,000	$103,717,000	$144,701,000
CoBank	$93,101,000	$109,142,000	$160,588,000
Texas Farm Credit Bank	$15,564,000	$19,163,000	$27,894,000
Total	$223,258,000	$260,634,000	$372,721,000

46. At a recent testimony in 2015, FCA said that FCSIC's resolution authority had never been "updated and modernized". What would this require, and is it an issue that should be addressed in the upcoming Farm Bill debate?

FCSIC is required to serve as receiver or conservator of System banks, associations, and service corporations when appointed by FCA and may serve as receiver or conservator of the Federal Agricultural Mortgage Corporation (Farmer Mac) if so appointed by FCA. Congress has not substantially updated FCSIC's receivership or conservatorship powers since FCSIC's creation in 1987 although it has adopted statutory amendments to enhance the receivership and conservatorship authorities of the other federal receivers/conservators, including the Federal Deposit Insurance Corporation, which serves as the receiver/conservator for commercial banks and thrifts; the Federal Housing Finance Agency, which serves as the receiver/conservator for the housing government-sponsored enterprises; and the National Credit Union Administration, which serves as the receiver/conservator of federal credit unions. As a result, those federal receivers/conservators have express powers and authorities that FCSIC does not have expressly.

We believe it would benefit FCSIC, FCA, the System, and the public interest for FCSIC to have comparable express powers to the other federal receivers/conservators. This would require amending the Farm Credit Act to add language generally modeled on the statutory provisions applicable to the other federal receivers but tailored for the Farm Credit System. Currently, there are no seriously troubled institutions in the System, and we do not anticipate any receiverships or conservatorships in the near future. However, enacting legislation now to enhance FCSIC's ability to address and resolve a significant problem would reduce costs for the System by ensuring that any future receivership or conservatorship is more economical and efficient, with less potential for uncertainty, litigation, and delay than may arise otherwise.

47. Was the reason for seeking the additional $10 billion line of credit from Treasury to hedge against future spreads between FCS debt and Treasury rates?

No. FCSIC sought the $10 billion line of credit from the Treasury to provide more assistance to System banks during a liquidity crisis in which external market conditions jeopardize the System's ability to fund itself. Unlike other financial institutions, the System does not have guaranteed access to the Federal Reserve, the U.S. Treasury, or any other lender of last resort, leaving it vulnerable to a market crisis like the one that occurred in 2007 and 2008. The Insurance Corporation has statutory authority to provide financial assistance to System institutions, including during a liquidity crisis in which external market conditions have jeopardized the System's ability to fund itself. The Insurance Corporation obtained the credit line to provide more assistance to System banks in such a market crisis than would otherwise be available in the Insurance Fund to protect investors and taxpayers from losses.

48. Is the amount of $4 billion in capital sufficient given the assets of over $300 billion?

In the Farm Credit Act, Congress directed that FCSIC maintain a target amount in its Insurance Fund. The statutory target is equivalent to 2 percent of adjusted insured obligations of System banks or such other amount that FCSIC determines to be actuarially sound. Periodically, FCSIC undertakes an actuarial review of Insurance Fund solvency and has, to date, always determined the statutory 2 percent secure base amount to be appropriate. As of May 31, 2017, FCSIC's Insurance Fund is slightly above the 2 percent secure base amount, holding $4.55 billion in assets.

As to the sufficiency of the $4 billion in the Insurance Fund, it is not the first line of defense in the event of credit problems in System assets. Each institution must meet FCA's capital requirements. At year-end, each System institution met those requirements. In addition to the Insurance Fund, the System held $48.1 billion in capital to protect against unexpected credit or operational losses. Further, System banks are jointly and severally liable for the payment of principal and interest on Systemwide debt securities. If a bank is unable to pay the principal or interest on a Systemwide debt security and if the amounts in the Insurance Fund have been exhausted, the Farm Credit Administration is required to make calls on all nondefaulting banks to satisfy the liability.

49. How does the Corporation's ratio compare to that of the FDIC in terms of cash or capital on hand?

As noted earlier, FCSIC's statutory Insurance Fund target level, or secure base amount, is defined in the Farm Credit Act as 2 percent of adjusted insured debt outstanding. FCSIC's Insurance Fund represents the corporation's equity, which is the difference between its total assets and total liabilities, including insurance obligations. The Farm Credit act requires FCSIC funds not otherwise employed to be invested in obligations of

the United States or in obligations guaranteed as to principal and interest by the United States. As of March 31, 2017, FCSIC's Insurance Fund is fully funded at the statutory 2 percent secure base amount with $4.55 billion in assets.

The Dodd-Frank Act set a minimum designated reserve ratio for the deposit insurance fund (DIF) equal to 1.35 percent of estimated insured deposits by 2020. The Federal Deposit Insurance Act requires FDIC's board to set a target or designated reserve ratio for the DIF annually. Since 2010, the FDIC board has adopted a 2 percent designated reserve ratio each year. An analysis using historical fund loss and simulated income data from 1950 to 2010 showed that the reserve ratio would have had to exceed 2 percent before the onset of the two crises that occurred during the past 30 years to have maintained both a positive fund balance and stable assessment rates throughout both crises. The FDIC views the 2 percent designated reserve ratio as a long-term goal and the minimum level needed to withstand future crises of the magnitude of past crises. Funds held in the DIF that are not otherwise employed are invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States. The DIF balance was $83.2 billion, and the designated reserve ratio was 1.2 percent at year-end 2016. For more information see "Toward a Long-Term Strategy for Deposit Insurance Fund Management" (Lee K. Davidson and Ashley M. Carreon. FDIC Quarterly 2010, Volume 4, No.4).

50. What is the funding mechanism for the Corporation and is there any reforms that need to take place in your opinion?

The funding mechanism for FCSIC is to assess and collect premiums from System banks to maintain the Insurance Fund at the 2 percent statutory target. FCSIC's goal is to collect the difference between what is already in the Insurance Fund and the amount needed to keep the fund at the statutory target. FCSIC's board of directors traditionally sets the insurance premium accrual rate each January for the coming year. Insurance premiums are "accrued" during the year and then paid by the banks to FCSIC at the beginning of the next calendar year. FCSIC's board reviews the premium assessment schedule at least semiannually and may use its discretion to adjust the premium assessments in response to changing conditions. In addition to collecting premiums, FCSIC earns investment income on the Insurance Fund's investments. Last year it collected $373 million in premiums and earned $46 million in interest on its investments. No taxpayer funds are involved in FCSIC's operations. Its program costs of $3.7 million are paid out of the Insurance Fund's earnings.

We appreciate your question on the need for any reforms to FCSIC's funding mechanism. Congress amended the statutory assessment process in the 2008 Farm Bill to broaden the premium base so FCSIC could collect more premiums when the insured debt grew, and that amendment has worked well.

Crop Insurance

51. Please explain the role that the FCS and FCA have in providing crop insurance. Do individual associations and institutions sell it at their branch offices?

    Section 4.29 of the Farm Credit Act specifically authorizes System institutions to sell crop insurance to eligible customers at their branch offices. FCA is responsible for ensuring that crop insurance is sold in a safe and sound manner in accordance with the Farm Credit Act.

52. Do these entities earn income off the sales by acting as official agents?

    Yes, as agents, System institutions earn commissions off the sales of crop insurance consistent with the crop insurance program.

53. Do any entities in the FCS qualify as Authorized Insurance Providers under the Federal Crop Insurance Corporation?

    No, System institutions are not authorized to underwrite crop insurance, but they are authorized to sell crop insurance provided by authorized insurance providers.

54. Do any entities offer incentives on loan packages or other financial offerings for buying their crop insurance through the entity?

    No, System institutions do not offer incentives or other financial offerings for buying crop insurance through them. This practice is prohibited by § 618.8040 of FCA's regulations.

55. Is there any regulation, conflict of interest, or ethical standard against the practice mentioned in the previous question?

    Yes, this practice is specifically prohibited by § 618.8040 of FCA's regulations.

Beginning Farmers and Ranchers

The Farm Credit System uses USDA guaranteed ownership and operating loans in its portfolio. As part of these loans, the 2014 Farm Bill required that forty percent of the funds must be reserved for Beginning Farmers and Ranchers until half-way through the fiscal year. For direct loans, the set aside can be as high as seventy-five percent and the money may not be obligated until the last month of the fiscal year.

Last year, there was a backlog in USDA's ownership and operating loan applications. It is possible that these statutory requirements for set-asides could have affected USDA's ability to lend to traditional farmers and ranchers that have run out of credit during these tough times.

56. The Farm Credit Act has a provision requiring the development of a program for Young, Beginning, and Small Farmers. Does the Farm Credit Administration have any current or pending regulations or future plan to implement specific credit requirements on the System related to this beginning farmers and ranchers or small farmers?

    FCA regulation § 614.4165 is our governing regulation; it implements section 4.19 of the Farm Credit Act. This regulation requires each direct-lending association to develop a program to provide sound and constructive credit and services to young, beginning, and small (YBS) farmers and ranchers in its lending territory. The program must include a mission statement, annual quantitative targets and goals for credit and services, as well as methods to ensure that credit and services are offered to YBS farmers in a safe and sound manner.

    FCA also has three documents that provide further guidance on fully implementing our regulation. FCA Bookletter 040 interprets the meaning of "sound and constructive credit" to ensure that associations use the full authorities of the Farm Credit Act to serve YBS farmers and ranchers. FCA Bookletter 066 provides guidance on how associations can meet the credit and service needs of farmers, some of whom are YBS farmers, who market their products through local and regional food systems. In 2014, FCA published an informational memorandum in which we discussed the requirement to coordinate with governmental agencies when making YBS loans, and this document specifically discussed coordination with USDA. FCA believes that our regulation and these documents provide sufficient direction to the System to fully implement section 4.19 of the Farm Credit Act.

    FCA has no current or pending regulations or plans to implement any specific credit requirements.

57. Does FCA have the authority to promulgate regulations that would require set asides for these levels?

FCA has not promulgated regulations that require System institutions to "set aside" capital to lend to a specific segment of agriculture. Our regulations discuss goals for serving YBS producers in a safe and sound manner. However, since the demographics of institution territories vary widely, the regulations do not specify lending quotas for institutions to meet. As of December 31, 2016, the System had loans outstanding to 64,376 young, 281,812 beginning, and 508,175 small farmers and ranchers. Outstanding loans to young farmers and ranchers were about one out of every six System loans; outstanding loans to beginning farmers and ranchers were about one out of every four; and outstanding loans to small farmers and ranchers were about one out of every two. The Farm Credit Act provides direction for the System to provide credit to all creditworthy, eligible borrowers.

58. Has FCA received any reports or complaints resulting from the Beginning Farmers and Ranchers statutory requirements in the USDA Guaranteed Loan programs?

We have not received any reports or complaints.

59. FCA's Inspector General recently completed a report on your oversight of this program. Please describe how FCA is complying with the recommendations.

FCA agreed to act on all five recommendations to improve controls, consistency, and transparency in meeting the YBS mission. Currently, FCA's Office of Regulatory Policy is developing policies and procedures to address the recommendations to fulfill all identified opportunities to improve YBS oversight.

State of the Farm Economy

The farm economy is experiencing a significant downturn at the moment. There are signs on the horizon that some segments of the agriculture community are going through some difficult times and USDA estimates that the rough waters will continue. In looking at the numbers of assets and outstanding loans in the System, it appears that risk exposure has grown significantly over the past four years. The amount of assets has increased by 31 percent to $314 billion and gross loan volume by 30 percent.

Some have expressed concern that there could be a repeat of the 1980s farm credit crisis. The similarities are certainly there: 1) a drop in farm income nearing 50% over the past four years; 2) increasing debt loads; 3) falling farmland values; 4) increasing interest rates likely; 5) farm loan delinquencies on the rise; and 6) one in ten farms are highly leveraged.

While I have heard reasons for why we may or may not see another credit crisis, I would like to hear FCA's reasoning on this issue.

60. Please explain FCA's opinion on the state of the farm economy as a whole and the System in particular?

    The farm economy is in a downturn at this time. Large global supplies of grains and oilseeds have led to lower prices relative to the elevated prices experienced in 2012. Although real net cash income is projected to have declined five years in a row in 2017, it has declined from very high levels and has returned to its long-term average. Interest rates are rising from historically low levels, and this will put additional pressure on farmers' profit margins and potentially on farmland values. Many grain and soybean producers are facing very tight profit margins. Many farmers are adjusting to the new price environment by renegotiating cash leases, selling unneeded machinery, and discontinuing unprofitable enterprises. Also, farm input prices are adjusting to the new environment. Once these adjustments have been made, the farm sector should return to a more stable and profitable footing.

    We expect a few more years of difficult times. However, we do not expect anything resembling the 1980s farm credit crisis. Although farmland values are declining, conservative underwriting by many lenders, including the Farm Credit System, means that many farmers purchasing farmland during the price run-up have a substantial amount of equity in their farms. The panic selling that occurred in the 1980s is not anticipated during this downturn.

    Also, the development of the ethanol industry has provided a sizable source of demand for the nation's corn crop. Over a third of the corn crop is now absorbed by the ethanol industry, removing much of the downside risk for corn prices. Also, unlike the 1980s,

today there is the widespread use of crop insurance, and this has helped mitigate the risk of sharp declines in farm income.

Finally, although interest rates are rising, they are rising from historically low levels. At its peak in the 1980s, the prime rate was about 20 percent. We do not expect interest rates to rise to anywhere remotely near the rates experienced in the 1980s.

The Farm Credit System is in strong financial health. It is in a strong capital position, with a capital-to-assets ratio of 16.4 percent as of December 31, 2016. Over 80 percent of its capital consists of earned surplus. The System generated $4.8 billion in net income in 2016. Credit quality is very good now. For example, nonperforming loans as a percentage of total loans was 0.79 percent as of December 31, 2016. That is down from 2.1 percent as of December 31, 2009. However, deterioration is occurring in most measures of credit quality because of the current stress in the farm economy. Nevertheless, we believe the Farm Credit System is in a good position to deal with the risks now emerging.

61. Can the System weather the shock?

As stated above, the Farm Credit System is well positioned to weather this downturn.

62. What is the delinquency rate for loans in the system?

The System's delinquency rate as of December 31, 2016, was 0.26 percent. This compares with 0.53 percent at December 31, 2009.

63. Is FCA doing anything out of the ordinary to begin building a bulwark, including increased examinations, enforcement actions, or capital requirements?

FCA continues to fulfill its statutory requirement to ensure FCS institutions operate in a safe and sound manner. As required by the Farm Credit Act, we examine each FCS institution at least once every 18 months. In the interim between these statutory examinations, we also monitor and examine institutions as risk and circumstances warrant. This approach allows us to customize our examination activities to each institution's specific risks. In addition, we develop a National Oversight Plan every year that takes certain systemic risks into account.

Currently, we are emphasizing the following areas:

- **Intensifying credit risk – Deeper into the commodities cycle.** The cycle of declining prices in certain key commodities continues, with many affected producers projecting losses or limited profits in 2017. This situation increased credit and collateral risk in some agricultural sectors. Fortunately, System institutions currently have the financial capacity and risk-bearing ability to work with borrowers experiencing stress. In January 2016, FCA issued an informational

memorandum on servicing loans to borrowers in distressed industries. As we explained in this memorandum, we expect System institutions to intensify loan servicing efforts as borrowers begin encountering increased stress, and we noted this is already occurring.

- **Implementing the new capital regulations** – FCA adopted a final rule establishing new capital regulations that became effective on January 1, 2017. The regulations modernize the capital requirements and ensure institutions will hold enough capital to fulfill their mission as a government-sponsored enterprise and remain safe and sound. They also update the System's capital requirements to make them comparable with the Basel III framework and the regulations of other federal banking agencies. Over the next year, we will assess the institutions' strategies and internal controls that promote accurate capital reporting and compliance with the new capital regulations.

- **Supervision and enforcement** – FCA uses a risk-based supervisory and enforcement program to respond to the risks and oversight needs of each FCS institution. Risks are inherent in lending, and managing risks associated with a single sector of the economy — in this case, agriculture — presents an additional challenge for FCS lenders. If we discover unacceptable risks, we require institutions to take corrective action to mitigate the risks. Some corrective actions include reducing risk exposures, increasing capital and enhancing earnings, and strengthening risk management. We use a three-tiered supervision program: normal supervision, special supervision, and enforcement actions.

Our enforcement authorities include the following powers:

- To enter formal agreements
- To issue cease-and-desist orders
- To levy civil money penalties
- To suspend or remove officers, directors, and other persons

If we take an enforcement action, the FCS institution must operate under the conditions of the enforcement document and report back to us on its progress in addressing the issues identified. The document may require the institution to take corrective actions in such areas as financial condition and performance, portfolio management, asset quality, and institution management or governance. Our examiners oversee the institution's performance to ensure compliance with the enforcement action.

As of January 1, 2017, there were no FCS institutions under enforcement action.

Farm Credit Administration Budget

In looking FCA's FY 2017 request, the largest cost is personnel compensation. It appears that between FY 2015 and FY 2016 these costs decreased by about half-a-million dollars. On the other hand, personnel benefits cost increased by $1.5 million. In addition, the number of Full-Time Equivalents increased (from FY 2015 to 2016) by 20 FTEs according to answers to questions for the record last year.

64. Please explain to how the cost of personnel compensation decreased from one year to the other in conjunction with a significant increase in hiring while the cost of personnel benefits went down? It seems that both of these costs would increase.

    Compensation decreased because we replaced several higher-graded positions with lower-graded positions with ladders. However, budgeted *benefits* increased for two reasons. First, we anticipated providing benefit increases for existing staff. As an agency covered by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, we must provide benefit increases to ensure that our compensation remains comparable to that of other agencies covered by this act. Second, since the number of employees on our payroll increased, the costs of health benefits also went up. And since the health benefit costs are the same for lower-graded employees as they are for those in higher pay grades, overall benefit costs went up even though compensation costs went down.

65. What is the current FTE level and what would it be under the current limitation and that of the revised request of $68 million?

    The current FTE level is 296.73. With an operating budget of $68 million the FTE ceiling would increase to 309.

Training and Hiring of Examiners

The single most important role of FCA is the safety and soundness of the System or in laymen's terms to make sure an event similar to the crash of the 1980s does not occur. This is best accomplished by ensuring the integrity of the System's financial institutions through examinations and other checks. One issue the Subcommittee has come to understand is FCA's difficulty in retaining talented examiners, which comprise the majority of its workforce.

Due to the uniqueness of the Farm Credit System, FCA must provide specialized training to these individuals. This requires a significant time and financial commitment. However, FCA seems to lose these individuals relatively quickly, either to the System itself or other agencies under the purview of the Financial Institutions Reform, Recovery, and Enforcement Act.

66. What is FCA's retention rate in the Office of Examination?

The retention rate in the Office of Examination over the five-year period from FY 2012 to FY 2016 was about 59 percent. About 12 percent of the 173 employees on board at the beginning of FY 2012 retired over this period. In addition, we hired and trained 75 individuals during that timeframe.

Attrition averages almost 9 percent a year in the Office of Examination, which generally amounts to 14 to 16 employees a year. We anticipate a slightly higher attrition rate of 9 percent to 11 percent per year over the planning horizon. In the next five years, about one-third of the staff in the Office of Examination will be eligible to retire. Of these, 40 percent are eligible now.

Most of those eligible to retire over the next five years are tenured commissioned examiners and senior managers. Almost 80 percent of our current supervisors are eligible to retire over the next five years. In addition, attrition has increased in our commissioned examiner pool. The Office of Examination is exploring retention strategies such as increasing developmental opportunities for commissioned examiners.

As systemic risk increases, the office must ensure it has enough staff resources to keep pace with the increased examination workload. Given the extensive development period needed for associate examiners, projected retention rates in the commissioning program, and attrition rates, the office needs to have enough associate examiners in development to replenish the commissioned examiner pool.

Extensive hiring of entry-level staff in FYs 2015 and 2016, combined with retirements, has resulted in a substantial shift in the tenure and experience of our examiner pool. Having fewer tenured staff creates the need for higher overall staff numbers since experienced staff can typically complete more work in less time.

67. What is the average cost and time commitment for training a new examiner? Describe through this process briefly.

The typical time commitment for training new examiners is four years. Capturing and segregating the cost and time commitment for training new examiners (associate examiners) is complicated. There are direct and indirect costs and several offsetting benefits derived, including the production of meaningful examination work during the training period by these new examiners. That's why we have a program that develops examination skills while also promoting efficiency in the examination process.

A newly hired associate examiner enters the Commissioning Program, which covers much of three to four years of training, including classroom training and on-the-job exposure to practical examination opportunities. The formal training is provided in house to contain costs. The training is created by commissioned examiners and specialists based on required knowledge to be an effective commissioned examiner. By using in-house talent, we serve to improve the instructors' skills and abilities and strengthen their leadership and other soft skills. We have also found this drives more consistency in the examination process and supports communication throughout the Office of Examination, which promotes the sharing of ideas, issues, and resolutions. Regarding on-the-job training, the associate examiners have trainers assigned to mentor them through the examination process and provide them feedback during their time in the Commissioning Program. During this time, the associate examiners are producing examination products while the trainers/coaches are developing leadership competencies. In other words, there are both tangible end-products and mutual development in this process.

We also have three milestone tests during the Commissioning Program. First, there are technical evaluations administered at the end of years 1 and 2. We use these evaluations to gauge progress early so we can either address a gap in the associate examiner's development or determine whether the job is a good fit. The capstone test is the Commissioning Test, which comprehensively evaluates the candidates against the competencies in a written test and simulation process. This is a demanding test, but successful completion awards the candidate his or her commission and ability to serve as an examiner-in-charge for an FCS institution examination. The Office of Examination estimates the cost to commission an Associate Examiner to be about $416,000.

For an example of costs for examiner training, the Staff Development Division in the Office of Examination houses all the noncommissioned examiners with less than 3 years on the job and most trainers. Their budget for FY 2017 was $1.6 million. We note, however, that, even while in training, examiners and trainers in the Staff Development Division produce examination work, and this offsets training costs.

We also hire mid-career examiners from other agencies. In addition, they often attend Commissioning Program courses as our associate examiners do to get up to speed on System-specific regulations (e.g., the governance final rule; borrower rights; and young, beginning, and small farmer regulations) and other considerations (funding and lending differences, shifts in requirements for investments, etc.). The mid-career examiners are also given training assistance on the job to confirm appropriate application of regulatory criteria or identify when these criteria have been overlooked.

68. It seems that given FCA's significant investment, it would be wise to require a certain length of service in exchange. Other agencies do this, like the Peace Corps for example. Does FCA have any policies like this or is there anything preventing FCA from putting something in place?

Currently, the agency does not have service agreements tied to the Commissioning Program. We do, however, offer an incentive bonus for entry-level new hires that requires a two-year service agreement. In addition, once an examiner is commissioned, the agency requires a two-year service agreement for agency-paid external training exceeding certain parameters. Also, the agency recently approved a program to reimburse employees with four years or more of agency employment for their student loan payments, up to a limit. We believe the program should aid in retention for a period longer than any service agreement. Other incentives to promote retention are the agency's recently implemented 401(k) program and continued advocacy of ongoing education and training in accordance with policies and procedures.

The Office of Examination has reached out to five regulatory agencies (the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Federal Housing Finance Agency, and the Federal Reserve) for information on their use of servicing agreements to retain newly commissioned examiners for a certain period. All but the Federal Reserve officially responded; however, a current Federal Reserve hiring manager did informally respond. None of the surveyed agencies use service agreements or any other type of reimbursement arrangement for newly commissioned examiners.

Based on the results of surveying other regulatory agencies, we believe it is in the best interest of the agency's recruiting efforts to refrain from tying service agreements or reimbursement arrangements to the Commissioning Program.

69. Does FCA need specific legal authority to do so?

No, FCA does not need any additional authority in this area. FCA has explored retention agreement proposals after commissioning in the recent past and has consulted with the other agencies covered by the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA). For several reasons, we believe that such agreements would not be in the

best interests of the agency. One of the reasons is that requiring such an agreement would put us at a competitive disadvantage with the other FIRREA agencies that do not have such agreements. Congress has directed the FIRREA agencies to consult with each other to maintain comparability in pay and benefits. Such an agreement may discourage qualified and competitive applicants from accepting a starting position with our agency since other FIRREA agencies do not have the same requirement.

70. If so, what would this legislative language look like?

Please refer to the response in question 69.

71. Does the pay comparability requirement under the Financial Institutions Reform, Recovery, and Enforcement Act affect FCA's ability to retain staff?

Yes. We continue to work to remain comparable with other FIRREA agencies so that we can be competitive for hiring and retaining staff. We have not typically lost many examiners or other staff to other FIRREA agencies; therefore, we believe the pay comparability requirement does help us recruit and retain staff. As displayed in the table below, we lose more staff to the Farm Credit System than any other single employer.

Attrition	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 (5-3-2017)	Total	%
FCS	2	1	2	2	3	1	3	14	20%
Agency- Other Office	0	2	2	1	3	0	1	9	13%
Other Fed Agency	0	2	0	0	1	1	2	6	8%
Commercial Bank	0	2	0	2	2	3	1	10	14%
Personal	3	1	4	5	0	1	1	15	21%
Termination/Mutual	3	3	0	0	1	0	1	8	11%
Misc/Unknown	2	1	2	1	2	1	0	9	13%
Total	10	12	10	11	12	7	9	71	100%

As a result, we have implemented various incentives to retain staff. Please see answers to questions 32 and 68.

72. Briefly explain this provision and how it is carried out in practice between FCA and the other regulators.

The financial regulators share information to ensure pay comparability with each other. Every two years, the financial regulators conduct a pay study with an external contractor to survey key job functions at each regulator. The study is jointly contracted by the financial regulators, and the results are shared with all the financial regulators participating in the study. In addition, the financial regulators maintain communication at the staff and executive levels in the human resource area to share best practices on pay and benefits and answer inquiries about pay issues. This form of open communication ensures that all financial regulators have the information necessary to make internal decisions that maintain comparability.

Poultry

One of the biggest economic sectors in Alabama is the poultry industry. It is the third largest producing state, and it produces 14,000 jobs in the Fourth district alone. The volatility of this industry is difficult to predict with the varying cost of feed, energy prices, disease outbreaks, and a number of other mitigating factors.

For example, with the outbreak last year of Highly Pathogenic Avian Influenza, many growers were forced to exterminate a significant amount of their flocks.

73. In what ways does the Farm Credit System provide certainty to growers and reduce some of the volatility associated with this industry?

    The Farm Credit System cannot change the risky environment in which the poultry industry operates. However, the System has significant expertise in the poultry industry and understands the sector's risks. System institutions structure loans to poultry producers to fit their needs, subject to the underwriting standards established by the institution to ensure relevant risks are considered in structuring the loan. Some institutions with large exposure to the poultry industry make available market information that is useful to poultry borrowers.

74. Are there any programs or modifications a bank can make to a poultry producer's loan during a tough time like the need to exterminate the flock due to Avian Influenza?

    System institutions frequently offer forbearance on loan servicing during times of extraordinary hardship such as the type described above. Also, they can restructure loans if needed to assist the affected producers. In addition, the Farm Credit Act requires Farm Credit associations to restructure distressed loans if the institution determines that the potential cost of restructuring the loan in accordance with a proposed restructuring plan is less than or equal to the potential cost of foreclosure.

75. Will the association grant a payment deferment or factor in payments for indemnification into the loan?

    Associations generally will offer borrowers forbearance on loan servicing during times of major losses due to natural disasters or an outbreak of disease. They would consider all expected cash flows, including insurance indemnity payments.

Farm Economy Continued

It would be good to get FCA's perspective on any correlation between farm incomes and credit conditions and any changes to the composition of the farm credit portfolio.

76. Given the noted recent declines in farm income, what kind of changes is FCA seeing in cash down payments for loans?

    We are seeing increased instances where borrowers are providing more collateral, particularly on real estate loans, as an alternative to large cash-down payments. This reflects the current environment in which less cash is available. Farmers without other unencumbered land that can be pledged as collateral are at a disadvantage in the current market. We are not seeing changes to loan underwriting standards or increased down payment requirements for new loans, and exception rates have been fairly stable.

77. Are there lower down payments?

    Yes. System credit statistics indicate a slight increase in loan-to-value ratios on real estate loans, which indicates slightly lower down payments are being made by borrowers. As noted above, although there are more cases of lower cash-down payments, borrowers generally provide equity for those loans through additional collateral. Underwriting standards have not changed materially, and exceptions to standards are not increasing significantly.

78. In response to the challenging conditions, what kind of risk prevention measures have lenders instituted? For example have there been significant changes to interest rates, are lenders requiring more collateral?

    Most institutions in the Midwest took actions when conditions were favorable to prepare for more challenging times. These included establishing lending caps (e.g., maximum loan amount per acre) on real estate loans and counseling borrowers to build working capital and reduce debt. More recently, institutions have taken additional steps, including increasing staff to work with troubled credits, providing training on borrower rights, and adding more staff to conduct chattel inspections and evaluations. Some institutions have also increased the use of Farm Service Agency guarantees to reduce risk.

    We have not seen significant changes in interest rates for most borrowers, and institutions have encouraged borrowers to lock in favorable longer-term rates over the past several years. System credit statistics indicate a slight increase in loan-to-value ratios on real estate loans, so overall we are not seeing increased collateral requirements. In addition, some associations are engaging in significant "rebalancing" activity to move short-term debt to longer-term debt and improve working capital. There are cases where additional collateral or asset sales are required as part of the rebalancing action.

79. It is getting harder to obtain financing, particularly for smaller operations?

Fortunately, most Farm Credit System institutions have the financial capacity and risk-bearing ability to work with borrowers experiencing stress. FCA expects System institutions to use this capacity to work with borrowers as they navigate through this stressful period. Further, Farm Credit System institutions, as member-owned cooperatives, generally prioritize being a dependable source of credit in good times and bad. Our reviews have found that institutions are working with their customers to continue to meet their financial needs during the current downturn in farm incomes.

New volume has slowed in the current environment, but we have not seen notable evidence of institutions tightening their underwriting standards. Exceptions to standards for new customers have also been fairly stable. Larger operations that rely on leased land were the first to experience financial stress and are the group that is more likely to have difficulty obtaining financing. Smaller operations often have off-farm income and, in many cases, are weathering the current downturn better than larger operations. Credit scoring or automated decision tools have also made smaller loans easier to obtain for borrowers with a favorable credit history. Institutions continue to report significant competition for strong borrowers.

Questions Submitted by Congressman Kevin Yoder

Exports

In 2015, Kansas exported more than $4.1 billion in agricultural products. The top five exports included wheat, beef, soybeans, feed and forage, and corn. In 2016, our crops were better, our yield were higher and we were left with harvested grain on runways and on tarped fields for months due to lack of storage capacity. Clearly exports are very important to our economy.

80. What is the Farm Credit System doing in regard to financing agricultural exports and is there any opportunity to work with the Farm Credit Administration to ensure such loss does not continue to occur?

The Farm Credit System provides agricultural export financing via CoBank. As of December 31, 2016, the System had $5.5 billion in outstanding agricultural export finance loans. The System has the capacity to finance the purchase of additional grain storage facilities. FCA's role is to ensure that the institutions making such loans do so in a safe and sound manner.

81. What are you doing to increase the need for agricultural trade?

CoBank, ACB, is the only System institution with the authority under the Farm Credit Act to make loans for agricultural export finance. Therefore, as the independent regulator, FCA must ensure that CoBank serves its mission as a GSE in the agricultural trade arena, stays within its authorities, and operates in a safe and sound manner.

82. How can we, as an agricultural community, stress the importance of this piece to the national economy?

The agricultural community can strive to provide the public with a clear and consistent message communicating the importance of exports to the farm economy and the importance of agriculture to the nation's economy.

Undue Burdens

With record bumper crop yields and the lowest commodity prices in the last 60 years farmers in my state are struggling every day.

83. With these things in mind, and with your experience as an oversight and regulatory body, have you noticed undue burdens that are getting in the way of farm lending in distressed situations or extending capital credit in a time when farmers need it the most?

We have not currently identified any undue burdens getting in the way of farm lending in distressed situations or extending capital in times when farmers need it most. We are consistently vigilant in our response to borrower complaints and in our identification of undue regulatory burdens. For example, at its monthly meeting on May 11, 2017, the Farm Credit Administration board issued a notice of intent and request for comment to solicit input from the public and other interested parties on the appropriateness of FCA's regulatory requirements on the Farm Credit System.

The notice seeks public input on FCA regulations that may duplicate other requirements, are not effective in achieving the stated objectives, are not based on law, or impose burdens that are greater than the benefits received. This review is consistent with the intent of Executive Order 13771, dated January 30, 2017, which seeks to reduce regulations and control regulatory costs, although the executive order does not apply to independent regulatory agencies, including FCA. With the current stressful economic environment for many producers, we believe this review is particularly timely, and we will be especially watchful for comments related to distressed lending situations.

84. How important is a strong farm policy and safety net?

Unlike many industries, the U.S. agriculture market is consistently volatile. Therefore, a strong farm policy and safety net is very important to agriculture to lessen, to the extent practicable, the impact of uncontrollable events on the farmers and ranchers who work in this vital sector of our economy. Many sectors of the agriculture economy are now weathering an extended period of low prices. USDA forecasts that 2016 federal government direct farm program payments were $13 billion, up from about $11 billion in 2015.

Farm Economy

The current economic conditions and commodity prices are more than just alarming. In Kansas, the agricultural industry, spanning from the producer to the retailer, makes up close to 50% of our economy, employing nearly 20% of the workforce in the entire state.

85. With a state that relies so heavily on the work that you do, how are you ensuring that every portion of the food chain is minimally impacted?

The Farm Credit Administration strives to ensure that the Farm Credit System is operating in a safe and sound manner and is carrying out its mission to provide constructive credit to American agriculture and rural America in good times and in bad times. The State of Kansas is served by six Farm Credit associations and CoBank, which are all well-positioned to provide the credit and financial services needed by the state's agricultural producers, as well as the agribusinesses on which producers depend up and down the food chain.

86. What kinds of programs and procedures has the system put in place to ensure that not just the experienced producer and land owner make it through this period, but also the young inexperienced farmer who has never gone through a dramatic price decline like this before?

As discussed in the response to the following question, all System associations are required to develop special lending programs for young, beginning, and small farmers. These programs are designed to maximize these borrowers' prospects for success in operating their agricultural operations through good times and bad. Unfortunately, sustained low commodity prices most certainly adversely impact those producers who lack financial resiliency the most.

For those borrowers who do become distressed, System institutions must work with them to find a resolution in the best long-term interest of the borrower, as well as the institution. Accordingly, all farmers and ranchers who borrow from the System have the right to request restructuring for their loans if they cannot meet current payments. They

also have the right to obtain a credit committee review of a denial or reduction of a loan request and a denial of a restructuring request. In addition, they have the right of first refusal when their FCS institution decides to sell any agricultural property it has acquired from them through foreclosure. Congress provided these rights to System borrowers following the agricultural crisis in the 1980s, and these rights are unique in the banking industry.

Land

In Kansas, there are 46,137,295 acres of land. Farmland accounts for 88.9% of all Kansas land. More than 21 million acres in Kansas are harvested for crops and over 16 million acres serve as pastureland for grazing animals.

The continuous rise in the price of land is just one of the many challenges facing new and young farmers today. I fear that new producers might be struggling to get in the business of agriculture because they see the continuing rise of land, production, and processing costs as being prohibitive to a profitable future.

87. What are you doing to ensure that individuals who want to get in the business of agriculture still can?

Each direct-lending association is required to develop a program to provide sound and constructive credit and services to young, beginning, and small (YBS) farmers and ranchers in its lending territory. The program must include a mission statement, annual quantitative targets and goals for credit and services, as well as methods to ensure credit and services are offered to YBS farmers in a safe and sound manner.

FCA also has three documents that provide further guidance on fully implementing our regulation. FCA Bookletter 040 interprets the meaning of "sound and constructive credit" to ensure that associations use the full authorities of the Farm Credit Act to serve YBS farmers and ranchers. FCA Bookletter 066 provides guidance on how associations can meet the credit and service needs of farmers, some of whom are YBS farmers, who market their products through local or regional food systems. In 2014, FCA published an informational memorandum in which we discussed the requirement to coordinate with governmental agencies when making YBS loans, and this document specifically discussed coordination with USDA. FCA believes that these programs serve to ensure that individuals who want to get into the business of agriculture are well served by the Farm Credit System.

Questions Submitted by Ranking Member Sanford Bishop

FCA IT risks

Mr. Tonsager testified that IT investments over the past 10 fiscal years was budgeted and executed within the Management Services obligations line (table presented as testimony, in response to Chairman Aderholt's fourth question for the February 9, 2016 hearing). However, according to the FCA-OIG Project Risk audit (dated March 31, 2016), FCA was cited as having gaps in 1- project planning and tracking; 2- acquisitions monitoring and documentation; and 3- having an established system to evaluate necessary software licenses.

88. Please provide information on steps FCA will take to fill these gaps and a milestone driven schedule documenting when they will be accomplished.

Recognizing the important role of technology in the mission of the agency, the FCA board approved the creation of the Office of Information Technology (OIT) in May 2015, and a new CIO joined the agency in November 2015. Prior to this time, IT investments were managed under Management Services. The new CIO, Jerry Golley, introduced several changes to the Information Resources Management (IRM) program to enhance transparency and accountability. The following steps have been taken, both through OIT's own initiative and in response to the OIG Project Risk Audit findings.

Project planning and tracking – OIT crafted a central project board that tracks all IT projects and their progress and identifies individual project owners who are accountable. All FCA staff can view the status of the IT projects. In addition, project templates have been implemented for all projects identified as major investments that provide more specific planning and tracking, including metrics and dashboards that help identify risks for remediation.

Acquisitions monitoring and documentation – OIT updates a five-year IT strategic plan, which is approved by the Chief Operating Officer on an annual basis. IT expenses are centralized within OIT, approved in the OIT budget, and tracked through an OIT spend plan. Line items within the spend plan must tie directly to the initiatives and major projects in the IRM Strategic Plan. The spend plan provides a mechanism to aggregate expenditures related to a major project. As another control, all OIT acquisitions above $10,000 must be approved by the CIO.

Having an established system to evaluate necessary software licenses – OIT now conducts quarterly partnership meetings with each office to address the IT needs of the business units, including projections for software license requirements. The CIO summarizes the outcomes of the partnership meetings with the agency senior leadership on a quarterly basis. The outcome of these meetings and established focus groups, such as

the risk group, assist in determining the number of licenses needed. License volumes and costs are weighed prior to maintenance renewal. In addition, OIT maintains a software inventory list with metadata to track software license renewal periods and counts. This allows us to review licensing status in a central list and address license requirements in a timelier manner.

Farm economy and agricultural credit

With the downturn in the ag economy, many of our nation's farmers are struggling. It has become apparent that both the Farm Service Agency's Direct Farm Loan and Guaranteed Loan Programs have come under more stress due to a higher demand for credit. Mr. Hall, you have served as a state executive director for FSA in your career.

89. Given that there is this higher demand for credit, what is your opinion relative to the need for additional funding for these programs in order to keep our nation's farmers operating during these difficult times?

    FCA supports funding to adequately support these programs, which provide important tools for financial institutions, including the Farm Credit System to work with farmers through difficult times.

90. How critical is that to the Farm Credit System?

    While not critical to the safety and soundness of the Farm Credit System, these programs are critical to allowing System institutions to continue to work with distressed borrowers who would not qualify for continued funding under the normal underwriting standards of the institutions.

THURSDAY, MARCH 9, 2017.

MEMBERS DAY

OPENING STATEMENT—MR. ADERHOLT

Mr. ADERHOLT. The Subcommittee will come to order. Good afternoon, everyone. We are here to welcome our colleagues on both sides of the aisle to give testimony before this Subcommittee on the agencies that are under the jurisdiction of the Ag Appropriations Subcommittee. I would like to thank the Full Committee Chairman, Mr. Frelinghuysen, for his leadership in encouraging all 12 Subcommittees to hold Member Days.

Despite the general perception that Congress doesn't always work together, we are here today to listen to a bipartisan group of Members from all parts of the country and a wide spectrum of constituencies. We look forward to hearing their views on the appropriations process, learning more about the programs, the projects, and the regulations that affect your particular district and your constituents.

Your input will be critical as we go forward and we fund the work of the U.S. Department of Agriculture, the Food and Drug Administration, the Commodities Futures Trading Commission, and, of course, the Farm Credit Administration and do that in a fiscally responsible manner.

I would like to remind everyone that we do have a lot of Members that are going to be testifying before the Subcommittee today, so we are going to try to adhere to a 3-minute rule. We were going to do a 5-minute rule, but we are going to have votes here in a little bit, so if you can summarize in 3 minutes that would be great. We will have your written testimony, so all of that will be included, but just for the purposes of moving forward, if you can, we will try to do it in 3 minutes. If you go over a little bit, it is not a problem, but we want to try to do it to make sure that we hear every Member in this timeframe.

I do want to thank every Member that has taken time out of their schedule to come speak. We value the input that Members have come and their written testimony and appreciate the interest you have taken in the work of this Subcommittee.

With that, I would like to recognize the Ranking Member of the Subcommittee, Mr. Bishop, for any remarks that he would like to make.

OPENING STATEMENT—MR. BISHOP

Mr. BISHOP. Thank you very much, Mr. Chairman. I also want to thank all of our fellow Congressional representatives for joining us for the Ag Approps Members' Day. When Chairman Frelinghuysen announced that each Subcommittee would host these

events, I knew that agriculture would have a great turnout. After all, agriculture touches every aspect of our lives from the paper we write on, the clothing we wear, the food we eat, the water, beer, and wine we drink, and the raw materials used to building for each of our homes. So a healthy agricultural community translates to a healthy society for all of us.

I am pleased that we have Members from both parties here today providing thoughtful insight as we drive towards fiscal year 2018. Despite a few philosophical differences we may have, this healthy showing further demonstrates that agriculture is important to everyone, no matter where we live.

Georgia agriculture, of course, contributes $71 billion annually to our State and our national economies, and so I am right here along with you wanting to showcase all of our products while remaining fiscally responsible. Without a clear sense of next year's budget, however, the best we can do right now is just this, to openly discuss our priorities and to collaborate with each other on how to implement them, if it is possible.

With that in mind, I thank everyone for taking the time to come before the Subcommittee, and I look forward to hearing from you. I yield back, Mr. Chairman.

Mr. ADERHOLT. Thank you. The Subcommittee will now like to recognize the gentleman from California, Mr. Panetta for 3 minutes, whatever remarks he would like to make. Just let me make a side note here before you get started, that the 20th District of California is no stranger to this Subcommittee. We are glad to have you here today, and, of course, Sam Farr was a close friend to everybody on this Committee, and we know that you now represent that Congressional district, and so welcome, we are glad to have you before the Subcommittee.

THURSDAY, MARCH 9, 2017.

WITNESS

HON. JIMMY PANETTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. PANETTA. Mr. Chairman, thank you very much. I appreciate those comments. Trust me, I realize, full fledged, how big a shoe I have to fill with the departure of Sam, but thank you, and I look forward to it and look forward to working with you on this. Mr. Bishop, good afternoon.

Thank you for this opportunity to be here. It is an honor to speak about something that means a lot to me, but also, as you know, to my district, and that is specialty crops. And, obviously, thank you for allowing me to advocate on behalf of specialty crops and organic producers as well.

As you know, the specialty crop industry is a unique industry; therefore, it does have unique needs and faces unique challenges. The growers of these high-value and labor-intensive crops often have to cope with threats from pests and diseases. They have fewer coverage options for risk management, meaning that they really don't use any type of crop insurance that I have found.

And at this point, I believe that they are sort of behind the curve when it comes mechanization and dealing with the labor shortages that we have in that area. So it is best to serve this industry. So in order to serve this industry, I feel that we must equip them with the most innovative tools available. That is why I support the work of the USDA's Agricultural Research Service, including the Agricultural Research Station there in Salinas, California. That ARS station has projects focused on specialty crop production, improving agricultural production systems, increasing sustainability efforts, and protecting soil and air quality.

It is that type of important research that requires modern facilities for best results. That is why I urge continued funding for the ARS buildings and facilities so that we have state-of-the-art facilities for our researchers. The Salinas station is considered to be a high-priority project for USDA. But continued support is needed to ensure that we continue to have the critical research necessary to best serve the needs of our growers for specialty crops.

In addition to the work being done by the ARS, the USDA's National Institute of Food and Agriculture is advancing the specialty crop industry through the Specialty Crop Research Initiative. This is something for which I advocate full funding, because I believe that this initiative is working to develop innovative solutions through research and extension efforts as a way to address the major issues facing our producers, such as plant genetics, food safety, and something I believe that is very important, improvements in mechanization to make up for the loss in labor.

I also respectfully request that the focus be placed on getting rid of devastating pests and diseases that have the ability to cripple our specialty crops. The USDA's Animal, Plant, and Health Inspection Service is critical in addressing those types of threats, so the investments must be made to ensure the ability of this agency to detect and respond to crop pests. These investments often are cost-saving in the long run.

I want to thank you, on behalf of our specialty crop producers, and for the investments in things that we eat every day. Thank you.

[The information follows:]

JIMMY PANETTA

Congress of the United States

House of Representatives

Washington, DC 20515–0520

Testimony before the House Appropriations Subcommittee on

Agriculture, Rural Development, Food and Drug Administration, and Related Agencies

Honorable Jimmy Panetta CA-20

March 9, 2017

Though I am a new member of Congress, I truly appreciate the opportunity to come before you today in the hopes of building upon the work of Sam Farr, former Ranking Member of this Subcommittee, on behalf of California's agriculture industry. I proudly represent a region on the central coast of California that is home to an abundant agriculture industry known as the Salad Bowl of the World. This multi-billion dollar economic engine produces some of the country's highest quality fresh fruits and vegetables, including lettuce, strawberries, artichokes, and over one hundred other specialty crops.

Today, I offer my testimony with the goal of supporting this portion of the agriculture industry and the rural communities that rely upon its success. I am here to advocate strongly for funding support of the specialty crop and organic sector, giving focus to the research that helps equip producers with innovative tools in plant breeding, pest management, and resource conservation.

I am here today to advocate for continued funding for the Agricultural Research Station (ARS) building and facilities account. It is too easy to think that cutting a construction account will not have any impact. However, research is the essence of agriculture innovation, food

safety, and improved environmental stewardship. My district is home to a USDA ARS station in Salinas, with projects focusing on refining agricultural production systems, increasing sustainability efforts, and advancing overall soil and air quality. Funds previously appropriated by this subcommittee to ARS were critical in funding much needed renovations to this aging facility, first constructed in the 1930s. This project has been designated by USDA as a high priority project, recognizing the value this research has on the specialty crop industry.

I also urge the inclusion of report language specifically stating the committee's commitment to specialty crop research as a directive for ARS. These labor intensive, high value crops face unique challenges like lack of mechanization, pests and diseases, and fewer coverage options for risk management when compared to traditional commodities. The report language should urge ARS to be attentive to these unique needs and encourage the agency to develop effective solutions for this sector through scientific research.

In addition to the work being done by ARS, the USDA's National Institute of Food and Agriculture (NIFA) is facilitating further advancements in specialty crop knowledge. NIFA is doing so through its Specialty Crop Research Initiative (SCRI), for which I advocate for full funding. The research conducted through these grant programs is working to address some of the most critical challenges affecting the specialty crop industry, particularly pertaining to genomics, pest management, and food safety. For this industry to thrive, along with the rural communities depending on it, this Committee must continue to support these efforts and the partners with whom USDA works.

Advancements made in specialty crop research programs help equip producers with innovative tools, but they do not completely safeguard growers from the threat of invasive pests and plant diseases. USDA's Animal Plant Health and Inspection Service (APHIS) provides a

critical role in the detection and eradication of these threats to ensure the economic viability of special crop operations.

The Committee has shown strong support for these programs, with a $9.5 million increase for specialty crop pest efforts in FY17. I advocate for continued robust investment in APHIS specialty crop pest protection as a way to further help producers mitigate the risks they are subjected to when growing. From field inspections to surveys to trappings, these funds are critical in combating pests impacting producers. Investments in detection and response are vital to ensure the continued economic success of the specialty crop industry given the destructive nature of many of these pests and their associated diseases.

Additionally, these APHIS programs are strategic investments that can save money in the long run. The response to the European grapevine moth by AHPIS led to its eradication in California, saving the wine industry from substantial economic losses. Further investments are needed in the detection and protection again light brown apple moth or the glossy winged sharpshooter to ensure the economic viability of many agricultural businesses. If these pest detection and response efforts are not supported financially, the agriculture industry can expect experience higher losses and decreased profit because of pests and diseases.

Finally, I would like to take this opportunity to focus on continued support for the organic agriculture sector. Through years of consistent growth, organic agriculture has come to represent over $40 billion in sales annually. As policy makers, I believe we must recognize these ongoing shifts in consumer demands and work to ensure that the organic sector is supported by effective programs. For this reason, I advocate funding of $15 million to the fully authorized level for the National Organic Program (NOP). By fully funding the NOP, the Committee will provide

USDA with the resources necessary to develop effective standards and to enforce such standards that ensure consumer confidence.

The costs associated with transitioning a farm from conventional to organic production often serves as a barrier to entry into this sector. As the age of an average conventional grower climbs, the agriculture industry needs to be attentive to the needs of younger growers interested in entering the business, many of whom have an increased interest in organic production. For this reason, report language should be included urging USDA to use its full authority when administering the National Organic Certification Cost Share Program. This would allow growers interested in producing organic products, particularly new and beginning farmers, to defray the costs associated with their transition from convention to organic crops.

In addition to ensuring the NOP is fully operational, the Committee should ensure that organic agriculture has representation in other USDA programs. Specifically, more work is needed when focusing on USDA's flagship competitive grant program, the Agriculture and Food Research Initiative (AFRI). Report language should be incorporated to address organic agriculture's potential to meet the goals set forth by the initiative, particularly pertaining to agricultural economics and rural communities. With organic agriculture experiencing year after year of growth, AFRI funds directed to advancements in organic agriculture production could greatly assist rural communities where conventional agriculture has not sufficiently met their economic needs. By expanding these practices through AFRI, rural communities could diversify their production portfolio, thus improving their economic conditions.

I would like to take this opportunity to thank my colleagues on the Committee. It is always a pleasure to advocate for issues that are so vital to the economy and communities of

California's central coast. I look forward to working with you all to best serve the growers, shippers, farmworkers, and consumers who depend on us to enact effective agricultural policy.

Mr. ADERHOLT. Thank you, Mr. Panetta, for providing us with your firsthand knowledge, and certainly, rest assured that as we move forward with this process, your views will be kept in mind by all of us on the Committee.

Mr. PANETTA. Thank you, sir.

Mr. ADERHOLT. So we appreciate your testimony. Also, without objection, your entire written testimony will be included in the record.

Mr. PANETTA. I appreciate that.

Mr. ADERHOLT. So thank you, and I appreciate your being here today.

Mr. PANETTA. Thank you.

Mr. ADERHOLT. Okay. At this time I would like to recognize the gentleman from North Carolina, Mr. Rouzer. And as I said earlier, we originally talked about 5 minutes, but we are fighting votes and the clock, so we are going to try to go down to 3 minutes if we can, but we won't hold you quite to the standard we were on the 5 minutes, so, if you can, summarize your comments, and your written testimony will be included as well. Mr. Rouzer.

THURSDAY, MARCH 9, 2017.

WITNESS

HON. DAVID ROUZER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. ROUZER. Thank you, Mr. Chairman, and thank you, Ranking Member. I appreciate the opportunity to be here before you today. As you may know, I am here representing not only myself, but also the testimony of my good friend and colleague, Richard Hudson, which is on a totally separate matter, but I will try to be an all star for you and do it all in 3 minutes as best I can.

As far as my testimony before the Committee, I am here specifically to talk about the new Grain Inspection, Packers, and Stockyards Administration rules, which I know that you all are very familiar with, two of which have been proposed, and one that is an interim final rule. All of them were initiated during the final few months of the previous administration.

Now, these are the same rules that a number of past appropriations bills specifically prohibited funding for implementation. And to ensure that these rules are not implemented, it is critical for the beef, pork, and poultry industries that language defunding these rules, once again, be included in the fiscal year 2017, and I would also ask that you include this language in the fiscal year 2018 appropriations bill.

Now, these new GIPSA rules present a myriad of problems that will only negatively affect producers. The agency itself even concedes that the new rules will result in substantial litigation against the livestock and poultry industry. This, obviously, Mr. Chairman, helps no one. The bottom line here is more litigation and fewer market opportunities for our producers.

Now, moving over to testimony that I am providing on behalf of my colleague, Richard Hudson, this is with regard to the Cole-Bishop amendment that was included previously by this Com-

mittee, and obviously, specifically, we are talking about for the fiscal 2017 appropriations bills. This amendment passed the full Appropriations Committee with bipartisan support last year.

The amendment is vital because it clarifies the predicate date under FDA's deeming regulation, and even goes further than FDA's regulation by requiring non self-service new print media advertising restrictions, additional labeling, and battery safety standards for vapor products. The Family Smoking Prevention and Tobacco Control Act of 2009 immediately granted FDA the ability to regulate cigarettes, smokeless, and roll-your-own tobacco products. The Act also provided FDA the ability to deem other tobacco products to be under its authority.

In May 2016, FDA finalized the deeming rule and extended its regulatory authority to include cigars, vapor products, and other tobacco products. The final regulation took effect on August 8, 2016. While there were many pieces of the final deeming rule that I support, there was one provision that clearly needs to be changed, and that is the predicate date. The date the Tobacco Control Act is February 15, 2007. There is no magic date to that specific date whatsoever, but it happens to be the date the bill was introduced in the 110th Congress.

Now, I was a proud cosponsor of Congressman Cole's standalone bill to change the predicate date in the last Congress, and, in fact, there were 76 other cosponsors of his bill. The bottom line of it all, though, is that it makes no sense that the current predicate date would apply to products that did not exist in the market in any meaningful way and that FDA began regulating in 2016.

Without a change in the 2007 predicate date, FDA's regulation will require all vapor product manufacturers to submit costly and time-consuming premarket tobacco applications to obtain FDA's permission to remain on the market.

Without changing the predicate date, the reality is, and this is the main point, vapor products will have a higher regulatory burden to get to the marketplace than a cigarette.

This amendment does nothing to cut against FDA's full authority to regulate these products. And, in fact, it builds on what FDA has already done in its final deeming regulation and accelerates action on additional consumer safety and marketing issues while modernizing the predicate date to promote a regulatory framework where harm reduction and innovation have a chance to succeed.

On behalf of many other Members, I want to thank the Subcommittee for the inclusion of the Cole-Bishop amendment, and urge your leadership to ensure its enactment. Thank you very much, Mr. Chairman.

[The information follows:]

Agriculture Appropriations Member Day Hearing
Rep. Rouzer Testimony on GIPSA Rule
March 9th at 2pm

Thank you for providing me the opportunity to testify today regarding new Grain Inspection, Packers and Stockyards Administration (GIPSA) rules, two which have been proposed and one that is an interim final rule, which were initiated during the final few months of the Obama Administration. These are the same rules that a number of past Appropriation bills specifically prohibited funding for implementation.

To ensure that these rules are not implemented, it is critical for the beef, pork, and poultry industries that language defunding these rules, once again, be included in the FY 2017 and FY 2018 Appropriation bills.

These new GIPSA rules present a myriad of problems that will only negatively affect producers. The agency itself even concedes that the rules will result in substantial litigation against the livestock and poultry industry. This helps no one.

In regards to the rule that is interim final, known as "Competitive Injury", the agency is trying to do through regulation what it has failed to achieve in the courts. This particular rule is simply an Obama Administration end-run to overturn the decisions of eight different U.S. Circuit Court of Appeals. Each has ruled that there must be injury to competition to violate Sections 202(a) or (b) of the Packers

and Stockyards Act. This rule change would open the floodgates for lawsuits on a massive scale.

Mr. Chairman, the other two proposed rules essentially remove any incentive to produce the products consumers prefer. Cattlemen, for example, have responded to consumer demands by finding innovative ways to develop and market premium quality and branded products. These alternative marketing arrangements have allowed cattlemen to get paid for the value they add. Without the contracted supply of cattle that meet the requirements of such programs, they will be severely reduced in size and scope if not abolished. This could have a huge impact on the choices our consumers make. Losing or limiting consumer-demanded product means loss of customers, which means a loss to producers. Essentially, it would destroy the value-added market.

The rules would similarly constrict incentives in chicken production. Most chicken production contracts are structured to reward the best-performing growers and to incentivize efficient, modern production and husbandry methods. GIPSA's proposal would drastically restrict chicken companies' ability to reward their best growers, stifle innovation, expose chicken processors to significant litigation risk and uncertainty, and undermine the global competitiveness of the U.S. chicken industry. In short, the cost to the chicken industry would be $1.37 billion during the first five years of implementation.

I appreciate the work the Appropriations Committee has done in the past to prohibit implementation of these rules, and I am so grateful for your willingness to be helpful again. As the Chairman of the House Agriculture's Livestock and Foreign Agriculture Subcommittee, I respectfully encourage the Committee to take every available opportunity to defund implementation of these rules.

Agriculture Appropriations Member Day Hearing
Rep. Rouzer Testimony on Cole Bishop
March 9th at 2pm

Chairman Aderholt and Ranking Member Bishop, thank you for allowing me to speak before the subcommittee in support of the Cole-Bishop Amendment to the FY2017 House Agriculture Appropriations Bill (Section 761). This amendment passed the full Appropriations Committee with bipartisan support last year. The amendment is vital because it clarifies the predicate date under FDA's deeming regulation and even goes further than FDA's regulation by requiring non-self-service, new print media advertising restrictions, additional labeling, and battery safety standards for vapor products.

The Family Smoking Prevention and Tobacco Control Act of 2009 immediately granted FDA the ability to regulate cigarettes, smokeless, and roll-your-own tobacco products. The Act also provided FDA the ability to deem other tobacco products to be under its authority. In May 2016, FDA finalized the deeming rule and extended its regulatory authority to include cigars, vapor products, and other tobacco products. The final regulation took effect August 8, 2016.

While there were many pieces of the final deeming rule that I support, there was one provision that clearly needs to be changed and that is the predicate date. This date was set in the Tobacco Control Act as February 15, 2007. There is no magic to that date – it happens to be the date the bill was introduced in the 110th Congress. However, that date is important because it determines which regulatory pathway a tobacco product can come to market.

I was a proud cosponsor of Congressman Cole's stand-alone bill to change the predicate date in the last Congress. In fact, there were 76 other cosponsors of his bill. The Cole-Bishop

amendment updates the February 15, 2007 predicate date for newly deemed tobacco products. It makes no sense that the current predicate date would apply to products that did not exist in the market in any meaningful way and that FDA began regulating in 2016. Without a change to the 2007 predicate date, FDA's regulation will require all vapor product manufacturers to submit costly and time-consuming pre-market tobacco applications to obtain FDA's permission to remain on the market. FDA itself predicts that these burdens will force many e-vapor products to exit the market.[1]

Without changing the predicate date, the reality is, vapor products will have a higher regulatory burden to get to the marketplace than a cigarette. This amendment does nothing to cut against FDA's full authority to regulate these products, and it builds on what FDA has already done in its final deeming regulation and accelerates action on additional consumer safety and marketing issues while modernizing the predicate date to promote a regulatory framework where harm reduction and innovation have a chance to succeed.

On behalf of many other members, I thank the subcommittee for the inclusion of the Cole-Bishop amendment and urge your leadership to ensure its enactment.

[1] FDA, *Final Regulatory Impact Analysis, Final Regulatory Flexibility Analysis, Unfunded Mandates Reform Act Analysis*, "Deeming Tobacco Products to be Subject to the Food, Drug, and Cosmetic Act, as Amended by the Family Smoking Prevention and Tobacco Control Act; Regulations Restricting the Sale and Distribution of Tobacco Products and Required Warning Statements for Tobacco Product Packages and Advertisements" (May 2016) (Regulatory Impact Analysis) at 57, 79, 94.

Mr. ADERHOLT. Thank you, Mr. Rouzer. I understand those are very important issues and issues that we have looked at, and we will certainly be keeping those in mind as we move the process forward. So, without objection, your entire written testimony will be included in the record, and we appreciate you being here today, thank you.

Mr. ROUZER. Thank you very much.

Mr. ADERHOLT. At this time, I would like to recognize the Congressman from the 16th District of California, Mr. Costa. You may proceed.

THURSDAY, MARCH 9, 2017.

WITNESS

HON. JIM COSTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. COSTA. Thank you very much, Chairman Aderholt and Ranking Member Bishop, and Members of the Subcommittee, for allowing us the opportunity to testify on the fiscal year 2017 ag appropriations.

As Ranking Member of the House Agriculture Subcommittee on Livestock and Foreign Agriculture, I respectfully request that you retain the bipartisan language provision, known as GIPSA rule, that was included in the Committee-passed fiscal year 2017 ag appropriations bill.

On June 22, 2010, the U.S. Department of Agriculture's Grain Inspection, Packers, and Stockyards Administration proposed a massive rule that referred as the GIPSA rule that would severely disrupt the livestock and poultry industries, and at a massive cost to those industries that ultimately would be passed on to the consumers, in my opinion.

The firestorm of objections from stakeholders and Congress was swift, loud, and bipartisan. As a result, the Congress has prohibited the USDA from moving forward with the proposal in four consecutive appropriation bills, thanks, in part, to the good work that you have done, and we thank you.

One would think that the United States Department of Agriculture would have received the message, but at the very end of the last administration, the Department published an interim final rule, and two proposed rules derived from the original 2010 proposal.

Of the three, the interim final rule, or IFR, is the most, I think, disruptive and immediate. It is currently scheduled to become effective on April 22. If allowed to become effective, the extraordinary economic cost, regulatory burden of the rule will be felt across the entire livestock industry, poultry industry from producers to packers to processors, and I think it will result in fewer choices for consumers.

It is insulting that the agency continues to attempt to accomplish this by rulemaking in what proponents of this rule have failed to do legislatively. This rule, if implemented, would fundamentally and negatively change the way that livestock and poultry are marketed in this country by taking away the value-added marketing

agreements that have been put in place to help producers get more of a return for their animals and would open floodgates to baseless litigation. None of us want that.

When cattle markets are already depressed, the government should not be limiting marketing opportunities. Initially, implementation of this rule could lead to retaliatory tariffs by our trading partners, and we have seen that action take place in the past, and so it is very real.

If the GIPSA language that would address this issue, section 767 of the H.R. 5054, is supported by all of the mainstream livestock and poultry organizations, including the National Cattlemen's Beef Association, National Pork Producers, National Chicken Council, National Turkey Federation, support for the language is bipartisan. I have worked alongside here with Chairman David Rouzer on this issue, and we hope you, too, will continue your efforts, as you have in the past, on this bipartisan matter to ensure that we fix the provisions of this GIPSA rule.

And then let me also add, it is not part of this testimony here, but my colleague and good friend, Congressman McGovern, is going to be testifying on SNAP and WIC, and those are very important issues as we try to formulate and put together a bipartisan reauthorization of the Farm Bill, and so the ability to maintain those funding levels is going to be critical if we are going to be able to produce a reauthorization of the Farm Bill, which I will continue to work with my colleagues, and we want to work with this Subcommittee, which is an important part of that reauthorization of the Farm Bill. Thank you very much.

[The information follows:]

Rep. Jim Costa Testimony on GIPSA Rule for March 9, 2017

Chairman Aderholt and Ranking Member Bishop, thank you for providing Members with the opportunity today to discuss the fiscal year 2017 agriculture appropriations bill. As the Ranking Member of the House Agriculture Subcommittee on Livestock and Foreign Agriculture, I respectfully request you retain the bipartisan provision fixing the GIPSA rule that was included in the Committee-passed FY 2017 agriculture appropriations bill.

On June 22, 2010, the U.S. Department of Agriculture's Grain Inspection, Packers and Stockyards Administration proposed a massive rule – referred to as the GIPSA rule – that will severely disrupt the livestock and poultry industries and add massive costs to the industry and consumers. The firestorm of objections from stakeholders and Congress was swift, loud, and bipartisan. As a result, Congress has prohibited USDA from moving forward with the proposal in four consecutive appropriations bills.

One would think that USDA would have received the message, but at the very end of the last administration, the Department published an interim final rule and two proposed rules derived from the original 2010 proposal. Of the three, the interim final rule, or IFR, is the most disruptive and immediate – it's currently scheduled to become effective April 22. If allowed to become effective, the extraordinary economic cost and regulatory burden of the Rule will be felt across the entire livestock and poultry industry, from producers to packers and processors, and will result in fewer choices for consumers. It's insulting that the agency continues to attempt to accomplish by rulemaking what proponents of this rule have failed to do legislatively.

This rule, if implemented, would fundamentally and negatively change the way that livestock and poultry are marketed in this country by taking away the value added marketing agreements that have been put in place to help producers get more return on their animals and would open floodgates to baseless litigation. When cattle markets are already depressed, the government should not be limiting marketing opportunity. Additionally, implementation of this rule could lead to retaliatory tariffs by trading partners, we have seen such action taken in the past.

The GIPSA language that would address this issue, Section 767 of H.R. 5054, is supported by all the mainstream livestock and poultry organizations, including the National Cattlemen's Beef Association, National Pork Producers Council, National Chicken Council, and National Turkey Federation.

Support for this language is bipartisan. I have worked alongside Chairman David Rouzer on this issue and I hope you too will work in a bipartisan manner to maintain the provision fixing the GIPSA rule.

I urge you to retain the language in the fiscal year 2017 agriculture appropriations bill and in the fiscal year 2018 measure as well. Thank you.

Mr. ADERHOLT. Thank you for your testimony as well, Mr. Costa, and of course, as I mentioned with Mr. Rouzer, without objection, your entire written testimony will be included in the record. We understand these are important issues that both of you brought up today, and we look forward to working with you, as we move forward in the process, so thank you for being here.

Mr. COSTA. Thank you very much.

Mr. ADERHOLT. Welcome, Congressman McGovern from Massachusetts. We appreciate your being here today, and you are recognized. I said earlier, we were originally going to do 5 minutes, but we are going to try to do 3 since we have got votes on the floor, but we will not hold it strictly, but if you can summarize to 3, it would be great.

Mr. MCGOVERN. I will try.

THURSDAY, MARCH 9, 2017.

WITNESS

HON. JAMES P. McGOVERN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. MCGOVERN. Thank you very much. I wish we could do that in the Rules Committee, get members to summarize, but we don't seem to have that much success with that.

But let me thank you for having me here today. We live in the richest country in the history of the world. I find it unconscionable that 42 million Americans live food-insecure and hungry. You know, 17 million are kids. I think it is something that should bother each and every one of us.

Last week, I testified before the House Budget Committee in support of the SNAP program, and I urged the Committee to protect the structure of the program, which is our Nation's first line of defense against hunger, and to oppose any efforts to cut funding. So let me kind of summarize this briefly here.

With respect to SNAP, I urge the Committee to provide at least $3 billion for the SNAP reserve account to ensure people have continued access to benefits, even if the program incurs unanticipated expenses. I also ask the Subcommittee to provide robust funding for several discretionary accounts that, together with SNAP, work to reduce hunger in this country.

The WIC program, the Women, Infants & Children program, I would strongly urge the Committee to fully fund WIC at $3.36 billion, including at least 90 million for the breastfeeding peer-counseling program. The Emergency Food Assistance Program, known as TEFAP, provides highly nutritious food that food banks pair with donated items to craft packages for their clients, and although TEFAP commodity funding is mandatory, TEFAP storage and distribution funds are discretionary. I urge the Committee to fully fund the storage and distribution account at $100 million.

I also urge this Committee to increase funding for the for Nutrition Programs Administration. You know, staffing levels at the U.S. Department of Agriculture's Food and Nutrition Service are the same as they were in 2003. Staff at FNS are focused on SNAP integrity, in large part, due to additional funds provided in the

2014 Farm Bill for that purpose, but at the same time, other missions, including child nutrition and regional operations, suffer.

I would also just like to make a couple of comments about some of the international food programs. As some of you know, I am the primary House author of the George McGovern-Robert Dole International Food for Education and Child Nutrition Program. This program has provided millions of kids, in the most awful circumstances and the poorest countries around the world, the opportunity to have a meal in a school setting, and, each year, USDA receives more proposals than it can fund, highlighting the need for this program and the success of the program.

I would urge the Committee, at a minimum, please do not cut this funding, continue it at the 2017 levels, and if there is an increase that is possible, I would certainly advocate for that.

Second, the P.L. 480 Title II Food for Peace program, one of our most important humanitarian food aid programs, as well as supporting projects on chronic food insecurity. You know, as the world faces its greatest refugee crisis since World War II, we can't cut funding for this program. It is simply unfathomable to think otherwise, so it needs to be adequately funded and receive at least the fiscal year 2017 levels, and more if the budget constraints allow.

I believe both the McGovern-Dole and Food for Peace advance U.S. national security interests around the world and reflect the best of our values. And one other thing is that I would urge that this Subcommittee provide at least $54 million for tree and wood pests under USDA's Animal and Plant Health Inspection Service.

It is kind of unrelated to everything else, but I come from an area that was infested with the Asian Longhorned Beetle, and saw the devastation firsthand where basically all of our urban forests had to be removed, and we were grateful that USDA was able to support us, but, you know, we are not done with that effort.

And I want to thank everybody on this Committee for the work that you do. I see my colleague, Congresswoman Pingree. I work with her on a lot of food and nutrition programs, as well as with Mr. Pocan and Mr. Bishop and my colleagues on the Republican side as well, but I support Ms. Pingree's efforts to promote and support organic agriculture, and especially her efforts to deal with the issue of food waste. We throw away and waste about 40 percent of what we grow and produce, and we have a hunger problem. We got to fix that, and so whatever she wants, I support that, too. That is the end of my testimony. Thank you.

[The information follows:]

Written Statement of Rep. James P. McGovern (MA-02)
Testimony before the Agriculture Appropriations Subcommittee
March 9, 2017

Chairman Aderholt, Ranking Member Bishop, and Members of the Agriculture Subcommittee – thank you for allowing me to testify before you today.

As your Subcommittee begins drafting the FY18 Agriculture, Rural Development, Food and Drug Administration, and Related Agencies appropriations legislation, I strongly urge you to provide robust funding for programs that work to end hunger across our country.

In the richest country in the history of the world, I find it unconscionable that 42 million Americans – including more than 13 million children and 5 million seniors– live in food insecure households. We will end hunger in the United States someday. We have the power and the resources. What we lack right now is the political will.

Last week I testified before the House Budget Committee in support of the Supplemental Nutrition Assistance Program, or SNAP, a mandatory program. I urged the Committee to protect the structure of SNAP, our nation's first line of defense against hunger, and oppose any efforts to cut funding.

With respect to SNAP, I urge this Committee to provide at least $3 billion for the **SNAP reserve account** to ensure people have continued access to benefits even if the program incurs unanticipated expenses.

I also ask the subcommittee to provide robust funding for several discretionary accounts that, together with SNAP, work to reduce hunger in this country.

The **Special Supplemental Nutrition Program for Women, Infants & Children (WIC)** provides 8 million low-income pregnant and parenting women and children access to nutritious food, education, and other services. I strongly urge the Committee to fully fund WIC at $3.36 billion, including at least $90 million for the breastfeeding peer counseling program.

I also want to highlight the work of charitable organizations, like our food banks, in alleviating hunger across our country. But the truth of the matter is, Mr. Chairman, charities alone cannot solve hunger. It takes a strong federal commitment, as well.

The Emergency Food Assistance Program, known as TEFAP, provides highly nutritious food that food banks pair with donated items to craft packages for their clients. Although TEFAP commodities funding is mandatory, **TEFAP Storage and Distribution Funds** are discretionary. I urge the Committee to fully fund the Storage and Distribution account at $100 million.

I also urge this Committee to increase funding in **Title IV for the Office of the Under Secretary for Food, Nutrition, and Consumer Services**. Staffing levels at the U.S. Department of Agriculture's Food and Nutrition Service (USDA FNS) are the same as they were in 2003. Staff at FNS are focused on SNAP integrity, in large part due to additional funds provided in the 2014 farm bill for that purpose. At the same time, other missions, including child nutrition and regional operations, suffer.

Mr. Chairman, I would like to say a few words about our international food aid programs.

First, as you know, I led the effort to create the **George McGovern-Robert Dole International Food for Education and Child Nutrition Program.** McGovern-Dole has provided millions of the most vulnerable children in the world with a nutritious meal in a school setting for over a decade. Each year, USDA receives more proposals than it can fund, highlighting the need to expand the program, rather than reduce funding.

I have visited McGovern-Dole programs in Latin America and Africa, and I can testify that they advance the health and productivity of children, improve their school performance, increase attendance rates, especially among girls, and solidify community support for education, health and nutrition. At a minimum, funding for McGovern-Dole should continue at FY 2017 levels, and increase, if possible.

Second, **PL 480 Title II – Food for Peace** – is our most important humanitarian food aid program, as well as supporting projects on chronic food insecurity. As the world faces its greatest refugee crisis since World War II, we cannot cut funding for this program. It is simply unfathomable to think otherwise. This program supports American farmers, whose commodities literally save tens of millions of lives each year. The program is now even more effective in getting food to those in need rapidly and effectively, combining Meals-Ready-to-Eat, vouchers, cash grants, local purchase, and U.S. commodities. It needs to receive at least FY 2017 levels, and more if budget constraints allow.

McGovern-Dole and Food for Peace advance U.S. national interests and reflect the very best of American values. I urge continued, robust funding for each.

Lastly, Mr. Chairman, I'd like to speak briefly about an issue unrelated to food and nutrition policy. Since 2008, my hometown of Worcester, Massachusetts has been dealing with the largest Asian Longhorned Beetle infestation in North America. More than 35,000 trees have been cut down and eradication and replanting efforts continue. I urge this Subcommittee to provide at least $54 million for **Tree and Wood Pests** under **USDA's Animal and Plant Health Inspection Service**, including at least $42 million for efforts to eradicate the Asian Longhorned Beetle (ALB) with no state or local cost share requirement.

Mr. Chairman, as you craft your FY18 appropriations legislation, I ask that you consider the millions of Americans and people across the world who rely on federal anti-hunger programs to feed their families, and I ask that you provide robust funding for these programs and reject harmful riders that seek to undermine these programs. At a minimum, I ask that this Committee do nothing to make hunger worse.

Thank you for the opportunity to testify here today.

Mr. ADERHOLT. Okay. Thank you.

Ms. PINGREE. I didn't pay him or anything to say that.

Mr. ADERHOLT. All right. Well, that will be noted on the record. But thank you for your testimony, and certainly those are some issues that have been very important to this Subcommittee, and we will continue to take those into consideration as we move forward with the appropriations process. And of course, without objection, your entire written testimony will be included in the record——

Mr. MCGOVERN. Thank you.

Mr. ADERHOLT [continuing].—So again, thank you for being here.

Mr. MCGOVERN. Thank you very much.

Mr. ADERHOLT. All right. At this time, we have a vote on the floor. We have got about 6 minutes left in the vote, so we are going to go ahead and take a recess until this series of votes is over, and we will reconvene shortly after the last vote in this series.

[Recess.]

Mr. ADERHOLT. Okay. The Subcommittee will come back to order. And we will continue our Member Day hearing with Mr. Thompson from the Fifth District of Pennsylvania.

THURSDAY, MARCH 9, 2017.

WITNESS

HON. GLENN W. THOMPSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. THOMPSON of Pennsylvania. Chairman, thank you so much. Thank you to you and the Ranking Member and all the Committee Members for the privilege and opportunity to be able to present some priorities on behalf of the Subcommittee.

I serve as the vice chair of the Agriculture Committee, Chairman of the Nutrition Subcommittee, and represent one of the more rural Congressional districts east of the Mississippi. And so what you have responsibility for is certainly important to the folks I serve, and it is appreciated.

You know, proper land stewardship, active management, and conservation are critical to the health of our economy, our environment, farms, forests, and watersheds. And under the 2014 Farm Bill, the Agriculture Committee reformed and consolidated over 23 different conservation programs within Title II.

I had the privilege of serving the last three terms as the former Chairman of the Subcommittee on Conservation and Forestry in Agriculture. I saw firsthand how critical these programs are to farmers, private landowners, communities, and the environment. As such, I would respectfully request full funding for the conservation programs in general, administered by the Natural Resources Conservation Service, consistent with the Farm Bill.

These important programs work in partnership with States, local governments, farmers, landowners, conservation districts, and other key stakeholders in providing conservation planning as well as financial and technical assistance.

With the continued efforts to improve the Chesapeake Bay and its ongoing total maximum daily load mandate, the NRCS continues to play a critical support role in my region. With that, I

would also like to register my support for the Farm Service Agency, which is responsible for administration of these programs and providing that technical boots on the ground for all involved.

Two key agencies within USDA, the Agricultural Research Service and the National Institute of Food and Agriculture, play an instrumental role in supporting agricultural research and extension work at higher education institutions and land-grant universities.

A recent study completed by the Northeast Regional Center for Rural Development, which is a program funded through NIFA, found that 137,000 farmers stayed in farming as a direct result of extension and associated university research programs. The long-term benefit of that program is connecting land-grant universities and academic research with the public, State, and Federal partners and, ultimately, the farmers.

So, with that said, I would express my support for the Agriculture and Food Research Initiative that I strongly believe needs continued funding.

The McIntire-Stennis Cooperative Forestry Program provides essential funds for forestry research.

Also, the Hatch Act is used to directly address issues at the various levels for production agriculture for plant and animal systems, food, and nutrition. It is across the board.

As well as continued support for cooperative extension under the Smith-Lever program, the Regional Rural Development Centers that serve as trusted sources of economic and community development.

And, finally, as Chair of the Subcommittee on Nutrition, I would just ask for your continued support for the Supplemental Nutrition Assistance Program. Funding this title allows us to support those in need of supplemental assistance as well as our farmers, who grow the healthy food and fiber that sustains our Nation.

I appreciate the privilege and the opportunity to be able to spend some time before you this afternoon.

[The information follows:]

Testimony of Congressman Glenn 'GT' Thompson
(PA-05)

House Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies for Fiscal Year 2018
Thursday, March 9, 2017

Chairman Aderholt, Ranking Member Bishop:

Good morning and thank you for holding this session today. As Vice-Chairman of the Agriculture Committee and Chairman of the Subcommittee on Nutrition, I appreciate this opportunity to weigh in on funding and policy decisions under the jurisdiction of the subcommittee.

I represent Pennsylvania's 5th Congressional District, which is one of the most rural east of the Mississippi River, comprising 24 percent of the landmass of the Commonwealth.

Our economic livelihood depends heavily on access and utilization of our land, natural resources, and a sustainable environment. Agriculture is the number one industry and the largest single contributor to the Commonwealth's economy.

While the Forest Service is not within the jurisdiction of this subcommittee, the Allegheny National Forest spans four of my counties and timbering is a major economic driver throughout the region.

Proper land stewardship, active management, and conservation are critical to the health of our economy, farms, forests, and watersheds.

Under the 2014 Farm Bill, the Agriculture Committee reformed and consolidated over 23 different conservation programs within Title II. Serving as the former Chairman of the Conservation & Forestry Subcommittee for six years, I saw firsthand how critical these programs are to farmers, private landowners, communities, and the environment.

As such, I request full funding for conservation programs in general, administered by the Natural Resources Conservation Service (NRCS), consistent with the Farm Bill.

These important programs work in partnership with states, local governments, farmers, landowners, conservation districts, and other stakeholders in providing conservation planning as well as financial and technical assistance.

With the continued efforts to improve the Chesapeake Bay and its ongoing Total Maximum Daily Load (TMDL) mandate, the NRCS continues to play a critical support role in my region. With that, I'd also like to register my support for the Farm Service Agency, which is responsible for the administration of these programs and the "boots on the ground."

Two key agencies within the USDA - the Agricultural Research Service (ARS) and the National Institute of Food and Agriculture (NIFA) - play an instrumental role in supporting agricultural research and extension work at higher education institutions and land grant universities.

A recent study completed by the Northeast Regional Center for Rural Development—which is a program funded through NIFA—found that 137,000 farmers stayed in farming as a direct result of Extension and associated university research programs.

The long term benefit of this work is connecting land grant universities and academic research with the public, state, and federal partners – and ultimately with farmers.

With that, I would like to also bring to your attention several key competitive grant programs located within the Agriculture and Food Research Initiative (AFRI) that I strongly believe need continued funding.

The McIntire-Stennis Cooperative Forestry program provides essential funds for forestry research at institutions offering graduate training in the sciences basic to forestry.

Funds under the Hatch Act are used to directly address issues at the national, regional and state level in areas of production agriculture for plant and animal systems; food, nutrition, and health, environmental and natural resources; and family and community development.

The results of this research are used in programs, formulated by the Cooperative State Extension.

For example, the Smith-Lever program facilitates wide-ranging education and outreach programs through Cooperative Extension to deliver innovations, discoveries, and best practices from land-grant universities to stakeholders nationwide.

Regional Rural Development Centers serve as trusted sources of economic and community development in rural communities. Additionally, they build upon the efforts of Cooperate State Extension by connecting rural constituents to nationwide network of land-grant college and university researchers, educators, and practitioners which provide community-level training.

Finally, as Chair of the Subcommittee on Nutrition, I would like to highlight the Committee's excellent work on the Supplemental Nutrition Assistance Program in recent years. Last Congress, the Committee held 16 hearings with 60 witnesses testifying before the subcommittee and full committee.

While SNAP enrollment has continued to decline from its post-recession peak, it is important that we maintain a strong funding level for Nutrition programs. Funding this title allows us to support those in need of supplemental assistance, as well as our farmers who grow the healthy food and fiber that sustains our nation.

In my district alone, there are over 92,000 food insecure people. For this reason, I request support for the Emergency Food Assistance Program—commonly known as TEFAP—that provides local food banks and charities with vital funds to feed our most vulnerable constituents.

Thank you again for this opportunity to provide testimony to the committee, your commitment to the issues within the jurisdiction of your Subcommittee and the Committee as a whole.

Mr. ADERHOLT. Thank you. And, of course, your role as Vice Chair of the Agriculture Committee is very important. And we, of course, as you know, have a close working relationship, and we look forward to working with you on these issues.

So thank you for your testimony and for being here today. And, of course, without objection, your entire written testimony will be included in the record.

Mr. THOMPSON of Pennsylvania. Appreciate it.

Mr. ADERHOLT. And we appreciate your being here this afternoon.

THURSDAY, MARCH 9, 2017.

WITNESS

HON. ROBERT PITTENGER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. ADERHOLT. At this time, I would like to recognize the gentleman from North Carolina, Mr. Pittenger, for his testimony.

Mr. PITTENGER. Thank you, Mr. Chairman, Ranking Member, and Members of the Subcommittee. Thank you for offering me the opportunity to speak today.

As you know, last year, North Carolina redrew its Congressional districts, making my Ninth District much more rural, with seven of my eight counties being rural counties. So I very much appreciate the focus that you provide to rural America.

Over the last few months, I have spent countless hours getting to know the hardworking North Carolinians in Union, Anson, Scotland, Richmond, Robeson, Cumberland, and Bladen County and hearing about the issues that they face, particularly in Robeson County.

It has been afflicted by chronically slow economic development. Identified by the USDA's Economic Research Service as a persistent-poverty county, at least 20 percent of Robeson County's population has lived under the Federal poverty level over the last 30 years. Last fall, the situation was exacerbated by the severe flooding from Hurricane Matthew, the effects of which will be continued and felt for many years to come.

Robeson is the poorest of all 100 North Carolina counties, the most ethnically diverse, and the largest by geography. These factors, combined, should alter how we determine grants so we do not preclude cities like Lumberton, the county seat of Robeson County, which is a prime candidate for USDA Rural Development grants.

As it stands, Lumberton recently crossed the 20,000 population threshold, effectively disqualifying the town from eligibility programs like the Community Facilities Direct Loan and Grant Program or the Economic Impact Initiative Grants. Lumberton's current population stands at 21,800 people. Chronically distressed towns who are the support system for the larger counties so close to the population cutoff should at least be considered for these grants and loans aimed at ending chronic poverty.

With these factors in mind, I humbly request that the members of the Subcommittee accept my language request for increased flexibility of eligibility criteria for the USDA Rural Development

grant and loan programs. I believe it is common sense that we create the necessary flexibility when making these important determinations and not prevent critical funding from reaching those who are truly in need as a result of arbitrary population metrics.

Thank you again for your consideration, and I look forward to working together with you to help find a solution for this national issue.

[The information follows:]

Written Member Testimony: Congressman Robert Pittenger

Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies

March 9, 2017

Mr. Chairman, Ranking Member, and Members of the Subcommittee, thank you for offering the opportunity to speak today. As you may know, last year North Carolina redrew its Congressional District map, making the 9th District much more rural. Over the last few months, I've spent countless hours getting to know the hardworking North Carolinians in Union, Anson, Richmond, Robeson, Cumberland, and Bladen County and hearing about the issues they face.

Robeson County in particular has been afflicted by chronically slow economic growth. Identified by the USDA's Economic Research Service as a "persistent-poverty" county, at least 20 percent of Robeson County's population has lived under the federal poverty over the last 30 years. Last fall, the situation was exacerbated by the severe flooding from Hurricane Matthew, the effects of which will be continue to be felt for many years to come.

Robeson is the poorest of all of North Carolina's 100 counties, the most ethnically diverse, and the largest by geography. These factors combined should alter how we determine grants, so we do not preclude cities like Lumberton, the county seat of Robeson County, which is a prime candidate for USDA Rural Development grants. As it stands, Lumberton recently crossed the 20,000 population threshold, effectively disqualifying the town from eligibility of programs like the Community Facilities Direct Loan & Grant Program or Economic Impact Initiative Grants. Lumberton's current population stands at 21,800. Chronically distressed towns, who are the support system for the larger counties, so close to the population cutoff should at least be considered for these grants and loans aimed at ending chronic poverty.

With these factors in mind, I ask the Members of the Subcommittee to accept my language request for increased flexibility of eligibility criteria for USDA Rural Development grant and loan programs. I believe it is common sense that we create the necessary flexibility when making these important determinations, and not prevent critical funding from reaching those in need due to arbitrary population metrics. Thank you for your consideration, and I look forward to working together with you to help find a solution to this national issue.

Mr. ADERHOLT. Thank you, Mr. Pittenger.

We are familiar with Lumberton and this issue. Your predecessor for that area, Mr. McIntyre, has been a very strong advocate for this as well. So what you are saying does not fall on deaf ears, and we want to be of help on that. We want to try to see what we can do to try to find a way to be helpful from this Subcommittee.

So thank you for your testimony. And, as I mentioned with Mr. Thompson, without objection, your entire written testimony will be included in the record. We thank you for being here.

Mr. PITTENGER. Thank you, Mr. Chairman. I really appreciate it.

Mr. ADERHOLT. Well, thank you, and welcome to the Subcommittee today.

THURSDAY, MARCH 9, 2017.

WITNESS

HON. STACEY PLASKETT, A DELEGATE IN CONGRESS FROM THE VIRGIN ISLANDS

Mr. ADERHOLT. And we would like to now recognize the gentlelady from the Virgin Islands.

Ms. PLASKETT. Thank you so much, Chairman Aderholt, Ranking Member Bishop, for the opportunity to testify on appropriations for the Department of Agriculture and related programs over the next fiscal years.

In the United States territories, despite being home to nearly 4 million Americans, we are too often left out of important programs or underfunded compared to benefits available to Americans living on the mainland United States. As a result, it is often more difficult for the islands to improve economic conditions.

The islands, as a whole, must transition from 100-percent reliance on imported oil to a clean, sustainable energy future and relief from power costs that are more than double the national average. Here in the Maryland area, individuals pay about 14 cents per kilowatt, whereas in the Virgin Islands we pay between 36 to 42 cents per kilowatt hour. So the assistance from Rural Development is very important.

We are fortunate to have Federal Rural Development support that assists our communities in maintaining decent housing and infrastructure, with Department of Agriculture programs providing a critical lifeline to low-income families in the Virgin Islands. Through low-cost loans, grants, and other assistance, USDA Rural Development assistance improve conditions and quality of life, and, frankly, we desperately need more from them.

The Rural Housing Service's single-family housing loans, for example, are one of the most critical tools to help smaller, lower-income, and more remote rural communities gain access to mortgage credit. Section 502 lending is the only Federal homeownership program that exclusively targets low- and very low-income rural families. The program provides essential funding for families in my district to fill in the gap of private market, since we have banking which is very limited in the Virgin Islands, allowing those who would otherwise be unable to access affordable mortgage credit achieve the American Dream of homeownership.

Robust infrastructure development, including electricity, broadband, telecommunications, water and wastewater, and construction of essential community facilities, is foundational for rural viability. At this time, we have no mental health facility in our islands. Our schools and other structures, medical centers, are barely doing repair work and have not been able to expand their services.

The Virgin Islands are particularly in need of broadband infrastructure. We are currently at a disadvantage in accessing broadband technologies, in part because of the higher costs than on the mainland. So we need greater broadband grant funding in the Rural Utilities Service budget.

Many of the people living in the Virgin Islands do not have ordinary access to a computer connected to the internet, and this continues to have a negative impact on educational opportunities and workforce development to grow our economy. As a remote location, internet and broadband would serve a critical and vital role in creating jobs in our community. And because of our children's inability to physically access resources on the mainland, increased broadband would make a greater impact to education to close the now-existing digital divide.

Regarding agricultural research services, the University of the Virgin Islands maintains an Agricultural Experiment Station as part of its research and public service component. The AES conducts basic and applied research to meet the needs of the local agriculture community, which is growing, and increasing production, improving efficiencies. Financial support for this enterprise comes from both public and private resources. However, the most significant funding source is the Federal-State partnership maintained by the National Institute of Food and Agriculture.

Lastly, as to your purview over the FDA budget, I understand that your bill last spring provided the requested $10 million for activities related to the response to the Zika virus and other emerging threats. This funding is very important to the Virgin Islands, and I very much hope that this will be included in your legislation this year.

Appropriation bills are oftentimes a lot of numbers, but behind each of these numbers are individuals and people that we all care deeply about. And I believe that must be kept in mind when funding of all these accounts is considered.

With that, I thank you again for the opportunity to present my testimony today.

[The information follows:]

March 9, 2017

Testimony submitted by: Congresswoman Stacey E. Plaskett (VI)

Thank you Chairman Aderholt, Ranking Member Bishop, for the opportunity to testify on appropriations for the Department of Agriculture and related programs over the next fiscal year. This legislation will serve as a statement of the commitment from the federal government to address some of our most pressing local needs in the Virgin Islands.

In the United States territories, despite being home to nearly 4 million Americans, we are too often left out of important programs or underfunded compared to benefits available to Americans living on the mainland United States. As a result, it is more difficult for the islands to improve economic conditions. The islands must transition from 100 percent reliance on imported oil to a clean, sustainable energy future and relief from power costs that are more than double the national average.

In addition, by their geography, the territories are critically vulnerable to natural forces unique to daily living in an island environment – hurricanes, tropical storms and sea blast, among others. We face a formidable challenge in adapting and responding to the effects on

infrastructure, economic development, food security and natural resources.

Furthermore, we face challenges as rural communities, which are generally beset by a lack of access to affordable housing and other necessities. Rural areas often see less banking industry competition and consumer choice, often resulting in higher prices, and ultimately less access to affordable mortgage loans.

We are fortunate to have federal rural development support that assists our communities with maintaining decent housing and infrastructure, with Department of Agriculture programs providing a critical lifeline to low-income families in the Virgin Islands. Through low-cost loans, grants, and other assistance, USDA rural development assistance improves conditions and quality of life, and frankly, we desperately need more from them.

The Rural Housing Service's single family housing loans, for example, are one of the most critical tools to help smaller, lower-income and more remote rural communities gain access to mortgage credit. Section 502 lending is the only federal home ownership program that exclusively targets low- and very-low income rural families. The program provides essential funding for families in my district to fill in the gap in the

private market, allowing those who would otherwise be unable to access affordable mortgage credit achieve the American dream of home ownership.

I therefore oppose the freezing of funds for this program at the FY 2016 level, which would amount to a reduction of 20 percent since 2010. The funding increase made to this account in the bill reported out of your committee last April is a positive step in the right direction, and I appreciate that progress, although I would certainly encourage further investment.

Rental assistance is also a primary source of housing in the communities I represent. This is often the only way that housing is affordable, and so I also urge increases to the Section 521 and Section 515 rental housing accounts as well.

Robust infrastructure development, including electricity, broadband and telecommunications, water and wastewater, and construction of essential community facilities is the foundation for rural viability. The Virgin Islands are in particular need of broadband infrastructure. We are currently at a disadvantage in access to broadband technologies, in part because of higher costs than on the mainland, so we need greater broadband grant funding in the Rural Utilities Service budget.

Many of the people living in the Virgin Islands do not have ordinary access to a computer connected to the internet, and this continues to have negative impact on educational opportunities and workforce development to grow our economy. As a remote location, internet and broadband could serve a vital role in creating jobs in our community, and because of our children's inability to physically access the resources on the mainland, increased broadband could make a greater impact in education to close the now existing digital divide.

Regarding agricultural research services, the University of the Virgin Islands maintains an Agricultural Experiment Station as part of its Research and Public Service Component. The AES conducts basic and applied research to meet the needs of the local agricultural community in increasing production, improving efficiency, developing new enterprises, preserving and propagating germplasm unique to the Virgin Islands, and protecting the natural resource base.

Financial support for this enterprise comes from both public and private sources. However, the most significant funding source is the federal-state partnership managed by the National Institute for Food and Agriculture – the Agriculture Department's extramural science agency.

I therefore strongly favor increases in NIFA programs that support research, education and extension efforts at land-grant universities. There's never been a more important time in agriculture for additional research, whether it's pollinators, antimicrobial resistance, pests and diseases that we're dealing with as a result of a changing climate.

On the nutrition side of your discretionary budget, I believe it is critical that the Special Supplemental Nutrition Program for Women, Infants, and Children (or "WIC") is adequately funded so that at-risk women, infants, and children can continue to benefit from this program and that no eligible family is cut off.

Lastly, as to your purview over the FDA budget, I understand that your bill last spring provided the requested $10 million for activities related to the response to the Zika virus and other emerging threats. This funding is very important for the Virgin Islands and I very much hope that this will be included in your legislation this year.

Appropriations bills are oftentimes a lot about numbers, but behind each of these numbers there are individuals and people that we care deeply about, and I believe that must be kept in mind when funds for all of these accounts are considered. With that, I thank you again for the opportunity to present my testimony today.

Mr. ADERHOLT. Thank you for being here, and we appreciate your testimony. And, as I mentioned, without objection, your entire written testimony will be included in the record. And we look forward to working with you on these issues for not only help for the Virgin Islands but also for the entire country. So thank you for taking time to be here.

Ms. PLASKETT. Thank you so much.

THURSDAY, MARCH 9, 2017.

WITNESS

HON. ROGER MARSHALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. ADERHOLT. At this time, I would like to recognize the gentleman from Kansas, Mr. Marshall, for his testimony.

Mr. MARSHALL. Good afternoon, Chairman Aderholt and Ranking Member Bishop as well as other Members of the Committee. Thank you for the opportunity to share a few thoughts about the fiscal year 2018 ag appropriations bill.

Agriculture is the backbone of my district, representing a full 60 percent of the district's economy, which makes matters pertaining to agriculture policy paramount, especially when we consider the scope of the downturning commodity prices that is driving farm revenue to multidecade lows.

Consider that the latest year we have data for, 2015, Kansas net farm income averaged less than $6,000 per farm. We already know that 2016 will be worse, and 2017 even looks worse yet. Can you imagine trying to raise a family on less than $6,000 a year?

With that broad agricultural economic outlook in mind, I ask that your Committee take the medical profession approach of "first, do no harm." As American farmers and ranchers ride out these difficult financial times, the worst thing Congress could do is weaken the safety net they are counting on.

Beyond the traditional safety net programs, access to credit is a key need that we ask your Committee to ensure remains viable. The FSA guaranteed and operating loan programs help provide certainty and liquidity for growers as they face these challenging times.

I also ask that your Committee take a long look as we think how to ensure American agriculture remains viable and competitive into the future. Ag research investments, particularly through the National Institute of Food and Agriculture, are key to developing tomorrow's genetics, production methods, and end uses. While NIFA is a small portion of the overall budget, they have an outsized impact and fund research infrastructure and critical projects in areas that matter to my district, including plant and animal health, biosecurity, and nutrition.

Of particular interest within NIFA are the Hatch Act funds that match State dollars to fund our research experiment stations, the Smith-Lever Act that matches State dollars to fund cooperative extension services, and the Agriculture and Food Research Initiative, which provides competitive grants to researchers across the country. An increase to the overall NIFA budget would allow expansion

of these programs and build a foundation for the future of our agriculture industry.

If I could, I would like to take a brief moment and deviate from my prepared remarks and briefly highlight a potentially urgent need developing as wildfires have swept across Kansas, Oklahoma, Texas, and Colorado. In Kansas, nearly 650,000 acres have been burned, with at least one confirmed death, dozens of homes and other structures destroyed.

I appreciate the initial State and Federal response and will have the opportunity to learn more about the damage and needs this weekend. In the meantime, I appreciate the Committee's considerations of USDA programs that help producers rebuild after disasters like this, including the Emergency Conservation Program and emergency loan programs.

Thank you so much for listening to me today, for your concerns, and your continued support of American agriculture.

[The information follows:]

Testimony of Congressman Roger Marshall before the House Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration and Related Agencies

- March 9, 2017 -

Good morning, Chairman Aderholt, Ranking Member Bishop and Members of the Committee.

Thank you for the opportunity to share a few thoughts about the FY 2018 Agricultural Appropriations Bill.

Agriculture is the backbone of my district, representing a full 60% of the district's economy, which makes matters pertaining to agricultural policy paramount, especially when we consider the scope of the downturn in commodity prices that is driving farm revenue to multi-decade lows.

Consider that in the latest year we have data for - 2015 Kansas net farm income averaged less than $6,000 per farm. We already know that 2016 will be lower yet, and all indications point to 2017 continuing to fall. Can you imagine trying to raise a family on less than $6,000 a year?

With that broad agricultural economic outlook in mind, I ask that your committee first take the medical profession approach of "first, do no harm." As America's farmers and ranchers ride out these difficult financial times, the worst thing Congress could do is weaken the safety net they are counting on.

Beyond the traditional safety net programs, access to credit is a key need that your committee can ensure remains viable. The FSA guaranteed and operating loan programs help provide certainty and liquidity for growers as they face these challenging times.

I also ask that your committee take a long view as we think about how to ensure American agriculture remains viable and competitive into the future. Agricultural research investments, particularly through the National Institute for Food and Agriculture (NIFA) are key to developing tomorrow's genetics, production methods and end uses.

While NIFA is a small portion of the overall budget, they have an outsized impact and fund research infrastructure and critical projects in areas that matter to my district including plant and animal health, biosecurity and nutrition.

Of particular interest within NIFA are the Hatch Act funds that match state dollars to fund our research experiment stations, Smith Lever Act funds that match state dollars to fund our Cooperative Extension Service and the Agriculture and Food Research Initiative (AFRI), which provides competitive grants to researchers across the country. An increase to the overall NIFA budget would allow expansion of these programs and build a foundation for the future of our agricultural industry.

Thank you for your consideration of these items and for you continued support of American agriculture.

Mr. ADERHOLT. Thank you, Mr. Marshall, for being here. And we appreciate your testimony and look forward to working with you.

You know, we understand that agriculture is very important to your district and Kansas in general. So we want to work with you, as we do all Members, on these issues wherever this Subcommittee can work to be more helpful and more effective and to do our job.

So your entire written testimony will be included in the record, and we look forward to working with you.

Mr. MARSHALL. Thank you, Mr. Chairman.

THURSDAY, MARCH 9, 2017.

WITNESS

HON. BILL POSEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. ADERHOLT. At this time, I would like to recognize Mr. Posey from the Eighth District of Florida.

Mr. POSEY. Thank you, Mr. Chairman, Ranking Member, and Members, for the opportunity to testify about a Food and Drug Administration rule that is having devastating impacts on small businesses across the country.

And, first, I want to thank you, Members of the Committee, for including my proposed language in last year's agricultural appropriations bill, which would have defunded the implementation of the FDA rule to regulate premium cigars in the same manner as cigarettes and smokeless tobacco.

Back in 2009, Congress rightfully passed the Tobacco Control Act with a key objective in mind of preventing our youth from accessing tobacco products. Traditional handcrafted cigars, however, are absolutely, positively, and unequivocally not a product used by, marketed to, or accessible to children and, therefore, were not included within the Tobacco Control Act scope.

Unfortunately, that hasn't stopped the FDA from advancing regulations that are now crippling the cigar industry from top to bottom.

Some regulations ignore the distinction of the premium cigar market, which has established, artisan traditions and a cultural niche. Premium cigars are sold in mom-and-pop stores and enjoyed by adults in moderation or during celebratory occasions. They are not the type of cigars you get at your local gas station, the ones with plastic tips, filters, or nontobacco mouthpieces.

Instead, what I am describing are traditional large and premium cigars, which I have clearly defined in legislation that I have introduced every Congress since the FDA proposed these overreaching regulations. Our legislation has drawn strong bipartisan support in the past, and I expect it will in the future.

Premium cigars have a rich history in Florida, with more than 50 manufacturers headquartered in the State and more than 250 premium cigar retail shops, several of which are owned by, employ, or serve my constituents. On a national level, tens of thousands of American jobs are sustained by the industry.

Using the narrow definition in my bill, which is included in the fiscal year 2017 Subcommittee bill, we can ensure that Americans

will continue to have the freedom to enjoy these legal products, while also allowing the FDA to use their authority as Congress intended, and that is to prevent children from using tobacco products.

We must act quickly, though. The FDA's rule has already had negative consequences across the country and even overseas, where our troops are now being told they can no longer receive donated premium cigars. You heard that correctly. Our warfighters, who put their lives on the line for our freedoms, are now being told by bureaucrats at the FDA that they can no longer enjoy a donated cigar in their downtime.

For the record, it is not only our troops who have fallen victim to the FDA's lack of common sense, but also manufacturers have been forced to raise prices and reduce production of new blends.

The goal of the Tobacco Control Act was never to regulate premium cigars but, rather, to regulate tobacco products that are marketed to youth. Let's refocus the FDA to serve this purpose by including language to exempt premium cigars from this one-size-fits-all, wrongheaded policy.

I thank the Committee for their time, and I am happy to answer any questions. Thank you.

[The information follows:]

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Thank you, Chairman and Ranking Member, for the opportunity to testify about a Food and Drug Administration rule that is having a devastating impact on small businesses across the country.

I'd also like to thank the committee for including my proposed language in **last year's** Agriculture Appropriations bill, which would have defunded the implementation of this FDA rule to regulate premium cigars in the same manner as cigarettes and smokeless tobacco.

How We Got Here

- Back in 2009, Congress passed the Tobacco Control Act with a key objective in mind: **preventing our youth from accessing tobacco products**.
- Traditional handcrafted cigars, however, are **NOT** a product used by, marketed to or accessible to children, and therefore were not included within the Tobacco Control Act's scope.
- Unfortunately, that didn't stop the FDA from advancing regulations that are now crippling the premium cigar industry from top to bottom.
- Such regulation ignores the distinction of the premium cigar market, with its established artisan

traditions and cultural niche. Premium cigars are sold in mom and pop shops and enjoyed by adults in moderation or during celebratory occasions.

- They are NOT the type of cigars you get at your local gas station – the ones with plastic tips, filters, or nontobacco mouthpieces.
- Instead, what I am describing are traditional large and premium cigars, which I have clearly defined in legislation that I have introduced every Congress since the FDA proposed these overreaching regulations. Our legislation has drawn strong bi-partisan support.

Premium Cigar Industry Background

- Premium cigars have a rich history in Florida with more than 50 manufacturers headquartered in the state and more than 250 premium cigar retail shops - several of which are owned by, employ, and serve my constituents.
- On a national level, tens of thousands of American jobs are sustained by the industry.
- Using the narrow definition in my bill, and included in the FY '17 Subcommittee bill, we can ensure that Americans continue to have the freedom to enjoy

these products while also allowing the FDA to use their authority as Congress intended: to prevent children from using tobacco products.

Impacts of FDA's Rule on U.S. Soldiers

- We must act quickly though, as the FDA's rule has already had negative consequences across the country, and even overseas where our troops are now being told that they can no longer receive donated premium cigars.
- You heard that correctly. Our warfighters - who put their lives on the line for our freedom - are now being told by bureaucrats at the FDA that they can no longer enjoy a donated cigar in their downtime.

Jobs and Economic Impact

- For the record though, it's not our troops primarily who have fallen victim to the FDA's lack of common-sense.
- Since the regulations took effect last August, manufacturers have been forced to raise prices and reduce production of new blends.
- Retailers have had to increase costs, halt events for customers to sample products, and delay opening

new locations due to compliance costs and anticipated inventory reductions.

- It is disappointing that the FDA willfully ignored these very real economic concerns when crafting their rule.
- With additional compliance deadlines looming in 2017 and 2018, the significant economic toll on main street retailers, law-abiding consumers, and the premium cigar industry as a whole will only get worse.

Conclusion

- The goal of the Tobacco Control Act was never to regulate premium cigars, but rather to regulate tobacco products that are marketed to youth.
- Let's refocus the FDA to serve this purpose by including language to exempt premium cigars from this one-size-fits all policy.
- I thank the Committee for their time, and am happy to answer any questions. Thank you.

Mr. ADERHOLT. Thank you, Mr. Posey, for your testimony. Certainly the issue that you raise is something this Committee has been very concerned about. And we want to continue to work on it, quite honestly, as we finish the fiscal year 2017, but certainly as we go into fiscal year 2018.

So thanks for your testimony here, and we will look forward to continuing working with you. And, as I mentioned, your entire written testimony will be included in the record.

Mr. POSEY. Thank you, Mr. Chairman and Members.

THURSDAY, MARCH 9, 2017.

WITNESS

HON. JOHN FASO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. ADERHOLT. All right. Mr. Faso from New York, we welcome you to the Subcommittee, and I look forward to hearing your testimony. The floor is yours.

Mr. FASO. Mr. Chairman, Members of the Committee, Ranking Member Bishop, I appreciate the opportunity to come before you today.

I wanted to address the Committee on a program that has worked very well in my rural district in upstate New York, the USDA Circuit Rider Program, to enhance rural water systems around our State and around our Nation.

It is no secret that our water infrastructure is outdated and distressed in many places around the Nation. It is estimated, over the next 20 years, over $300 billion will need to be invested in our Nation's aging water systems. This is particularly a problem in rural areas because many rural communities simply cannot afford the upgrades or the establishment of rural water systems for their area.

And that brings me to part of the solution—that is, the USDA Circuit Rider Program. It consists of 117 full-time employees that work throughout various rural water associations throughout the States. They provide support for nearly 31,000 utility system members around rural areas in our country.

The Circuit Riders provide a variety of services, including support for day-to-day, routine operational issues, such as leak detection and water contamination. Riders also provide advice on financial and management issues to keep operators up to date with the best industry practices.

And I can give you a very, very cogent example of the benefit of this program. Hoosick Falls, a small rural community in Rensselaer County in my district, in 2015 discovered that the water supplies of the village of Hoosick Falls were polluted with PFOA, perfluoro-octanoic acid. Initial tests indicated that the water contained PFOA levels above 600 parts per trillion, well above the then EPA guideline of 400 parts per trillion for short-term exposure.

That guideline, by the way, is in the process, I believe, of being dramatically lowered. In Vermont, for instance, the guideline is 20

parts per trillion. In New Jersey, it is 40 parts per trillion. New York has adopted a lower standard as well.

Circuit Riders were the first on the scene and worked with the village over the course of a week, in conjunction with local operators, to flush the entire system and clear out large amounts of PFOA. And, incidentally, the community was dealing with this polluted water—they didn't know it—for over 2 to 3 years before it was discovered.

Additionally, Circuit Riders were the first advisers to recommend the use of carbon filtration systems to remove the PFOA from the water and worked closely with engineers and village officials to implement a filtration plan.

While this program is small, it is integral to ensuring clean water in rural areas. In the last few years, the program has received an annual 3-percent cost-of-living factor built into the competitive-bid, fixed-price contract. To sustain the current workforce of 117 full-time employees, who work in States all around the Nation helping rural areas, I would request that the committee appropriate $17,404,000 to meet the contractual obligations.

The rural water systems are already facing financial and technical strain, and decreasing the Circuit Rider Program would dramatically affect their ability to provide pure and clean water for our rural communities throughout the Nation.

So, Mr. Chairman, Members of the Committee, I appreciate your attention today and hope you will give consideration to this request.

[The information follows:]

PREPARED TESTIMONY

Representative John J. Faso (NY-19)

March 9, 2017
House Appropriations Committee
Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies

Chairman Aderholt, Ranking Member Bishop, and Members of the Committee, thank you for the opportunity to testify today. I come before you in support of the Circuit Rider program which is administered through the USDA Rural Utilities Service.

In 1976, the National Rural Water Association (NRWA) was founded in response to the Safe Drinking Water Act passed two years earlier. The act allowed the EPA to establish national standards to protect drinking water but as many of the original EPA standards were written for large metropolitan water systems, smaller utilities did not have the resources to meet the standards. As a result, the National Rural Water Association was created to assist rural operators with compliance and technical assistance. The NRWA provides several programs to rural utilities to help them remain in compliance with EPA water standards.

Despite the NRWA's best efforts, our nation's water and wastewater facilities continue to suffer from a lack of investment in infrastructure. It is estimated that nearly $300 billion will need to be invested in the nation's water-processing facilities over the next 20 years simply to keep pace with aging infrastructure. On top of this, the American Water Works Association estimates that

the US will need to invest more than $1 trillion over 25 years to replace all its aging drinking pipes. Water utilities bear the brunt of upgrading costs, and while it is difficult for all water utilities to keep pace with crumbling infrastructure, rural water systems are particularly at risk. Project costs tend to be higher in remote areas compared to more populated communities, which means that resources are already limited. USDA rural water programs provide additional tools, skills, and counsel to help small utilities remain in compliance with ever-changing water guidelines.

One of the programs that receives funding through the USDA is the Circuit Rider Program which is currently operating on a $16 million budget. The program consists of 117 full-time employees that work through the various State Rural Water Associations to provide technical assistance to 31,000 utility system members. This program is critically important to support rural infrastructure because of the on-site services and expertise that it offers to small operators. Circuit Riders assist local operators in a variety of capacities including day-to-day operational issues such as detecting leaks and water contamination. Technicians can leverage local knowledge of water systems with advanced technology and experience to quickly alleviate day-to-day operational issues. In addition to short-term support, circuit riders also provide advice on financial and management issues, as well as energy audits to increase long-term stability of small utilities.

Another major responsibility of circuit riders is to provide emergency support services to local utilities. In my district the Village of Hoosick Falls directly benefited from circuit rider assistance. In 2015 it was discovered that the village had its water supplies polluted with

Perfluorooctanoic Acid (PFOA) from a nearby manufacturing facility. Initial tests indicated that the water contained PFOA levels above 600 parts per trillion (ppt), well above the then-EPA guideline of 400 ppt for short-term exposure. Circuit riders worked over the course of a week in conjunction with local operators to flush the entire system to clear out large amounts of PFOA. Additionally, USDA circuit riders were the first advisors to recommend the use of carbon filtration systems to remove more PFOA from the water and worked closely with engineers, primary agencies and village officials to implement the filtration plan.

While relatively small, the Circuit Rider Program is an integral part of ensuring clean water in rural areas. In FY2015, FY2016, and FY2017 reported bills, the program received an annual 3 percent cost of living factor built into the competitive bid fixed price contract. To sustain the current workforce of 117 full-time employees, $17,404,000 million is required to meet contractual obligations. Appropriating anything less than this full amount may result in a decreased level of service by state water authorities. Our rural water operators are already facing financial and technical strain, and decreasing the availability of circuit riders further threatens water utilities. The Circuit Rider program has been one of the USDA's most successful partnerships because it provides technical expertise, training, and disaster assistance to rural communities.

Mr. ADERHOLT. Thank you. Certainly, we know that the Circuit Rider Program is very important. I represent a rural district as well. And so we very much appreciate your weighing in on this issue and look forward to working with you on this.

Your written testimony will be included in full in the record. We look forward to working with you, and thank you for being here.

Mr. FASO. Thank you, Mr. Chairman.

THURSDAY, MARCH 9, 2017.

WITNESS

HON. SCOTT DESJARLAIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mr. ADERHOLT. All right. Mr. DesJarlais of Tennessee, welcome to the Subcommittee. We look forward to hearing your testimony as to how we can work together as far as helping not only Tennessee but also other parts of the country. The floor is yours.

Mr. DESJARLAIS. Thank you, Chairman Aderholt and Ranking Member Bishop, distinguished Members of the Committee.

As a Representative from Tennessee, I would like to take a moment to discuss the ongoing issue of communications and engagements between the Animal and Plant Health Inspection Service and the Tennessee Walking Horse industry.

As the Committee is aware, under the previous administration, APHIS proposed changes to the Horse Protection Act that, if enacted, would have a detrimental effect on an important industry in many States across the country. Not only would APHIS' proposed rule cripple the Walking Horse industry, but it would also have negative impact on the individuals, small businesses, and local communities that operate within or benefit from it.

Although the industry has experienced its share of setbacks, due in large part to a small number of bad actors who generated negative stories, the industry as a whole has worked tirelessly over the past few years to rid itself of this minority. In fact, according to the U.S. Department of Agriculture's own data, the industry has an average inspection compliance of 96 percent over the past few years and is working diligently towards achieving a 100-percent rating.

As the Representative for Tennessee's Fourth Congressional District in Shelbyville, Tennessee, the home of the National Walking Horse Celebration, I worked with my constituents, horse show organizers, managers, and participants to ensure the industry has the necessary tools to continue their reforms and eliminate wrongdoers.

While APHIS has opened the channel of communication between itself and the industry stakeholders in recent months to discuss changes in compliance to the HPA, there is still much progress to be made, as evidenced by their final rule that, if enacted, would gravely affect the Walking Horse industry.

First, the proposed rule seeks to prohibit action devices and weighted shoes from competition, which would effectively displace more than 85 percent of a $3.2 billion industry.

In addition, the APHIS final rule fails to address a critical component of the issue by continuing to allow current subjective in-

spection methods instead of requiring peer-reviewed, objective protocols. It is indisputable that a process where an inspector is required to watch for responses to pain is a process susceptible to human error, agenda-driven bias, or multiple mistakes.

In the 2016 celebration alone, there was a 22.6-percent error rate as a result of disagreement over compliance between the initial veterinary medical officer assessment and the secondary VMO's inspection. In addition, 52 percent of the time a horse was disqualified, the two VOMs could not agree on the cause of pain.

These inspection results for the celebration mirror issues across the industry as a whole and point to the error of government inspectors, signifying a clear need for change.

Following little change in communication efforts between APHIS and the industry up until late 2016, the fiscal year 2017 Agriculture Appropriations Act directed APHIS to provide greater and more consistent transparency, to work more closely with stakeholders on rules and regulations, and to move away from the subjective nature of current inspection methods in favor of objective measurements.

The fact that I am making this same request of APHIS for the third year in a row emphasizes that communication and engagement could be improved vastly. While APHIS may disagree, the industry and APHIS have the same goal: to ensure full compliance with the Horse Protection Act for safe competition. The only way to ensure objective inspection methods and full compliance with HPA is through bilateral communications between parties regarding rules and changes to the HPA.

For the reasons stated earlier, I ask the Committee to continue to encourage APHIS to utilize objective, science-based inspections versus the current system of subjective inspections of Walking Horses.

I also ask the Committee to continue to push APHIS to keep open and enhance the channel of communications, particularly during the final rule negotiations of any discussion of changes to existing protocol. The industry must have some consistency within the overall inspection process and within specific areas or definitions within the process.

Finally, I request the Committee encourage APHIS to work closely with horse inspection organizations and organizations such as the Veterinarians Advisory Committee to develop any new protocols. By collaborating across these organizations and industry, we can ensure the continuation of the Tennessee Walking Horse tradition and ensure safe and fair competition for all involved.

Thank you for your time.

[The information follows:]

Agriculture Appropriations Member Day Hearing

Rep. Scott DesJarlais Testimony 9 March 2017, 3:50PM

As a representative from Tennessee, I would like to take a moment to discuss the ongoing issue of communication and engagement between the Animal and Plant Health Inspection Service (APHIS) and the Tennessee Walking Horse Industry. As the Committee is aware, under the previous administration, APHIS proposed changes to the Horse Protection Act (HPA) that, if enacted, would have a detrimental effect on an important industry in many states across the country. Not only would APHIS's proposed rules cripple the Walking Horse Industry, but it also would have a negative impact on the individuals, small businesses, and local communities that operate within or benefit from it.

Although the industry has experienced its share of setbacks, due in large part to a small number of "bad actors" who generated negative stories, the industry as a whole has worked tirelessly over the past few years to rid itself of this minority. In fact, according to the U.S. Department of Agriculture's (USDA) own data, the industry has had an average inspection compliance rate of 96% over the past few years and is working diligently towards achieving a 100% rating.

As the representative for Tennessee's Fourth Congressional District and Shelbyville, Tennessee, the home of the National Tennessee Walking Horse Celebration, I have worked with my constituents, horse show organizers, managers and participants to ensure the industry has the necessary tools to continue their reforms and eliminate wrongdoers. While APHIS has opened the channel of communication between itself and industry stakeholders in recent months to

discuss changes and compliance to the HPA, there is still much progress to be made, as evidenced by their final rule that, if enacted, would gravely affect the Walking Horse Industry.

First, the proposed rule seeks to prohibit action devices and weighted shoes from competition which would effectively displace more than 85% of a $3.2 billion industry[1]. In addition, the APHIS final rule fails to address a critical component of the issue by continuing to allow current subjective inspection methods instead of requiring peer reviewed objective protocols. It is indisputable that a process where an inspector is "required to watch for responses to pain," is a process susceptible to human error, agenda driven biases or just simple mistakes. In the 2016 Celebration alone, there was a 22.67% error rate as a result of disagreement over compliance between the initial Veterinary Medical Officer (VMO) assessment and the secondary VMO inspection. In addition, 52% of the time a horse was disqualified, the two VMOs could not agree on the cause of pain[2]. These inspection results for the Celebration mirror issues across the industry as a whole and point to the error of government inspectors, signifying a clear need for change.

Following little change in communication efforts between APHIS and the industry up until late 2016, the FY 2017 Agriculture Appropriations Act directed APHIS "to provide greater and more consistent transparency, to work more closely with stakeholders on rules and regulations, and to move away from subjective nature of current inspection methods in favor of objective measurements." The fact that I am making this same request of APHIS for the third year in a

[1] United States. Dept. of Agriculture. Animal and Plant Health Inspection Service. *HPA Regulatory Changes QA FINAL.* 25 Jul 2016.

[2] Wilson, Joseph D. "Re: Your September 2, 2016 Letter." Letter to Counselor Lee Fink, Principal Deputy General Counsel, USDA. 19 Sept. 2016. MS. N.p.

row emphasizes that the communication and engagement could be improved vastly. While APHIS may disagree, the industry and APHIS have the same goal: to ensure full compliance with the Horse Protection Act for safe competition. The only way to ensure objective inspection methods and full compliance with HPA is through bilateral communication between parties regarding rules and changes to the HPA.

For the reasons stated earlier, I ask that the Committee continue to encourage APHIS to utilize objective, science-based inspections versus the current system of subjective inspections of Walking Horses. I also ask that the Committee continue to push APHIS to keep open and enhance this channel of communication, particularly during the final rule negotiations and any discussion of changes to existing protocol. The industry must have some consistency within the overall inspection process and within specific areas or definitions within that process. Finally, I request that the Committee encourage APHIS to work closely with horse inspection organizations and organizations such as the Veterinarians Advisory Committee to develop any new protocols. By collaborating across these organizations and the industry, we can ensure the continuation of the Tennessee Walking Horse tradition and ensure safe and fair competition for all involved.

Mr. ADERHOLT. Thank you, Mr. DesJarlais, for your testimony, and we look forward to working with you. That is certainly an issue that we are very well aware of, and we want to continue working with you on that.

So thanks for your testimony. Without objection, your entire written testimony will be included in the record. Thanks for being here.

THURSDAY, MARCH 9, 2017.

WITNESS

HON. CLAY HIGGINS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mr. ADERHOLT. At this time, I would like to recognize Mr. Higgins from the Third Congressional District of Louisiana. The floor is yours.

Mr. HIGGINS of Louisiana. Thank you, Mr. Chairman, Ranking Member Bishop, as well as the rest of the Members of the Appropriations Subcommittee on Agriculture, for granting me this opportunity.

I am here today not to ask for your support regarding funding for particular projects or programs, nor to laud a project in my district to sway favor with this Committee. I am here to talk about innovation, to ensure that a competitive system is in place which includes next-generation materials in the completion of federally funded infrastructure projects.

The chemical industry transforms abundant supplies of natural gas into the building blocks of thousands of consumer products and innovations.

There has been unprecedented investment in the U.S. chemical manufacturing sector in recent years. Two hundred and eighty new chemical industry projects are pending across the country, more than $170 billion worth of private endeavor projects, and tens of thousands of jobs. In Louisiana alone, there is over $50 billion in planned investment and a total of 74 projects. We have over 25,000 employees in the chemical industry in Louisiana and 110,000 related jobs. These are good, high-paying jobs, averaging 47 percent more than the average manufacturing wage.

Currently planned projects will bring thousands more of these jobs to my district. It is critical that our national policies allow for free and fair bidding on projects. This Congress has been presented with a historic opportunity to set our Nation on a path of economic prosperity.

However, this will not be accomplished with words alone. There are significant barriers to the completion of our mission, and we must find ways to navigate challenging issues. One of the most obvious hurdles is the drastic need to update and restore our infrastructure, not only our systems of interstates, bridges, rails, and waterways, but also utility systems that provide services to every American.

Some of the most significant need for infrastructure updates and repairs can be found in rural America, and consider the fact that many of the small towns and municipalities in rural America lack

the necessary assets to maintain and upgrade important services, like water and waste management.

While there are numerous Federal programs to help out with funding, such as the United States Department of Agriculture's Rural Development Programs, it is imperative that we enhance competition wherever possible. We must ensure that innovation has an opportunity to succeed in such programs. We are duty-bound to save money where possible and to seek the wisest investment of taxpayer dollars.

USDA's Rural Water Development Program is a prime example of a program that promotes open competition. However, currently, some municipalities may hold bidding processes that require bidders to use so-called "legacy materials" for pipeline and other infrastructure projects. It is important that, while incumbent materials like traditional metals may well hold advantages in certain scenarios, we must not disregard innovation, manifested in many cases by the inclusion of modern materials like plastics and hybrid composites as foundational materials for pipelines and other projects.

To intentionally exclude innovative, modern, 21st-century materials from Federal infrastructure projects, perhaps only to protect entrenched interests, is not right. It is not in the best interest of the citizens we are sworn to represent, and it does not reflect our constitutionalist principles. Mr. Chairman, we should ensure consideration of modern materials for every infrastructure project.

Science has given us access to new construction materials that meet or exceed standards for safety, strength, and performance. The principle of open competitiveness and free market enterprise should be staples of any plan to upgrade our current infrastructure, most urgently needed in any upgrades to our system of water management. Allowing new innovators to compete with traditional or entrenched players pushes the United States forward. All we have to do is release the free market from the restraints of antiquated mandates that currently exist. Very quickly, costs could plummet, and projects could be finished more efficiently.

In closing, I just want to state that I am not against legacy materials. However, we should ensure that there is a level bidding process for materials which meet the same standards for safety, strength, temperature, and performance as their legacy counterparts. Excluding newly developed materials from a bidding process is bad for the economy, bad for the taxpayer, and bad for innovation.

Thank you, Mr. Chairman, Ranking Member, and Members of the Committee, for allowing me to speak today.

[The information follows:]

Testimony of Congressman Clay Higgins (LA-03)
House Committee on Appropriations
Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies:
Member Day - March 9, 2017

- Thank you Chairman Aderholt and Ranking Member Bishop, as well as the rest of the members of the Appropriations Subcommittee on Agriculture for allowing me to speak before you today.
- I am here today not to ask for your support on making sure certain programs are sufficiently funded, nor to laud a project in my district to sway favor with this committee. I am simply here today to talk to you about innovation, and ensuring that a competitive system is in place that promotes innovation in the completion of federally funded infrastructure projects.
- Thanks to abundant supplies of domestic natural gas, which the chemical industry transforms into the building blocks of thousands of consumer products and innovations, there has been unprecedented investment in the U.S. chemical manufacturing sector in recent years.
- More than $170 billion and 280 manufacturing projects have been announced, creating economic growth and new jobs in communities across the country. Louisiana is one of the biggest beneficiaries of the growth of this growth chemical industry. In Louisiana alone, we have $50 billion in planned investment in a total of 74 projects, many of which are located in the 3rd District of Louisiana, which I represent.
- We have over 25,000 employees in the chemical industry in Louisiana, and 110,000 related jobs. These are good, high paying jobs—at over $100,000 they pay more than 47% more than the average manufacturing wage. It is exciting that the industry is

growing so quickly in the state because all of these new facilities will create thousands of high paying permanent jobs.

- It is absolutely critical that our national policies allow for free and fair bidding for projects to assure the most efficient use of scarce federal resources.
- I am sure that each of you are aware that the constituents we represent are speaking enthusiastically about the historic opportunity we are currently presented with to set our nation on a path of economic prosperity that benefits all U.S. citizens. However, this will not be accomplished with words alone. There are significant barriers to the completion of this mission, and we must find ways to navigate these issues.
- One of the most obvious hurdles is the drastic need to update and restore the infrastructure our nation relies on. Our infrastructure needs encompass not only our systems of interstates, bridges, rail, and waterways, but also utility systems that provide services that touch upon the needs of every individual in our nation.
- Some of the most heavily needed updates and repairs can be found in rural America. Many of the small towns and municipalities in rural America lack the necessary funding to maintain and upgrade important services like water and waste management.
- While there are numerous federal programs to help out with funding, such as the United States Department of Agriculture's Rural Development Program, it is imperative that we enhance competition wherever possible and insure innovation has an opportunity to succeed in such programs. I believe it is critical that if we have the opportunity to save taxpayers and ratepayers money through competition that it is our duty to maximize taxpayer dollars.

- USDA's Rural Water Development Program is a prime example of a program that promotes open competition.
- Currently some municipalities may hold bidding processes that require bidders to use so called "legacy materials" for pipeline or other infrastructure projects. It is important that while incumbent materials, like certain metals may well hold advantages in certain scenarios, we must not disregard innovation, manifested in many cases by the inclusion modern materials like plastics and hybrid composites as foundational materials for pipelines and other projects.
- To intentionally exclude new and innovated materials from federal infrastructure projects to protect entrenched interests is not right, it's not in the best interest of the citizens we've sworn to represent, and it does not reflect our Constitutionalist principles.
- Mr. Chairman as new materials enter the market place we should ensure they receive the same consideration as legacy materials for every federal infrastructure project. Science has given us access to new technologies that meet or exceed the same standards for safety, strength, temperature and performance.
- The principle of open-competiveness and free market enterprise should be staples of any plan to upgrade our current infrastructure, and while I believe this is most urgently needed in any upgrades to our system of water and waste water management, this should guide every decision to expend taxpayer dollars in the public interest.
- As I stated before, we should not lock ourselves and our communities into investments that may not yield the best long term investment. Allowing new innovators to compete with traditional or entrenched players pushes the United States forward.

- All we have to do is release the free market from the restraints of antiquated mandates that currently exist. Very quickly, costs could plummet and projects could be finished much more efficiently while maintaining the same or improved level of results as previously achieved.
- In many cases the cost savings do not stop after the project is completed, as maintenance and replacement costs could also provide savings to ratepayers.
- The President asked us to dream big, and in the era of massive deficits and strained budgets, there is no longer an excuse for avoiding innovation with resources that are not our own. We owe the American taxpayer and communities across this country the opportunity to advance and rebuild their infrastructure through competition, innovation and cost savings.
- In closing I just want to state that I am not against legacy materials, in some places they may be the optimal choice for utilization, I just want to ensure that there is a level bidding process for materials that meet the same standards for safety, strength, temperature and performance as their legacy counterparts. Excluding these materials from being included in a bidding process is bad for the economy, bad for the taxpayer, and bad for innovation.
- Thank you again to the Chairman, ranking member, and members of the committee for allowing me to speak today.

Mr. ADERHOLT. Thank you, Mr. Higgins, for your testimony. Without objection, your entire written testimony will be included in the record.

We appreciate your testimony here before the Subcommittee and look forward to working with you on this issue and other issues that impact not only the Third District of Louisiana but also other parts of the country. Thanks for being here.

Mr. HIGGINS of Louisiana. My sentiments exactly. Thank you, Mr. Chairman.

Mr. ADERHOLT. Thank you.

THURSDAY, MARCH 9, 2017.

WITNESS

HON. TRENT KELLY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSISSIPPI

Mr. ADERHOLT. At this time, I would like to recognize the Congressman from the First District of Mississippi, Mr. Trent Kelly.

Mr. KELLY. Thank you, Chairman Aderholt, Ranking Member Bishop, and Members of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Subcommittee. Thank you for time to share with you my priorities for the fiscal year 2018 Agriculture Appropriations bill. I am a member of the House Ag Committee, and I know we share the same goal of supporting the American farmer.

Agriculture is the number-one industry in Mississippi and employs roughly 260,000 people. Over 37,100 farms cover over 10.9 million acres of land, and agriculture income makes up 22 percent of the total income of my State. I often say that a country must be able to defend itself and feed itself in order to be secure, and I am proud to say that the men and women of Mississippi are contributing to both these objectives.

No one on this Committee is unaware of the tough times in farm country today. I would like to take this time to highlight a few issues that are affecting my constituents and the farmers in my State. If these issues aren't addressed soon, I am fearful for not only the individual families and farms that are affected, but the risk to our national security as well.

Cotton producers are about to enter their sixth year where the cost of production will exceed market prices. I know providing relief to cotton farmers is a priority for the Agriculture Committee in the next Farm Bill, but I am afraid that if we wait to address this issue it will be too late.

For farmers in Mississippi, even if they have been able to weather those circumstances, they are facing uncertainty over whether or not the additional infrastructure they need to get their crop to buyers will still be in place. If the cotton gin goes out of business, they do too.

Making these products eligible for agriculture risk coverage, ARC, and price loss coverage, PLC, programs by designating cottonseed as an "other oilseed," as authorized in the current Farm Bill, would provide temporary relief until a long-term solution can be worked out in the next Farm Bill.

On catfish, after many years of debate and delays, a rule has finally been issued by the Food Safety Inspection Service to allow for the inspection of catfish. While it will not be fully implemented until later this year, this rule has already protected public safety, as we have seen shipments of imported catfish-like species choose to turn back rather than face USDA inspectors at our ports.

Despite the clear successes of this policy, there are those who would like to take this responsibility from USDA. I urge this Subcommittee to reject any proposals that put public health at risk by removing this rule.

As to poultry, the poultry industry directly employs 25,268 people in the State of Mississippi. In 2016, the State had over 730 million broilers on 1,400 farms. In order for this industry to remain competitive, rules affecting producers and growers must be fair, vetted, and founded on actual facts, not political agendas. I have concerns about the proposed GIPSA rules impacting this industry, and I was pleased to see the administration put a freeze on the current rule. It is important that USDA work with the stakeholders in producing workable reforms instead of acting unilaterally. I urge the Committee to defund this rule in the fiscal year 2018 bill.

In closing, the agriculture producers in my State are working hard to provide for their families and for our Nation. As their voice in Washington, I want to make sure they have access to resources that will make them competitive across the globe. I am committed to working with you to ensure that the American farm and farmer can continue to feed our country and the world.

Thank you again for this opportunity to speak with you today. I yield back, Mr. Chairman.

[The information follows:]

Testimony of Rep. Trent Kelly (MS-01) before the House Committee on Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies

March 9, 2017

Chairman Aderholt, Ranking Member Bishop, and Members of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Subcommittee, thank you for the time to share with you my priorities for the Fiscal Year 2018 (FY18) agriculture appropriations bill. I am a member of the House Agriculture Committee, and I know we share the same goal of supporting the American farmer. Agriculture is the number one industry in Mississippi and employs roughly 260,000 people. Our 37,100 farms cover over 10.9 million acres of land, and agriculture income makes up 22% of the total income in the state. I often say that a country must be able to defend itself and feed itself in order to be secure, and I am proud to say that the men and women of Mississippi are contributing to both of those objectives.

No one on this committee is unaware of the tough times in farm country today. I would like to take this time to highlight a few issues that are affecting my constituents and the farmers in my state. If these issues aren't addressed soon, I am fearful for not only the individual families and farms that are affected, but the risk to our national security as well.

Cotton producers are about to enter their sixth year where the cost of production will exceed market prices. I know providing relief to cotton farmers is a priority for the Agriculture Committee in the next farm bill, but I am afraid that if we wait to address this issue, it will be too late. For farmers in Mississippi, even if they have been able to weather these circumstances, they are facing uncertainty over whether or not the additional infrastructure they need to get their crop to buyers will still be in place. If the cotton gin goes out of business, they do too.

Making these producers eligible for Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs by designating cottonseed as an "other oilseed" as authorized in the current farm bill would provide temporarily relief until a long-term solution can be worked out in the next farm bill.

After many years of debate and delays, a rule has finally been issued by the Food Safety Inspection Service (FSIS) to allow for the inspection of catfish. While it will not be fully implemented until later this year, this rule has already protected public safety as we have seen shipments of imported siluriformes choose to turn back rather than face USDA inspectors at our ports. Despite the clear successes of this policy, there are those who would like to take this responsibility from USDA. I urge this subcommittee to reject any proposals that put public health at risk by removing this rule.

The poultry industry directly employs 25,268 people in the state of Mississippi. In 2016, the state had over 730 million broilers on 1,400 farms. In order for this industry to remain competitive, rules affecting producers and growers must be fair, vetted, and founded on actual facts, not political agendas. I have concerns about the proposed GIPSA rules impacting this industry, and I was pleased to see the administration put a freeze on the current rule. It is important that USDA work with stakeholders in producing workable reforms instead of acting unilaterally. I urge the committee to defund this rule in the FY18 bill.

The agriculture producers in my state are working hard to provide for their families and for our nation. As their voice in Washington, I want to make sure they have access to resources that will make them competitive across the globe. I am committed to working with you to ensure that the American farmer can continue to feed our country and the world. Thank you for your time and consideration, and I am happy to provide you with any additional information you may need.

Mr. ADERHOLT. Thank you, Mr. Kelly, for your testimony. We understand the importance. Of course, as you well know, our districts are adjacent to each other, so we share a lot of the same issues. And so we appreciate you bringing those to the Subcommittee's attention.

So, without objection, your entire written testimony will be included in the record. And, again, we thank you for being here this afternoon.

THURSDAY, MARCH 9, 2017.

WITNESS

HON. DANNY K. DAVIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. ADERHOLT. At this time, I would like to recognize the Congressman from the Seventh District of Illinois, Mr. Davis, for his testimony before the Subcommittee.

Mr. DANNY DAVIS of Illinois. Thank you very much, Mr. Chairman and all Members of the Committee. First of all, let me thank you for the opportunity to be here and to testify before this very prestigious Committee.

When I heard the gentleman mention cotton in Mississippi, I got homesick. I grew up in rural Arkansas, even though I have lived in Chicago all of my adult life, and I get nostalgic just thinking about the countryside and the air and all of that.

But the issue that I came to talk about is that of urban farming, or developing an approach to urban farming, where it, in actuality, is much more than pipe dreams that people talk about.

I have come into contact with two groups; one is a group of churches who band themselves together, and they call themselves the Urban Transformation Network. It is about 50 churches. And they have vacant lots and all of the other things. And they are really looking to start, in a big way, an urban farming program.

They have also hooked up with the Safer Foundation, which is an organization that has been in effect for about 50 years that deals with reentry and assists individuals who have been to prison and jail and are trying to work their way back into society.

The two of them together have developed an approach that we hope will become a large entity. And they are actually working with Aramark, big farm distribution entities, State facilities like the Illinois Department of Corrections, and several of the hospitals and museums that understand that they could use the product that is produced.

And, also, it could serve as a training program for individuals who are returning home from jail and prison. The Safer Foundation is one of the top entities in America in that line of activity.

So, jointly, they have a tremendous amount of potential and are looking to find a program that can assist them. They work closely with the University of Illinois, its agricultural extension outlet. And the former president of the university has actually been a consultant to them, because he was an ag guy before he became president of the university.

So it has a tremendous amount of potential. And we are looking to try and find a program that can assist in developing the entity to an operating unit, and we hope that the Committee will give some thought and consideration to how this might be done. And we are hoping that maybe there will become some resources that could be used for further development of this entity.

Thank you, and I yield back.

[The information follows:]

Congressman Danny K. Davis (IL-07)
Agriculture Appropriations Subcommittee
Testimony, March 9, 2017

Good Morning. Thank you Chairman Frelinghuysen and Ranking Member Lowey for this opportunity to talk about food deserts, food security and also request your assistance in combating the loss of access to healthy produce in ***Urban America.***

Food is the most powerful thing in our lives and the most powerful thing in community development.

Having grown up in rural Arkansas, I know first-hand the challenges of having no grocery store or supermarket to find healthy food options. Our nearest grocery store was roughly 5 miles away – if not for my father's green thumb and the ability to use the land for food, we may have had issues with nutrition.

Nevertheless, once you leave Chicago's immediate downtown area, there is not grocery store for miles…and without access to adequate transportation; many families choose to shop at their local corner stores and bodegas that may lack healthier food options.

Members, there is a solution. Over the past decade I have worked with organizations that are working to change the urban landscape and use vacant lots, vacant properties and high-rise roof tops to grow fruits and vegetable offering for these communities thru, aquaponics, hydroponics and urban farming.

Many of these farms have proved to be highly successful in stabilizing communities that have undergone disinvestment, crime and poverty. We can look in neighborhoods for Chicago's urban and roof-top gardens; and former tilapia farms at the Cook County Jail, neighborhoods displaying Cleveland's 'hoop houses"; neighborhoods working for Milwaukee's Tilapia production; redeveloped vacant lots in Detroit for gardens and chicken farming and roof tops in New York for honey bee production.

Many of these areas were once impacted by high crime rates and high unemployment. Urban farming has given these individuals a sense of purpose and stabilizing these communities while delivering a local and nutritious food source.

I am hopeful that the Agriculture Appropriations Committee can look to define and support a program that will further encourage urban farming to combat food deserts and I look forward to working with you to ensure its success.

Mr. ADERHOLT. Thank you, Mr. Davis, for your testimony. We certainly appreciate your taking time to come before our Subcommittee to bring our attention to some of these issues, and we look forward to working with you. We will certainly have our staff follow up if we have any questions, and we look forward to working with your staff as we move forward in the process.

So, again, thank you. And, without objection, your entire written testimony will be included in the record.

THURSDAY, MARCH 9, 2017.

WITNESS

HON. EARL BLUMENAUER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. ADERHOLT. At this time, I would like to recognize the gentleman from Oregon, Mr. Blumenauer, for any comments or remarks that he would like to make before the Subcommittee.

Mr. BLUMENAUER. Thank you very much, Mr. Chairman, Ranking Member Bishop, Members of the Committee. It is a pleasure to be with you.

I just would key off what my friend Mr. Davis just said. One doesn't think of central Chicago as maybe the province, but you know that the programs that you are involved with touch everybody across the country. Everybody eats, and we are watching applications for agriculture spread out—urban agriculture, suburban areas.

I represent an area that people don't think of, in Portlandia, as being agricultural, but there are a number of people who make a good living being involved with agricultural production and trying to connect rural and small-town Oregon together.

The Department of Agriculture is the only department that can build a community from the ground up. You have a tough job in terms of allocating resources, but I hope there is an opportunity to spend more time and attention on some of these things that don't quite get in the spotlight as much as some of the major activities that come before you.

For the last 2 years, I have spent a great deal of time traveling my State, talking about what people want in agricultural programs in Oregon. And I find that there are a number of areas where people are in agreement.

One I would point out deals with placing a higher priority on conservation. These are programs that put money in the pockets of farmers and ranchers and provide benefits for people wherever they live, in terms of hunting, fishing, water quality. It is an area that is overlooked. I was sad that it was cut in the last Farm Bill. I hope we are able to maintain this, in terms of its importance for agriculture.

Second, investing in innovation and research has exponential benefits. We do a lot at Oregon State University, but being able to invest in sustainable agriculture research, the agricultural research program, develop practices to preserve topsoil, protect farmlands, extreme weather events—these are areas that have, again, multiple benefits.

We should increase investment in small- and medium-sized farms; increase funding for outreach and assistance for socially disadvantaged and veteran farmers and ranchers. These help minorities and veterans learn to farm through outreach, education, and technical assistance. It helps them, and it strengthens people's connection to agriculture.

We can address farmers' worries about consolidation and disappearance of the American small farm by funding the Beginning Farmer and Rancher Development Program at a higher level. I encounter people all over my State—and I am finding it around the country—who want to go into agriculture, but it is hard to break into. The average age of the American farmer is pushing 60, yet there are young people who would add vitality and energy to this industry. I hope you will find ways to invest in it.

Increased funding for the Organic Transition Program is an example of value-added agriculture. It is an area that, again, is creating a great deal of value, putting money in people's pockets, and giving them a program that they can benefit from.

And the Value-Added Producer Grant Program helps farmers and ranchers take fruits and vegetables and turn them into products that command higher prices. And, again, this is a phenomenon we are seeing across the country.

I know this is a tough time. Budget resources are in short supply. But being able to focus on things that will be able to expand this playing field, provide greater value in things that we don't necessarily think about as much—I assure you that food and farm policy has a vast constituency, and look forward to working with you to see if there are ways to augment it.

[The information follows:]

Agriculture Appropriations Member Day - Testimony
Representative Earl Blumenauer
March 9, 2017
671 words

Thank you, Chairman Aderholt and Ranking Member Bishop. I appreciate the opportunity to testify today.

As you well know, food and farm policy is critical to our nation's success. The U.S. Department of Agriculture is the only agency in the federal government that can build a community from the ground up, tackling issues like housing and infrastructure as well as most problems facing America's farms and ranches. In a time of tight budget resources, it is important that we direct money to the people and activities that need the most support.

Over the past two years, I have traveled across my state of Oregon, talking with thousands of people about how food and farm resources

should be allocated. I'd like to share some of those ideas with you today because I think they resonate not just in Oregon, but across the country. With these ideas, you could get a head start on efforts to save taxpayer's money, help more farmers and ranchers, and promote healthy food, a better environment, and animal welfare, while bringing Americans together.

First, we should invest more in conservation, which benefits many farmers and ranchers as well as the environment, the general public, people who hunt and fish, and more. With these investments, we can create multiple benefits, while putting money in the pockets of farmers and ranchers.

Second, investing in innovation and research has exponential benefits for farmers and ranchers, the agriculture industry, and the public. By supporting farmers to invest in practices that are more sustainable, and

better geared towards resilience, we can help farmers adapt to a changing climate and help our country retain its edge in the global marketplace.

For example, the Sustainable Agriculture Research and Education Program is vitally important in terms of exploring themes from the benefits of cover crops to the carbon sequestration properties of the soil. It should be funded at an even higher level.

Third, we should invest in beginning, small, and medium-sized farmers. Our country needs to do more to help farmers enter the marketplace, which is why I urge you to provide as much funding as possible for the Outreach and Assistance for Socially Disadvantaged, Veteran Farmers and Ranchers program, also known as the 2501 Program.

You can combat many farmers' worry about consolidation and the disappearance of the American small farm by funding the Beginning Farmer and Rancher Development Program to bring more farmers into the fold. Many of these beginning farmers want to be more sustainable, and at the same time growers across the country understand that organic agriculture is the future for many markets. Support for the National Organic Program, the Organic Transition Program, and organic research would help more farmers gain access to these markets, and would help young people interested in agriculture policy come around.

Additionally, the Value-Added Producer Grant Program goes great lengths in helping agricultural producers add value to the goods they farm. Whether it's marionberry growers in Oregon, or bakers in Alabama, this program has done great work and should be funded at the highest possible level.

And finally, it is so important that we provide nutritious and affordable food to those who need it most. The Emergency Food Assistance Program, also known as TEFAP, is vital for many low-income Americans, and we cannot leave them behind. Supporting this program at the highest possible funding level would bring rural and urban America together, and would provide assistance to help our fellow Americans get back on their feet in a time of need. We must continue to support the safety net, and TEFAP provides emergency food and nutrition assistance at no cost for those who need it most.

These are just a few of things that the Appropriations can do to help steer our nation's food and farm policy in the right direction. I encourage you to take these considerations seriously. And to travel across your states, thinking about how food and farm policy could truly best work for your constituents. Thank you for your time and your consideration.

Mr. ADERHOLT. Thank you, Mr. Blumenauer, for your testimony. And, as I mentioned, we look forward to working with you on these issues that you brought before the Subcommittee. And we look forward to following up with your staff, and we encourage your staff to do the same.

Without objection, your entire written testimony will be included in the record.

As I mentioned, we look forward to working together, not only for your district but also for all of the districts. And, as you mentioned, every district in the entire Nation depends on agriculture one way or the other, so we are glad to work with every Member that is in the U.S. House.

So thank you for being here, and thanks for your testimony.

Mr. BLUMENAUER. Thank you for your courtesy.

Mr. ADERHOLT. We have one more Member that we understand may be en route to the Subcommittee as we speak. So we are going to just hold off for just a minute, and hopefully they will be here in just a minute before we conclude the hearing.

[Pause.]

THURSDAY, MARCH 9, 2017.

WITNESS

HON. MATTHEW CARTWRIGHT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. ADERHOLT. Thank you for being here, Mr. Cartwright. We have been saving a seat for you. So welcome to the Subcommittee. We appreciate your work on the Full Committee, and we appreciate you taking time to come before our Subcommittee.

We are taking 3 to 5 minutes just to go over some of the issues that are important to your constituency in your district. And so the floor is open for whatever remarks you would like to make at this time.

Mr. CARTWRIGHT. Well, I thank you, Chairman Aderholt and Ranking Member Bishop. Thanks for having me here today, and I am honored to join all of you on the House Appropriations Committee. I want to talk today about a couple of issues.

In Congress, one of my priorities has been nutrition programs for our most vulnerable citizens. While all Americans need to eat healthier—I include myself—fruit and vegetable access and affordability is particularly limited for low-income Americans. That is why in the 114th Congress, Congresswoman Rosa DeLauro joined me in introducing the SNAP Healthy Incentives Act.

As you all know, the Supplemental Nutrition Assistance Program, SNAP, is one of our country's most vital and successful safety net programs. Unfortunately, recent price increases in healthful foods have put the purchases of fruits and vegetables out of the reach of many SNAP recipients. So our legislation would expand a test program to incentivize SNAP recipients with a rebate of 30 cents for every dollar they spend on fruits and vegetables.

Increased fruit and vegetable intake is associated with lower rates of heart disease, cancer, and other major causes of death in the U.S., including diabetes. Parts of south Texas have alarmingly

high diabetes rates, and we all know how expensive that is, diabetes and the medical sequelae from that. And the American taxpayer seems to pick up the tab for a lot of that.

So it is with this in mind that I wish to testify today on the necessity for full funding for the Women, Infants and Children, the WIC Nutrition Program. As you know, the WIC program provides nutrition education, access to healthy foods, breastfeeding support, health screenings, and referrals to health and social services for pregnant and breastfeeding women, infants, and children under 5. WIC has earned the reputation of successfully protecting and improving the health and nutritional status of the families who participate in it.

Across the United States, particularly in rural districts like mine, WIC's time-limited services and benefits ensure that children get a strong, healthy start in life. There is clear evidence that good nutrition during pregnancy and in the first few years of life has long-term positive impacts on health.

It is important to note, particularly as Congress now begins to debate the future of American health care, that WIC helps to lower healthcare costs. Participation in WIC reduces the likelihood of adverse birth outcomes, including very low birthweight babies, improves birth outcomes for high-risk mothers as well.

Preterm births cost the U.S. over $26 billion a year, with average first-year medical costs for a premature baby of $49,000, compared to $4,500 for a baby born without complications. WIC, which costs about $775 per participant per year, is directly contributing to substantial healthcare cost savings.

The Pennsylvania WIC program ranks as one of the top 10 States in respect to overall participation. In my district alone, over 22,000 women, infants, and children rely on WIC every month.

Secondly, Mr. Chairman, I wish to testify in strong support of the Department of Agriculture's National Institute of Food and Agriculture, NIFA. USDA's extramural science agency, NIFA, provides leadership and funding for the research and technological innovations that will enhance American agriculture and make it more productive and environmentally sustainable.

Within NIFA, there are five programs that I wish to invite the Subcommittee's attention to: Regional Rural Development Centers; Smith-Lever Cooperative Extension; Hatch Act; McIntire-Stennis Cooperative Forestry Research Program; and Regional Rural Development Centers.

These programs collectively provide essential research, education, and public outreach that sustains U.S. food, fiber, and renewable fuel production. Full funding for these accounts will address critical, contemporary rural development issues affecting the well-being of people in rural areas like my district that often do not have access to the necessary resources or training to advance local economic and community development.

For example, in Pennsylvania, Penn State has utilized NIFA funding to address behavioral health issues such as substance use and abuse, like opioids, conducting scientific research on effective ways to improve farm incomes, and administering training programs to help rural areas compete for economic development funding.

I thank you for your time.

[The information follows:]

The Honorable Matt Cartwright (PA-17)
Committee on Appropriations
Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies
Member's Day Testimony
March 9, 2017

Chairman Aderholt, Ranking Member Bishop, and Members of the Subcommittee. Thank you for allowing me to testify.

In Congress, one of my priorities has been nutrition programs for our most vulnerable citizens. While all Americans need to eat healthier, fruit and vegetable access and affordability is particularly limited for low-income Americans. This is why in the 114th Congress, Rosa DeLauro, joined me in introducing the SNAP Healthy Incentives Act.

As you all know, the Supplemental Nutrition Assistance Program (SNAP) is one of our countries most vital and successful safety net programs. Unfortunately, recent price increases in healthful foods have put the purchases of fruits and vegetables out of reach for many SNAP participants. So our legislation would expand a test program to incentivize SNAP participants with a rebate of 30 cents for every dollar they spent on fruits and vegetables. Increased fruit and vegetable intake is associated with lower rates of heart disease, cancer, and other major causes of death in the U.S.

It is with this in mind that I wish to testify today on the necessity for full funding for the Women, Infants and Children (WIC) Nutrition Program.

As you know, the WIC Nutrition Program provides nutrition education, access to healthy foods, breastfeeding support, health screenings and referrals to health and social services for pregnant and

breastfeeding women, infants, and children under 5. WIC has earned the reputation of successfully protecting and improving the health and nutritional status of the families who participate.

Across the United States, particularly in rural districts like mine, WIC's time-limited services and benefits ensure that children get a strong, healthy start in life. There is clear evidence that good nutrition during pregnancy and in the first few years of life has long-term positive impacts on health. It is important to note, particularly as Congress now begins to debate the future of American healthcare, that WIC helps to lower healthcare costs. Participation in WIC reduces the likelihood of adverse birth outcomes, including very low birth-weight babies, and improves birth outcomes for bigh-risk mothers. Preterm births cost the U.S. over $26 billion a year, with average first year medical costs for a premature baby of $49,033, compared to $4,551 for a baby born witbout complications. WIC—which costs about $775 per participant per year—is directly contributing to substantial healthcare cost savings.

The Pennsylvania WIC program ranks as one of the top 10 states in respect to overall participation. In my district alone, over 22,000 women, infants and children rely on WIC *a month*. For this reason, I strongly urge the Subcommittee to allocate robust funding for WIC.

Secondly, Mr. Chairman, I wish to testify in strong support of the Department of Agriculture's National Institute of Food And Agriculture (NIFA) – USDA's extramural science agency. NFIA provides leadership and funding for the research and technological innovations that will enhance American agriculture and make it more productive and environmentally sustainable.

Within NFIA, there are five programs that I wish to draw the Subcommittee's attention to: 1) Regional Rural Development Centers; 2) Smith-Lever Cooperative Extension; 3) Hatch Act; 4) McIntire-Stennis Cooperative Forestry Research Program; and 5) Regional Rural Development Centers.

These programs, collectively, provide essential research, education, and public outreach that sustain U.S. food, fiber and renewable fuel production. Full funding for these accounts will address critical contemporary rural development issues affecting the well-being of people in rural areas, like my district, that often do not have access to the necessary resources or training to advance local economic and community development. For example, in my state of Pennsylvania, Penn State has utilized NFIA funding to address behavioral health issues such as substance use and abuse—like opioids—conducting scientific research on effective ways to improve farm incomes and administering training programs to help rural areas, like my district, compete for economic development funding. For these reasons, I urge the Subcommittee to provide robust funding for the programs that make up the National Institute of Food and Agriculture.

Thank you for your time.

Mr. ADERHOLT. Thank you, Mr. Cartwright, for your testimony. We look forward to working with you and your staff on the issues that you have highlighted here, and your entire written testimony will be included in the record. Again, thanks for taking time to come over before the Subcommittee.

Mr. CARTWRIGHT. Thank you, sir.

Mr. ADERHOLT. At this time I would like to recognize the gentleman from Texas, Mr. Green, for any testimony and remarks that he might like to bring before the Subcommittee.

THURSDAY, MARCH 9, 2017.

WITNESS

HON. GENE GREEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. GREEN. Thank you, Chairman Aderholt and Ranking Member Bishop, Members of the Ag, Rural Development, and Food and Drug Administration Subcommittee. Thank you for the opportunity to testify this afternoon.

My name is Gene Green, and I have the honor of representing the 29th District in Texas, covering the eastern half of the city of Houston in Harris County. As the Subcommittee begins to develop the fiscal year 2018 appropriations bill, I urge the Subcommittee to increase the funding for The Emergency Food Assistance Program, popularly known as TEFAP. The Texas 29 is home to nearly 110,000 food-insecure residents, one out of every seven individuals living in our district. Hunger, unfortunately, is a problem in every community in America according to the U.S. Department of Agriculture's latest household food security report. Over 42 million Americans lived in food insecure households in 2015, including over 13 million children.

Research conducted by the National Foundation to End Senior Hunger found that there were nearly 6 million food-insecure seniors in our country in 2014. Food-insecure households do not always know where their next meal is coming from, and are often forced to make tough decisions over whether to choose between food and medicine, or food and cooling. I know in some parts of the country, it is heating, but in our area it is cooling.

The Houston Food Bank and other food banks around the country cannot meet the needs of these families without the support of TEFAP. My home State of Texas received $29.6 million in TEFAP funds in 2016, and $25.8 million TEFAP bonus dollars in 2015. These funds are vital in helping food banks and other charities in Texas and around the country meet their mission to help feed the most vulnerable in our society.

In fiscal year 2016 alone, the Houston Food Bank distributed 16.8 million pounds of emergency food and nutrition assistance provided by TEFAP throughout our 18 county service area in southeast Texas.

TEFAP is a highly efficient program that simultaneously supports our agriculture economy, is a vital resource for our Nation's food banks and charities. With strong TEFAP support, we are supporting our emergency food providers on the ground and protecting

our most vulnerable constituents. Without adequate funding for TEFAP, food banks and charities would be hard-pressed to continue to provide current levels of food assistance to the 42 million Americans suffering from food insecurity.

I want to thank you for the opportunity to testify, and I have been to our food bank, and it is just amazing some of the work that they can do in a very urban area, and I want to thank you for the past support and hopefully the future support. I would be glad to try to answer any kind of questions.

[The information follows:]

Testimony for Rep. Gene Green
Member Day Request Before the Agriculture-Rural Development-FDA Subcommittee
March 9, 2017

Chairman Aderholt, Ranking Member Bishop, and Members of the Agriculture-Rural Development-Food and Drug Administration Subcommittee, I thank you for the opportunity to testify this morning.

My name is Gene Green. I have the great honor of representing the 29th District of Texas, covering the eastern half of the City of Houston and Harris County.

As the subcommittee begins to develop the Fiscal Year 2018 Appropriations bill, I urge the subcommittee to increase funding for The Emergency Food Assistance Program, popularly known as TEFAP.

The Texas 29th is home to nearly 110,000 food insecure residents, one out of every seven individuals living in my district today.

Hunger, unfortunately, is a problem is every community in America. According to the U.S. Department of Agriculture's latest Household Food Security Report, over 42 million Americans lived in food insecure household in 2015, including over 13 million children.

Research conducted by the National Foundation to End Senior Hunger found there were nearly 6 million food insecure seniors in our country in 2014.

Food insecure households do not always know where their next meal is coming and are often forced to make tough decisions over whether to choose between food and medicine, or food and heating.

The Houston Food Bank and other food banks around the country cannot meet the needs of these families without the support of TEFAP. My home state of Texas received $29.6 million in TEFAP funds in FY2016 and $25.8 million in TEFAP bonus dollars in 2015.

These funds were vital to supporting food banks and other charities in Texas and around the country meet their mission to help feed the most vulnerable in our society. In FY16 alone, the Houston Food Bank distributed 16.8 million pounds of emergency food and nutrition assistance provide by TEFAP throughout an 18 county service area covering much of Southeast Texas.

TEFAP is a highly efficient program that simultaneously supports our agriculture economy and is a vital resource for our nation's food banks and charities.

With strong TEFAP support, we are supporting our emergency food providers on the ground and protecting our most vulnerable constituents. Without adequate funding for TEFAP, food banks and charities will be hard-pressed to continue providing current levels of food assistance to the 42 million Americans suffering food insecurity.

Thank you again for the opportunity to testify this afternoon. Please contact me if I can be of assistance on this or other important matters before the subcommittee.

Mr. ADERHOLT. Thank you for your testimony. I think we have the information we need as we move forward in this process of appropriations, and we appreciate you taking time. Of course, your entire written testimony will be included in the record, and we appreciate your willingness to come and share with us some issues that are important to your district. I know that it is important to other parts of the country as well.

I want to thank everyone for testifying before our Subcommittee today. We have had between 15 and 20 Members that have come before this Subcommittee to talk about the projects and the programs that are important to their constituents, and their input will be invaluable as we move forward in trying to make sure that we hold the agencies accountable and make sure the funding is appropriate for each of the different agencies under our jurisdiction.

At this time, I would like to recognize Mr. Bishop, our Ranking Member, for any comments that he would like to make before we close.

Mr. BISHOP. Thank you, Mr. Chairman. I certainly would like to join you in thanking all of our colleagues who took the time to come and express themselves on the programs over which we have jurisdiction, and that was, of course, very enlightening for us.

Since we requested and received testimony from a number of Members who were not, for one reason or another, able to attend, I would like to move that we include, for the record, the testimony that was submitted, although they did not testify.

Mr. ADERHOLT. Without objection.

[The information follows:]

Member Name: Earl L. 'Buddy' Carter

District: First District of Georgia (GA-01)

Member Day Testimony – Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Subcommittee on Appropriations

Thank you for this opportunity to share my priorities and concerns for the First Congressional District of Georgia. It's an honor to represent a district with such a rich history and a thriving constituency. I look forward to working with you, Mr. Chairman, and the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Subcommittee to address a number of the different challenges we're currently facing.

I'd like to start by saying thank you for the continued commitment of this subcommittee to work with Members of Congress to achieve their priorities. At the end of 2016, the Food and Drug Administration (FDA) issued final guidance that would require pharmacists to obtain a valid "patient-specific prescription" for each drug compounded under Section 503A of the Drug Quality and Security Act (DQSA), despite existing federal law which states that a licensed pharmacist can compound "in limited quantities before the receipt of a valid prescription order for such individual patient."

The final guidance states that "anticipatory compounding" by pharmacists under Section 503A can only be done in "limited quantities" of "no more than a 30-day supply in order to fill valid prescriptions it has not yet received." Otherwise, only "outsourcing [503B] facilities can compound and distribute sterile and non-sterile nonpatient-specific drug products to hospitals, clinics, and health care practitioners for office use."

In June of last year, sixty-one Members of the House of Representatives, on a bipartisan basis, wrote to the former FDA Commissioner, asking that the FDA finalize the Guidance For Industry (GFI) in a way that was consistent with the law and protected both patient safety and access to critical medications compounded for office-use under state pharmacy laws.

Unfortunately, the final GFI doubles-down on the FDA's misinterpretation of the statute and will further exacerbate the patient access problem as more state-licensed and compliant pharmacies are forced to cease compounding office-use medications to the providers in their communities who rely on them for their patients' needs.

I am hopeful that upon rescinding this GFI, the incoming administration will reevaluate the FDA's policy on this subject and issue a proposed rule that provides

a meaningful opportunity for stakeholder input and that adheres to the plain language and congressional intent behind the underlying statute.

In the same guidance, the FDA attempts to describe `distribution' as occurring when "a compounded human drug product has left the facility in which the drug was compounded." In the DQSA, Congress only allowed the FDA to regulate `distribution.' However, the Memorandum of Understanding appears to exceed the authority granted in the statue by redefining `distribution' in a manner that includes dispensing. These are terms that have commonly-accepted definitions in existing law and in pharmacy practice.

I know that this subcommittee remains committed to finding a solution to this problem and I look forward to working with you to remedy this situation. For that reason, I respectfully request that similar compounding language from the FY16 and FY17 House Reports be included in the FY18 House Report.

Mr. Chairman, I am extremely appreciative of the hard work you and your colleagues on the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies subcommittee do to create this bill. I appreciate your attention to these matters and I look forward to working with you.

U.S. Representative Mike Coffman
TESTIMONY
Members Day
House Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies
March 9th, 2017

REP. COFFMAN: Thank you Chairman Aderholt, Ranking Member Bishop and Members of the Subcommittee for hosting this opportunity for your colleagues to testify on upcoming appropriations legislation. The agriculture appropriations bill contains many provisions vital to my constituents, and I appreciate you taking the time to hear from me on this important subject.

As the subcommittee begins to develop its upcoming fiscal year 2018 Appropriations bill, I request your consideration of the needs of our nation's network of food banks and other emergency food providers, many of whom are struggling to meet sustained high levels of demands while facing increased costs for purchasing and transporting food.

My district contains 99,670 food insecure people and I have personally seen the importance of food banks and food pantries to those facing food insecurity in my district. These are folks who do not always know where their next meal is coming from and they are deeply grateful for what food banks can provide.

Many of the people served by food banks have to make tough choices. In my district the anecdotal evidence is that many of those coming to food banks are doing so due to the cost of housing and utilities.

In Aurora Colorado a key community partner and food pantry is the Aurora Interfaith Community Services. Although Aurora Interfaith Community Services receives many contributions of food from local supermarkets, from the Food Bank of the Rockies, and other donors, I know that without access to the Emergency Food Assistance Program, commonly known as TEFAP, it could never meet the demands placed upon it.

My local food bank, Food Bank of the Rockies, similarly could not meet the needs of these families alone without programs like TEFAP. In fiscal year 2016, Colorado received $4,799,863 in TEFAP funds, in addition, states also receive bonus TEFAP dollars and in 2015 Colorado received $4,939,922 in bonus TEFAP. These funds were vital to supporting our food banks and other charities in their mission to help feed my most vulnerable constituents.

TEFAP helps to support our emergency food providers on the ground and to protect our most vulnerable constituents. Without adequate funding for TEFAP, food banks and pantries will be hard-pressed to continue providing current levels of food assistance across the country and to my constituents.

I look forward to working with you on this matter and other pressing issues before the Subcommittee.

Again thank you Chairman Aderholt, Ranking Member Bishop and the members of the subcommittee for taking the time to hear my testimony.

Congressman Neal Dunn, M.D.

Florida's Second Congressional District

Statement of support for Rural Utility Service (RUS) Electric Loan Program

Chairman Aderholt, Ranking Member Bishop, and members of the subcommittee, as you consider the Fiscal Year 2018 Agriculture Appropriations bill, I want to express my strong support for robust funding of the U.S. Department of Agriculture's.

In Florida's Second Congressional District, consumer-owned, not-for-profit electric cooperatives provide electricity for more than 300,000 residents and business owners. Floridians in the Second District can count on cooperatives to provide affordable and reliable electricity, in part because of the low interest financing that RUS Electric Loans provide. I also know that RUS Electric Loans, which are repaid with interest, are a good deal for the taxpayer. In Fiscal Year 2017, the program will net more than $300 million for the U.S. Treasury.

In closing, I appreciate the opportunity to share with the subcommittee how this vital public-private-partnership impacts the people of Florida's Second Congressional District, and I request your support for robust funding of the RUS Electric Loan Program in Fiscal Year 2018. Should you or those on your staff have any questions, please do not hesitate to contact Evan Lee in my office at 202-225-5235.

MARCIA L. FUDGE
11TH DISTRICT OF OHIO

COMMITTEE ON AGRICULTURE
RANKING MEMBER, SUBCOMMITTEE ON CONSERVATION AND FORESTRY

SUBCOMMITTEE ON NUTRITION

COMMITTEE ON EDUCATION AND THE WORKFORCE
SUBCOMMITTEE ON EARLY CHILDHOOD, ELEMENTARY AND SECONDARY EDUCATION

SUBCOMMITTEE ON HEALTH, EMPLOYMENT, LABOR AND PENSIONS

Congress of the United States
House of Representatives
Washington, DC 20515

WASHINGTON OFFICE
U.S. HOUSE OF REPRESENTATIVES
2344 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-7032; (202) 225-1339 FAX

DISTRICT OFFICES
RICHMOND HEIGHTS CENTER
4834 RICHMOND ROAD, SUITE 150
WARRENSVILLE HEIGHTS, OHIO 44128
(216) 522-4900; (216) 522-4908 FAX

LAWTON COMMUNITY CENTER
1225 LAWTON STREET
AKRON, OHIO 44320
(330) 835-4756; (330) 835-4863 FAX

E-MAIL: http://fudge.house.gov

Representative Marcia Fudge
Testimony
Members' Day
House Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies
March 9th, 2017

Thank you Chairman Aderholt, Ranking Member Bishop and Members of the Subcommittee for hosting this opportunity for your colleagues to testify on upcoming appropriations legislation. The agriculture appropriations bill contains many provisions vital to my constituents, and I appreciate you taking the time to hear from me on three very important subjects.

The Emergency Food Assistance Program

As the subcommittee begins to develop its upcoming fiscal year 2018 Appropriations bill, I request your consideration of the needs of our nation's network of food banks and other emergency food providers, many of whom are struggling to meet sustained high levels of demands while facing increased costs for purchasing and transporting food.

My district contains 208,290 food insecure people. According to the US Department of Agriculture's latest Household Food Security Report, in 2015 a little more than 42 million people in the United States lived in food insecure households, including 13.1 million children. According to research conducted by the National Foundation to End Senior Hunger, in 2014 there were 5.7 million food insecure seniors in the United States. These are folks who do not always know where their next meal is coming from.

According to Feeding America's Hunger in America 2014 report, 34% of client households have someone who is working, and 45% of the households served by Feeding America do not receive direct government food assistance from SNAP. Many of the people served by food banks have to make tough choices. 65.9% of client households report having to choose between food and medicine, 69.3% have to choose between food and utilities, such as heating.

My local food bank, the Greater Cleveland Food Bank, and others around the country could not meet the needs of these families alone without programs like the Emergency Food Assistance Program, commonly known as TEFAP. In fiscal year 2016, Ohio received $45,904,064 in TEFAP funds. These funds were vital to supporting our food banks and other charities in their mission to help feed my most vulnerable constituents.

TEFAP works by purchasing commodities from our farmers and distributing through food banks and other emergency feeding organizations to help feed the less fortunate among us. TEFAP is a highly efficient program that simultaneously supports our agriculture economy and is a vital resource for our nation's food banks and charities. According to a USDA report, producers of commodities provided through TEFAP mandatory purchases receive about 27 cents per dollar spent. With strong TEFAP support, we are supporting our emergency food providers on the ground and protecting our most vulnerable constituents. Without adequate funding for TEFAP, food banks will be hard-pressed to continue providing current levels of food assistance to the 42 million people in our country who are food insecure.

Conservation Programs

Privately owned crop, pasture, and rangelands account for nearly half of the landmass in the United States. Given that footprint, it is clear farmers and ranchers have an enormous impact on our natural environment. A suite of distinct but interrelated farm bill programs – Environmental Quality Incentives Program (EQIP), Conservation Stewardship Program (CSP), Agricultural Conservation Easement Program (ACEP), and others – work together to give farmers the tools they need to protect and rebuild soil, improve irrigation equipment, provide clean water, and enhance wildlife habitat – all while maintaining vibrant and productive farms and ranches.

As we approach the expiration of the 2014 Farm Bill, providing full mandatory conservation funding is especially important because any changes in mandatory program spending in FY18 will carry over into the baseline funding assumptions for the next farm bill. Any reduction in CBO baseline for mandatory farm bill conservation programs means fewer resources will be available in the farm bill, and that these short-sighted cuts will have long term impacts that will be felt by farmers for years to come.

Less funding for voluntary conservation means less productive and profitable farmlands as soil erodes and nutrients are lost. With additional cuts to mandatory spending for conservation, the number of farmers denied access to the programs will grow even larger. As a result of cuts to EQIP in FY 2016, USDA was able to accept only one quarter of the eligible producers who applied to EQIP. Producer demand for these programs remains high, as USDA was only able to accept 43 percent of *eligible* CSP applicants in FY 2016. Additionally, the Regional Conservation Partnership Program (RCPP) pulls its funding from EQIP and CSP, so cuts to these programs also limit USDA's ability to leverage private dollars to fund projects through RCPP.

Conservation programs help farmers comply with regulations and empower states to conserve resources locally by granting them flexibility to prioritize conservation issues and to develop cooperative projects to address local needs. Farmer demand for conservation funding is very high – applications for CSP and EQIP dollars outstrip available funds by two to three times on an annual basis. If we do not invest in protecting our natural resource base, long-term costs with respect to food security and environmental mitigation efforts will far outweigh the cost of today's targeted investment. Over 346 million acres have been enrolled in CSP, and more than $144 million have been awarded through EQIP across Ohio since 2009. This amounts to over $183 million that has been invested into the pockets of Ohio's farmers and ranchers to reward them for stewarding the state's natural resources through both CSP and EQIP since 2009.

Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers Program

I urge you to provide $10 million in discretionary funding and no limitation on mandatory program spending for the Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers Program (also known as the 2501 Program) in FY 2018. This appropriation would restore total program funding to its historical level in order to meet the increased demand for outreach and technical assistance by military veteran farmers, and other historically underserved producers. The program was expanded as part of the 2014 Farm Bill to also serve military veterans, which makes increased funding all the more necessary.

Since 1990, the 2501 Program has served as the only farm bill program dedicated to addressing the specific needs of African-American, American-Indian, Asian-American, and Latino family farmers and ranchers. The program aims to reverse the disadvantage and disparity that has existed for these groups by arming our nation's military veterans and minority farmers

with the tools they need to thrive and compete in the agricultural economy. Both of these populations are a growing sector of the U.S. farm economy and the continued success of American agriculture depends on the success of all of our farmers.

Over the past 20 years, the 2501 program has invested millions of dollars into our nation's community-based organizations, land grant universities, and cooperative extension, to develop and strengthen innovative outreach and technical assistance programs and other resources targeted at historically underserved producers. However, the most recent farm bill that was signed into law in 2014, drastically cut mandatory funding for the program from $20 million to $10 million per year. Unfortunately, this significant cut in funding also accompanied a substantial program expansion to address the needs of the influx of returning military veterans who seek assistance in pursuing a career in farming. This underinvestment in the 2501 program will ultimately shortchange our nation's most vulnerable and chronically underserved farmers and ranchers, and will slow the pace of progress and subsequent success of these farming operations, and thus, American agriculture as a whole. With additional demand for program resources from returning military veterans, it is essential that Congress scale up, not cut back, on support for our nation's most underserved communities. I therefore strongly urge Congress to provide $10 million in discretionary funding for the 2501 program in FY 2018 in order to restore total program funding to previous total funding levels of $20 million. Over the past several decades, Ohio's farmers and ranchers have benefitted from the over $1.1 million invested in outreach and technical assistance through the 2501 program.

I look forward to working with you on these matters and other pressing issues before the Subcommittee. Again thank you Chairman Aderholt, Ranking Member Bishop and the members of the subcommittee for taking the time to hear my testimony.

Bob Goodlatte (VA-06)
Appropriations Subcommittee on Interior, Environment, and Related Agencies Listening Session
3/7/2017

Bob Goodlatte (VA-06)

Chairman Aderholt, Ranking Member Bishop, and Members of the Subcommittee,

As the Subcommittee begins work on the Fiscal Year 2018 Agriculture, Rural Development, FDA and Related Programs Appropriations bill, I respectfully request the inclusion of language to address three key areas of concern in the agriculture sector.

I first request that the Subcommittee include language to limit additional government subsidies in the corn ethanol market.

As you know, Congress, through the 2014 Farm Bill, clearly expressed its intent that the United States Department of Agriculture (USDA) refrain from subsidizing ethanol blender pumps through its prohibition of such funding through the Rural Energy for America Program (REAP). Blender pumps operate by drawing different types of fuels from separate tanks, and then mixing those fuels together in various percentages. In the case of ethanol, blender pumps are used to blend gasoline with higher levels of ethanol.

Despite the Farm Bill's clear prohibition of USDA subsidies for blender pumps, in June of 2015, the USDA announced that it would be making available $100 million in matching grants under a Biofuel Infrastructure Partnership, which would be funded through the Commodity Credit Corporation (CCC) at USDA. This Biofuel Infrastructure Partnership certainly violates the spirit, if not the absolute letter, of the law.

It is important to note that retailers who would like to invest in such infrastructure on their own, without the benefit of taxpayer subsidies, are certainly free to do so, but Congress did not intend for the American taxpayer to foot the bill for this technology. Given that the ethanol industry already benefits from a unique mandate, which essentially requires that Americans purchase gasoline blended with ethanol, it seems particularly unfair that Americans are now being asked to also pay for the infrastructure that ensures the ethanol industry additional sales of their product.

For these reasons, I respectfully request that you include specific funding limitations for subsidies benefiting blender pump technology in your appropriations bill. I stand ready to work with the Subcommittee on ways in which to accomplish this goal.

In addition, I would like to encourage the Subcommittee to provide consideration for the needs of our nation's network of food banks and other emergency food providers. My local food banks – Feeding America Southwest Virginia and Blue Ridge Area Food Bank – and others

around the country would have difficulty assisting needy families alone without programs like The Emergency Food Assistance Program, commonly known as TEFAP.

TEFAP works by purchasing commodities from our farmers and distributing those products through food banks and other emergency feeding organizations that help feed the less fortunate among us. When we support TEFAP we are supporting our emergency food providers on the ground and protecting our most vulnerable constituents. Without adequate funding for TEFAP, food banks will be hard-pressed to continue providing current levels of food assistance to our constituents in need. Therefore, I request that the Subcommittee include adequate funding for this important program.

Lastly, I would like to request that the Subcommittee consider the inclusion of language to ensure that the previous Administration's proposed and interim rules, known as the, "GIPSA Regulations" or the "Farmer Fair Practices Rules" remain on hold. I remain concerned that these rules were not crafted with adequate input from the livestock industry and that they could have an adverse impact on our agricultural community. In past years, the Subcommittee has included language that would prevent USDA from implementing these regulations. Therefore, I request that the Subcommittee would again consider the inclusion of such text.

I look forward to working with you on these matters and other pressing issues before the Subcommittee.

Again thank you Chairman Aderholt, Ranking Member Bishop, and the members of the Subcommittee for taking the time to hear my testimony.

Submitted Testimony of Rep. Richard Hudson (NC08)
Subcommittee on Agriculture, Rural Development, Food and Drug Administration and Related Agencies
March 7, 2017

Thank you members of the Subcommittee for holding this important listening session and allowing me to advocate on behalf of agriculture industry in North Carolina. Agriculture remains a top industry in my state and I am committed to working to ensure we are advancing initiatives that strike the right balance between ensuring fiscal responsibility, providing certainty to our farmers and maintaining the strength of our agribusinesses. Tobacco is an integral part of North Carolina's agriculture and economy. Its growers are some of the hardest working producers in our state.

In an effort to ensure the longevity of this industry, I would like to express my support for the Cole-Bishop amendment text to the FY2017 House Agriculture Appropriations Bill (Section 761), which passed this Committee with bipartisan support last year.

As you recall, The Family Smoking Prevention and Tobacco Control Act of 2009 (the Act) required FDA to immediately regulate cigarettes, smokeless, and roll-your-own tobacco products, and let FDA decide whether or when to deem other tobacco products to be under its authority. Eight years after the Act became law, in May 2016, FDA finalized the rule extending its oversight to include cigars, e-vapor products, and other tobacco products. Commonly referred to as the "deeming" rule, FDA's regulation took effect August 8, 2016.

In addition to supporting FDA's regulation of these products, I support Mr. Cole and Mr. Bishop's common sense amendment text. This language requires FDA to move further and faster than its own final deeming rule and does not undermine FDA's extensive authority. The language also addresses issues of concern raised by this Committee in previous debate, including

issues around consumer safety and marketing. It would require FDA to finalize product standards for batteries within two years, as well as establishing new requirements for labeling and retailer registration, marketing restrictions and a self-service display ban for vapor products.

The House-passed Cole-Bishop amendment also updates the February 15, 2007 predicate date for newly deemed tobacco products, which FDA did not change in its final deeming regulation. It does not make sense that this 2007 date would apply to products that barely existed on the market then and that FDA began regulating in 2016. Without a change to the 2007 predicate date that first applied to cigarettes in 2009, FDA's regulation will require all e-vapor product manufacturers to submit costly and time-consuming applications to obtain FDA's permission to remain on the market. FDA itself predicts that these burdens will force many e-vapor products to exit the market.

As a policy matter, it is counterproductive to treat vapor products that can serve as potential risk-reducing alternatives for smokers more harshly than cigarettes. Without this amendment, the FDA is effectively making it more difficult for vapor products to come to market than cigarettes, even though Public Health England, the British version of our Department of Health and Human Services published a report stating that vapor is 95% less harmful than a cigarette. In spite of FDA's own recognition of a "continuum of nicotine-delivering products," as well as thousands of comments and input from a wide range of stakeholders, FDA has established regulatory hurdles that far exceed those imposed on cigarettes when they were first brought under FDA's jurisdiction in 2009.

Let me emphasize that this language does nothing to cut against FDA's full authority to regulate these products. It would not alter in any way FDA's numerous other broad regulatory authorities – such as the requirement that manufacturers submit detailed product formulas to

FDA for each of their products, FDA's authority to review any modifications to these newly regulated products going forward, FDA's authority to issue product standards, including flavor restrictions or bans and FDA's numerous other enforcement tools, including misbranding, adulteration and post-market surveillance.

The Cole-Bishop amendment text builds on what FDA has already done in its final deeming regulation and accelerates action on additional consumer safety and marketing issues, while modernizing the predicate date to promote a regulatory framework where harm reduction and innovation have a chance to succeed. I urge my Colleagues to support this necessary, common sense provision.

Testimony for Rep. Leonard Lance (R-NJ-07)

The House Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Member Day Hearing

Chairman Aderholt, Ranking Member Bishop, and Honorable Members of the Subcommittee, I am pleased to offer this testimony in support of assigning funding for the Food and Drug Administration (FDA) a high priority as you craft your Fiscal Year 2018 (FY18) appropriations measure. FDA is responsible for carrying out the highly complex mission of ensuring that prescription drugs and medical devices are safe and effective, and, in conjunction with the Department of Agriculture, that our nation's food supply is secure. In fact, the agency's mission touches over 25% of the United States' economy and affects every American, every day.

We are currently in an era of unprecedented medical discovery, bolstered by new and evolving science in such areas as regenerative medicine, immunology, and "big data" analysis. Ensuring that the products of these advances are safe and effective will allow us to treat and possibly cure many of the most vexing, costly, and debilitating medical conditions that rob our constituents of years with loved ones, of scarce dollars, and of independence. Without a responsible, responsive, and efficient FDA, this opportunity to translate discoveries into cures cannot come to fruition in the U.S. The negative consequences for patients and our economy of an under-equipped FDA are profound.

When you think about the diversity of products under FDA's watch -- diagnostics that ensure patients receive the right care; biologics that are going beyond treatment to provide outright cures; medical technologies that empower wounded warriors to regain their mobility and permit ever more targeted and effective treatments for deadly diseases -- it is clear that an effective FDA

generates massively important returns. It is equally clear that a strapped and sluggish FDA squanders healthcare savings, exports and other economic activity, and most importantly–American lives.

We in Congress have repeatedly mandated that the FDA do more, do it faster, and do it better. It is our responsibility, and in the best interests of America and Americans, to ensure FDA can live up to expectation. This means hiring the caliber of scientist needed to keep pace with rapidly evolving medicine, the IT professionals needed to develop a 21st century data infrastructure, and the administrative and support professionals that are essential in linking the FDA's scientific review to the successful treatment of patients. The residents of the state of New Jersey and our nation as a whole simply cannot afford an underfunded, overworked, and backlogged FDA.

Another reason we need a fully-funded FDA is to ensure that they have the expertise and the infrastructure, as well as the flexibility, to capably review any future new drug applications for the treatment of diseases such as Alzheimer's. Alzheimer's Disease is our costliest disease, and we currently spend more than $200 billion per year to care for Alzheimer's patients. By 2050 alone, spending on this disease is expected to cost our country more than $1 trillion. The good news is that the life science community is investing heavily in developing new treatments for Alzheimer's Disease. The bad news is, new options for patients remain elusive. To play its role, the agency urgently needs to be appropriately funded and fully staffed.

I appreciate the many competing priorities you must navigate as members of this crucial subcommittee. I firmly believe that it is in the strategic interests of the United States and the individual interests of the Americans we serve to ensure robust funding for FDA is among them. I thank you again for permitting me to participate in today's hearing.

CONGRESSWOMAN SHEILA JACKSON LEE (TX-18)

STATEMENT BEFORE THE
COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT,
FOOD AND DRUG, AND RELATED AGENCIES

MEMBER DAY HEARING ON
AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG, AND
RELATED AGENCIES APPROPRIATIONS ACT FOR FY2018
THURSDAY, MARCH 9, 2017
2362-A RAYBURN
10:00 A.M.

Chairman Aderholt, Ranking Member Bishop and distinguished Members of the Subcommittee:

- As the Ranking Member of the Judiciary Subcommittee on Crime, Terrorism, Homeland Security, and Investigations, let me offer my appreciation and thanks to Chairman Aderholt and Ranking Member Bishop for the difficult work and choices that must be made to produce a truly bipartisan Agriculture spending bill, and for their commitment to producing a bill that fairly reflects the interests and priorities of the American people.
- Mr. Chairman, I understand that my entire statement will be made part of the record so I will keep my remarks brief.
- In the few minutes allotted I wish to highlight the food security and rural development programs which warrant the Committee's continuing attention and support.

FOOD SECURITY
I support $83 billion for Supplemental Nutrition Assistance Program.
I support the Supplemental Nutrition Assistance Program (SNAP) and other programs that reduce hunger and help families meet their needs. SNAP is the cornerstone of the Nation's nutrition assistance safety net, touching the lives of 47

million Americans, the majority of whom are children, the elderly, or people with disabilities.

I support $6.5 billion for Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
WIC offers nutrition, education, and referral services to low-income pregnant and postpartum women, their infants, and children up to age 5.

I support $329 million for Emergency Food Assistance Program
The Emergency Food Assistance Program (TEFAP) provides nutritious, American-grown commodities at no cost to low-income Americans in need of short-term hunger relief through organizations like food banks and pantries.

I Support $55 million for USDA Summer Electronic Benefits Transfer for Children (SEBTC)
Created in 2011, the SEBTC pilot program provides food assistance to eligible low-income children through an EBT card. The initial success can be seen in Connecticut, Delaware, Michigan, Missouri, Nevada, Oregon, Texas, Washington, Cherokee Nation, and Chickasaw Nation, where SEBTC has successfully improved food security and nutritional access for low-income children.

I Support $35 million for grants under Section 105 of the Healthy and Hunger Free Kids Act of 2010
This funding will help schools reduce hunger among low-income students and boost education and health outcomes. These funds will enable schools to choose the best options and practices that they believe will work to increase the number of children who start the day with a healthy breakfast.

I support $22 million for Senior Farmers' Market Nutrition Program.
This program awards grants to states, territories, and federally-recognized Indian tribal governments to provide low-income seniors with coupons that can be exchanged for eligible foods at farmers' markets, roadside stands, and community supported agriculture programs.

I support $240 million for Commodity Supplemental Food Program
The Commodity Supplemental Food Program provides 619,000 nutritious food packages each month in 47 states, the District of Columbia, and two Indian Tribal Organizations.

I support $100 million for TEFAP Storage and Distribution
TEFAP Storage and Distribution funding will help food banks and emergency feeding agencies with rising costs of storing, transporting, and distributing foods to needy.

I support $36 million for Pollinator Focuses Research
The significant decline in pollinator populations, most notably that of commercial honey bees, is a national concern. Pollinators are vital to our nation's economy and ecosystem, contributing nearly $15 billion to the nation's economy and supporting one out of every three bites of food we eat.

I Support $62 million for the Evan Allens Program
The Evan-Allen program support the training of both undergraduate and graduate students in the food and agricultural sciences and 51.6% of all degrees awarded to African Americans in agriculture. Research has helped increase the nutritional values of crops, investigated causes of obesity, developed new energy systems, and increased food safety.

I support $35 million for Healthy Food Financing Initiative (HFFI)
The HFFI is a public-private partnership that combats America's obesity epidemic by providing access to affordable, healthy, fresh food options. It also provides loan and grant financing to attract grocery stores and other fresh food retailers to underserved urban, suburban, and rural areas, and renovate and expand existing stores so they can provide the healthy foods communities want and need.

ANIMAL PROTECTION
I support $6.5 million for National Veterinary Medical Services Act
I request $6.5 million to address the critical maldistribution of veterinarians practicing in rural and inner-city areas, as well as in government positions at FSIS

and APHIS, by repaying veterinary student debt for those who choose to practice in these underserved areas, as identified by the Secretary of Agriculture.

I support $705 million for Horse Protection Act (HPA) Enforcement
This funding will remedy serious shortfalls in Animal Care Division account and enforce existing law to stop soring of show horses by providing for inspectors, training, security (to address threats of violence against inspectors), and advanced detection equipment.

I support $28.7 million for the Animal Welfare Act Enforcement.
There is an urgent need to adequately fund the Animal Care division to improve its inspections of approximately 10,399 sites, including commercial breeding facilities, laboratories, zoos, circuses, and airlines, to ensure compliance with AWA standards.

RURAL DEVELOPMENT
I support $350 million for Commodity Futures Trading Commission.
The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) expanded the CFTC's regulatory and oversight authority to cover approximately 90 percent of the U.S. derivatives market, trillions of dollars of trading formerly done in the dark. Fully funding this agency is crucial to ensure that the CFTC can implement Dodd-Frank's derivatives reforms and protect consumers from spikes in commodity prices caused by Wall Street speculators.

I support $40 million for Hispanic-Serving Agricultural Colleges and Universities (HSACU)
The 2008 Farm Bill included a new federal designation, Hispanic-Serving Agricultural Colleges and Universities (HSACUs), for HSIs offering degree programs in agriculture and related areas. USDA's Title VII – Hispanic-Serving Institutions Grants Program offers HSIs the ability to carry out education, applied research, and related community development programs. HSIs play a crucial role in addressing this

education gap, enrolling 57 percent of Hispanic college students and 18 percent of all students in non-profit postsecondary institutions.

I support $16.9 million for the USDA Circuit rider program

The USDA circuit rider program provides the primary support for small communities to operate safe and clean drinking water supplies, and helps to ensure compliance with current water regulations. It is one of the most successful private-public partnerships that the USDA operates with appropriated funds to provide much needed technical expertise and training to rural communities.

CONCLUSION

Mr. Chairman, I thank you and the Ranking Member for your leadership and for extending me this opportunity to share my major priorities with the Subcommittee.

Representative Richard M. Nolan (MN-08)
Members' Day Testimony
House Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies
March 9th, 2017

Thank you Chairman Aderholt, Ranking Member Bishop and Members of the Subcommittee for hosting this opportunity for your colleagues to testify on upcoming appropriations legislation. The agriculture appropriations bill contains many provisions vital to my constituents, and I appreciate you taking the time to hear from me on this important subject.

As the subcommittee begins to develop its upcoming fiscal year 2018 Appropriations bill, I request your consideration of the needs of our nation's network of food banks and other emergency food providers, many of whom are struggling to meet sustained high levels of demands while facing increased costs for purchasing and transporting food.

My district contains 73,120 food insecure people. According to the US Department of Agriculture's latest Household Food Security Report, in 2015 a little more than 42 million people in the United States lived in Food Insecure Households, including 13.1 million children. According to research conducted by the National Foundation to End Senior Hunger, in 2014 there were 5.7 million food insecure seniors in the United States. These are folks who do not always know where their next meal is coming from.

According to Feeding America's Hunger in America 2014 report, 34% of client households have someone who is working, and 45% of the households served by Feeding America do not receive direct government food assistance from SNAP. Many of the people served by food banks have to make tough choices. 65.9% of client households report having to choose between food and medicine, 69.3% have to choose between food and utilities, such as heating.

Food banks in my district, including Second Harvest Northern Lakes in Duluth and Second Harvest North Central in Grand Rapids, and others around the country could not meet the needs of these families alone without programs like the Emergency Food Assistance Program, commonly known as TEFAP. In fiscal year 2016, Minnesota received $4,634,519 in TEFAP funds, in addition, states also

receive bonus TEFAP dollars and in 2015 Minnesota received $3,513,000 in bonus TEFAP. These funds were vital to supporting our food banks and other charities in their mission to help feed my most vulnerable constituents.

TEFAP works by purchasing commodities from our farmers and distributing through food banks and other emergency feeding organizations to help feed the less fortunate among us. TEFAP is a highly efficient program that simultaneously supports our agriculture economy and is a vital resource for our nation's food banks and charities. According to a USDA report, producers of commodities provided through TEFAP mandatory purchases receive about 27 cents per dollar spent.

With strong TEFAP support, we are supporting our emergency food providers on the ground and protecting our most vulnerable constituents. Without adequate funding for TEFAP, food banks will be hard-pressed to continue providing current levels of food assistance to the 42 million people in our country who are food insecure.

I look forward to working with you on this matter and other pressing issues before the Subcommittee.

Again thank you Chairman Aderholt, Ranking Member Bishop and the members of the Subcommittee for taking the time to hear my testimony.

Congressman Collin C. Peterson (MN-07)
Testimony for the Record
Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies
March 6, 2017

Thank you for the opportunity to speak on behalf of the residents of Minnesota's 7th District regarding the importance of patient input during the FDA drug review process. Affording patients an opportunity to share their perspective contributes to a more thorough evaluation of a drug's merits and impact.

Last year, Congress passed the 21st Century Cures Act which recognized the essential role that patient advocates play in the development of drugs and medical devices. It is my hope that, in keeping with this legislation, the FDA will enhance its efforts to incorporate patient experience into its regulatory evaluations and decision-making.

Particularly in cases like Duchenne muscular dystrophy, when no alternative therapies are available for purchase or eligible for approval, it is the responsibility of both Congress and the FDA to represent the voices of patient advocates and provide the timely delivery of treatments.

Congresswoman Cathy McMorris Rodgers
5th Congressional District, Washington State

Thank you, Chairman Aderholt and Ranking Member Bishop for providing the opportunity to submit a statement for the record for the Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies.

Over the past few years, droughts have left our wheat growers in a difficult situation, dealing with low yields in an increasingly difficult commodity market. Last year, however, farmers have experienced exceptional yields on their wheat harvest. Unfortunately, these yields have been accompanied by quality issues across the region. In order to determine the grade and marketing price of wheat, farmers must submit wheat to a number of tests that specifically identify the protein and moisture content of wheat. If there is rain before the wheat harvest, the grain in question may begin to sprout in the head, which can break down proteins and reduce the quality of the flour made.

The Falling Number test gives an indication of the amount of sprout damage that has occurred within wheat samples when the wheat is delivered to the elevator (the test is conducted at elevators). The falling number specifically is a measurement of the time it takes for a plunger to fall to the bottom of a precision bore glass tube filled with a heated paste of wheat meal and water. The test is intended to determine the milling quality of the wheat being harvested. Generally, falling number values of 350 or higher indicate minimal damage and high wheat quality. This test is extremely important, because most buyers from export markets have written in minimum falling numbers thresholds of 300 in their purchase agreements. If the wheat falls below 300, it is discounted in price. This is a long standing requirement that is internationally accepted.

The Pacific Northwest is the largest region in the U.S. for the production of soft white wheat. Over 85% of the crop is exported to Asian customers, who are willing to pay a premium for Pacific Northwest wheat because of its exceptional quality. However, the quality of this crop is threatened by untimely temperature fluctuations and rainfall. These stresses lead to low Falling Numbers, which can reduce the quality of products made from wheat. It is critical to prevent problems with low Falling Numbers in order to maintain the competitiveness of this important export crop. Low Falling Numbers in wheat has been sold at significant discounts, causing financial losses impacting every facet of the value chain in the wheat industry. In 2016 alone, as much as 40% of the Pacific Northwest wheat crop was affected by low Falling Numbers, representing a loss of millions of dollars to the wheat industry. The effect of these losses is threatening the viability of farmers who rely upon the price premium of their normally high quality wheat. This problem is not restricted to the Pacific Northwest or to white wheat. Wheat crops throughout the Western states and the Great Plains have been affected by the low Falling Numbers problem.

Three PNW state wheat commissions have spent hundreds of thousands of dollars in Falling Numbers research, however the magnitude of the crisis exceeds the available resources at the Pacific Northwest universities, USDA-ARS and private companies to complete the research needed to address the knowledge gaps. Additional research expertise and capacity may also be needed. Resolving the Falling Numbers crisis requires the following research priorities and objectives to be addressed with new funding:

- Improve the current Hagberg-Perten Falling Numbers test to increase its accuracy.

- Develop a more rapid and simple test for use at grain elevators and by growers to determine grain quality.
- Develop new assays to measure Pre-harvest sprouting (PHS) and late maturity alpha-amylase (LMA) that are repeatable, affordable and accurate (genetic screening tools).
- Characterize the genetics and genomics of both LMA and PHS.
- Breed wheat varieties with improved LMA and PHS resistance.
- Characterize other environmental and management variables associated with PHS and LMA.
- Examine the impact of LMA and PHS on end-use quality.
- Determine other starch properties and interaction between starch and other macromolecules that may be used to reduce risk of low Falling Numbers.

The requests below will provide funding for these critical initiatives. The Pacific Northwest wheat industry stands united in supporting research to solve low Falling Numbers problem. An effective research effort will require two parallel and related approaches, both supported by new funding.

- A request for a programmatic increase of $1,000,000 in the FY18 budget of the USDA-ARS to address soft white wheat falling number issues.
- A proposal for a three-year competitive grant, totaling $2,000,000, from the National Institute for Food and Agriculture to fund soft white wheat falling numbers research at land grant universities and other cooperators.

Mr. Chairman and members of the subcommittee, I appreciate the opportunity to advocate for these priorities and would be happy to provide further details.

REPRESENTATIVE TERRI SEWELL (AL-07)

MEMBER, WAYS & MEANS HEALTH SUBCOMMITTEE

As a Member of the Health Subcommittee on the House Committee on Ways and Means, it is my hope the House Committee on Appropriations will recognize the benefits of human milk in the first year of life as they are indisputable. Please include a copy of the attached letter from the Alabama Breastfeeding Committee as a part of the record of this hearing. Please also let the record reflect that my testimony has been informed by Dr. Briana J. Jegier of D'Youville College in Buffalo, NY.

Breast milk and breastfeeding is a widely available and cost effective infant feeding strategy that Congress and payers, including taxpayers, should promote. Specifically, mothers who are able to provide breast milk and infants that are able to receive breast milk have lower rates of disease and death throughout their lifetime.[1] Reducing disease and deaths translates into cost savings for payers and society.[2] The most recent study in the United States demonstrated that if 90% of women in the United States were to breastfeed optimally (defined as exclusively for 6 months and continued through 12 months) that the United States would save $3 billion in total medical costs, $2.6 billion of which is direct medical spending, and $14.2 billion in costs from premature death.[2] This societal cost perspective indicates that **healthcare policy should prioritize breast milk and breastfeeding as the first choice for infant feeding strategy in the United States.** However, it does not indicate what the cost savings would be for individual payers and states.

Breastfeeding for individual states particularly in the early postpartum period is important because state payers, such as Medicaid, bear the cost of a large portion of births in the United States.[3] The most recent review of Medicaid data from the Kaiser foundation indicates that Medicaid as the primary payer for birth ranges from 27% in New Hampshire to 72% in New Mexico.[3] The median percentage of births paid for by Medicaid in the United States was 49% for the 49 reporting states (no data was available for Hawaii).[3] Using the median percentage for births paid for by Medicaid and the most recent birth data from 2014[4], the estimated number of births paid for by Medicaid was 1,919,507 women who gave birth to 1,954,157 infants. Of these Medicaid births, 23,624 women gave birth to 27,358 very low birth weight (VLBW) infants, one of the most costly[5] groups of infants in the United States.

Given the large number of Medicaid births, estimating the savings associated with investment in breastfeeding is critical. Using the data reported in the most recent cost analysis by Bartick et. al,[2] one can estimate the cost savings potential that Medicaid would experience if optimal breastfeeding was achieved (Table 1). The analysis was limited to only infant diseases that are experienced in the first year following birth (acute otitis media, gastroenteritis, necrotizing enterocolitis, and lower respiratory tract infection requiring hospitalization) because most infants would remain Medicaid eligible throughout their first year of life. **If optimal breastfeeding was achieved, the total undiscounted direct medical savings to Medicaid would be $518.8 million dollars per year.** This value is conservative because it excludes indirect medical costs (e.g. overhead) and does not consider long term savings for the child and/or the mother.

Table 1. Potential Savings to Medicaid if optimal breastfeeding were achieved.[a]

	Total number of Medicaid mothers who are able to breastfeed optimally[b]	Estimated incidence of cases of disease per year among all Medicaid births	Number of mothers needed to breastfeed optimally to avoid one case of disease	Total cases of disease paid for by Medicaid avoided if mothers optimally breastfeed	Undiscounted[c] direct medical cost to treat one case in US 2014 dollars	Total undiscounted[c] cost of cases averted in US 2014 dollars
Otitis media	1,727,556	1,602,408	3	575,852	$323	$185,804,406
Gastroenteritis	1,727,556	4,299,145	0.8	2,159,445	$59	$127,731,172
Necrotizing enterocolitis among VLBW infants	21,261	2,792	20	1,063	$96,984[d]	$103,098,841
Lower respiratory tract infection	1,727,556	57,628	95	18,185	$5,616	$102,127,473
Total						**$518,761,893**
Cost savings per mother / per breastfeeding mother[e]						$270 / $300
Cost savings per VLBW mother / per VLBW breastfeeding mother[e] (Necrotizing enterocolitis only)						$4,364 / $4,849

a) Unless indicated, numbers are derived from Bartick, et al 2016 and Hamilton et al 2015.
b) Optimally breastfeed is defined as exclusive breastfeeding for 6 months with continued breastfeeding through 1 year. Only 90% of mothers are considered able to optimally breastfeed.
c) Undiscounted costs are cost that do not reflect adjustments for inflation and/or other cost changes over time. Typically costs are discounted at 2-3% to reflect current inflation expectations.
d) To be conservative, the lower estimate for medical NEC cost was used from Bisquera et al 2002[6] and was inflated using the consumer price index for all goods[7] from US 2002 dollars to US 2014 dollars.
e) Cost savings per mother reflects the cost savings for every mother regardless of whether she is able to breastfeed. Cost savings per breastfeeding mother reflects the cost savings for mothers who are able to breastfeed.

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February 14, 2017

Senator Richard Shelby
304 Russell Senate Office Building
Washington, D.C. 20510

Senator Luther Strange
G-12 Dirksen Senate Office Building
Washington, D.C. 20510

Representative Bradley Byrne
119 Cannon House Office Building
Washington, D.C. 20515

Representative Martha Roby
442 Cannon House Office Building
Washington, D.C. 20515

Representative Mike Rogers
2184 Rayburn House Office Building
Washington, D.C. 20515

Representative Robert Aderholt
235 Cannon House Office Building
Washington, D.C. 20515

Representative Mo Brooks
2400 Rayburn House Office Building
Washington, D.C. 20515

Representative Gary Palmer
330 Cannon House Office Building
Washington, D.C. 20515

Representative Terri Sewell
2201 Rayburn House Office Building
Washington, D.C. 20515

Dear Members of the Alabama Congressional Delegation:

We are writing to request that you review and preserve the benefit currently provided by existing statutes and regulations related to providing mothers with access to comprehensive lactation support services (including counseling, education, and breastfeeding equipment and supplies, i.e. breast pumps)[1]. We are concerned that this benefit may be in jeopardy with the repeal of the Affordable Care Act and are writing to explain why this benefit is important for moms and babies in our state.

Professional support, education, counseling and access to quality breast pumps are critical to ensuring that babies receive breast milk for as long as possible. Furthermore, there are many reasons why a breastfeeding mother may need a breast pump. A breast pump allows a breastfeeding mother to easily express and store breast milk to feed her baby for times when they will be apart. Mothers that plan to return to work rely on their breast pumps to express milk for their babies' daytime feedings. A stay at home mom may want to use a breast pump to prepare a feeding for an occasional night out away from her baby. In some instances, such as when a baby is premature, in critical care or too sick to breastfeed, using a breast pump to express milk is the only way for the baby to receive his or her mother's milk.

The benefits of breast milk are indisputable. The American Academy of Pediatrics (AAP)[2], the American Congress of Obstetricians and Gynecologists (ACOG)[3], the Centers for Disease Control and Prevention (CDC)[4], American Academy of Family Physicians[5] , and the U.S. Surgeon General[6], and many other leading medical societies recognize the benefits of breast milk and strongly recommend breastfeeding for the first six months exclusively and ongoing for at least the first year of life.

Breast milk in the first year of life confers benefits by reducing the most common and costly childhood illnesses: ear infections, diarrhea, and respiratory infections[7]. Breast milk leads to decreased risks for infection, a better feeding tolerance, improved morbidities for premature babies, and the long-term benefits of decreasing incidence of obesity[8]. Furthermore, the clinical community has found that premature infants provided with their mother's milk have sharply reduced rates of necrotizing enterocolitis (NEC) resulting in a significant reduction in morbidities, fewer hospital readmissions and less costly medical bills in the longer term[9].

Taken altogether, these complications in infancy place a significant burden on tax payers and healthcare systems that could be greatly impacted by improving breastfeeding rates:

- Lower respiratory tract infections account for 59% of infant diseases resulting in re-hospitalization with median charges of $4,338 per episode[10].
- Necrotizing enterocolitis (NEC), a devastating gastrointestinal infection in preterm infants, can be reduced by as much as 50%[7]; direct costs associated with NEC range from $76,716 to $366,110 per hospitalized infant[7 11 12].
- Exclusive breastfeeding reduces the incidence of otitis media by 50% subsequently reducing outpatient visits, antibiotics, treatments, labs, and follow-up visits[7].

- Presumably, if 90% of US families complied with exclusive breastfeeding recommendations, the US would save $13 billion a year in healthcare cost and prevent an excess of 911 deaths - mostly in infants[13].

Alabama has made some strides in getting babies to receive breast milk for as long as possible. Our state has codified language into law that allows women to breastfeed in any public or private location[14]. The Alabama Breastfeeding Committee (ABC) together with the Alabama Department of Public Health (ADPH) has worked to establish breastfeeding support groups in birthing facilities and has made efforts to facilitate provider education and support certification and licensing of lactation care providers[15].

Despite recent efforts and recommendations that babies start their lives out breastfeeding, Alabama is still falling short of national standards[16]: Only 67.6% of babies in AL are ever breastfed (compared with 81.1% nationally). At six months of age, only 35.8% of babies in AL are given any breastmilk (compared with 51.8% nationally). Exclusive breastfeeding rates are at 32.6% at just three months (compared with 44.4% nationally). And finally, the AAP recommends that babies are given breast milk for the first 12 months of life[17]. In Alabama only one out of every five babies are breastfed, behind evidence based recommendations and falling short of the national average of 30.7 percent.

We are just starting to see the benefits of policies that support breastfeeding in our state and do not wish to lose the advances we have made. We hope you will agree that access to comprehensive breastfeeding support, supplies, and services for mothers leads to better outcomes for American taxpayers and families and we further hope that you will take the actions necessary to preserve the related benefits. Please let us know if you have any questions.

Sincerely,

The Alabama Breastfeeding Committee

Joshua Johannson, MD, FACOG, Chair
jbjohannson@gmail.com/256-235-0885

Gayle Whatley, RN, WHNP-BC, CLC, Vice Chair
gwhatley53@bellsouth.net/256-282-0022

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The Honorable Peter Welch (Vt.-At-large)

U.S. House of Representatives

2303 Rayburn House Office Building

Washington, DC 20515

Staff Contact: Mark Fowler (202-225-4115 or mark.fowler@mail.house.gov)

Testimony for the Record

U.S. House Committee Appropriations

Subcommittee on Agriculture

March 9, 2017

Thank you, Mr. Chairman and members of the Subcommittee, for the opportunity to submit testimony for the record in support of several critical agriculture programs that continue to have a positive impact on rural communities across the country.

As the Subcommittee develops its Fiscal Year 2018 funding recommendations, I urge my colleagues to fully fund programs that support organic agriculture, local food infrastructure, conservation, and maple research.

Organic agriculture and our local food infrastructure are strong, growing sectors of the agriculture economy. Federal programs that support these efforts are helping generate local economic development while expanding the amount of healthy, sustainable foods available to families across the country. For 2008, USDA estimated that the farm-level value of U.S. local food sales totaled about $4.8 billion. USDA's most recent estimates, for 2012, put U.S. local food sales at $6.1 billion.

Similarly, continued investment in conservation funding remains critical. Farmers and ranchers are our nation's best conservationists, yet many remain under increasing pressure to develop their land. Our federal investments in conservation help ensure these individuals have the resources they need to continue being good stewards of our natural resources.

I request your support for funding for the following agriculture programs:

ORGANIC

- **Organic Transitions Integrated Research Program (ORG)**

  ORG is a competitive research, education, and extension program that funds research that organic farmers need to improve and increase production. Funding ORG would help bridge the gap between organic sector growth and research investment at the U.S. Department of Agriculture.

- **National Organic Program (NOP)**

  NOP enforces the national organic program standards, accredits certifiers, develops equivalency agreements, and handles complaints. In short, NOP performs regulatory oversight of the organic label, ensuring its integrity. Funding NOP would ensure that NOP keeps pace with the sector's strong growth.

- **Sustainable Agriculture Research and Education Program (SARE)**

  SARE has helped turn farmer-driven research, education, and extension initiatives into profitable and environmentally sound practices for over two decades. Funding the program would jumpstart the Federal-State Matching Grants program and continues important on-farm research.

- **Organic Production and Market Data Initiatives (ODI)**

  ODI is a multi-agency organic data collection initiative that collects information vital to maintaining stable markets, creating risk management tools, and negotiating equivalency agreements with foreign governments. Funding ODI would allow for continued price data collection and dissemination through Market News Reports.

LOCAL FOOD SYSTEMS

Marketing and Promotion

- **Specialty Crop Block Grant Program (SCBG)**

  SCBG enhances the competitiveness of specialty crops such as fruits and vegetables, herbs and species, honey, hops, and maple syrup. The resulting competitive grants provide critical funding to enable continued growth of this sector.

- **Farmers' Market Promotion Program (FMPP)**

  FMPP helps increase domestic consumption of, and access to, locally and regionally produced agricultural products, and helps develop new market opportunities for farm operations serving local markets. This program spurs local economic development and increases access to healthy, domestic food.

- **Local Food Promotion Program (LFPP)**

  LFPP supports the development and expansion of local and regional food businesses to increase domestic consumption of and access to locally and regionally produced agricultural products.

Business Assistance and Research

- **Beginning Farmer and Rancher Development Program (BFRDP)**

BFRDP provides grants to organizations for education, mentoring, and technical assistance initiatives for beginning farmers or ranchers. According to the USDA's Ag Census, the number of young people entering farming continues to decline. We must continue to invest in promoting the next generation of farmers and ranchers.

Nutrition Assistance Programs

- **Farmers' Market Nutrition Programs**

  Among its uses, these funds help provide fresh, unprepared, locally grown fruits and vegetables to WIC participants, and to expand the awareness, use of, and sales at farmers markets.

- **Supplemental Nutrition Assistance Program (SNAP) at Farmers' Markets**

  The expansion of SNAP at Farmers' Markets has enabled low income families to access safe, healthy, and local foods while supporting farmers in their communities.

- **Farm to School Program**

  Farm to School Grants assist eligible entities in implementing farm to school programs that improve access to local foods in eligible schools. These funds improve nutrition by connecting food producers to their local schools as well as providing enriching educational experiences and curricula.

- **Commodity Procurement programs (e.g., "DoD Fresh")**

  The Department of Defense Fresh Fruit and Vegetable Program (DoD Fresh) allows schools to use their USDA Foods entitlement dollars to buy fresh produce. This provides schools with added flexibility, greater variety of vendors, and high quality foods.

CONSERVATION

- Conservation programs such as the Environmental Quality Incentives Program (EQIP) provide important financial and technical assistance to agricultural producers to plan and implement conservation practices that improve our environment.

MAPLE ACER ACCESS AND DEVELOPMENT

- The Acer Access and Development Program was included in the 2014 Farm Bill to support and enhance the growth of the maple syrup industry. To ensure this new program is successful, we request no less than $5 million, far below the authorized level.

Representative Young
Testimony
Members Day
House Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies
March 9th, 2017

Thank you Chairman Aderholt, Ranking Member Bishop and Members of the Subcommittee for hosting this opportunity for your colleagues to testify on upcoming appropriations legislation. The agriculture appropriations bill contains many provisions vital to my constituents, and I appreciate you taking the time to hear from me on this important subject.

As the subcommittee begins to develop its upcoming fiscal year 2018 Appropriations bill, I request your consideration of the needs of our nation's network of food banks and other emergency food providers, many of which are struggling to meet sustained high levels of demand while facing increased costs for purchasing and transporting food.

My district contains almost 106,000 food insecure people, which is 1 in 7 Alaskans. According to the US Department of Agriculture's latest Household Food Security Report, in 2015 more than 42 million people in the United States lived in Food Insecure Households, including 13.1 million children. According to research conducted by the National Foundation to End Senior Hunger, in 2014 there were 5.7 million food insecure seniors in the United States. These are folks who do not always know where their next meal is coming from.

According to Feeding America's Hunger in America 2014 report, 34 percent of client households have someone who is working, and 45 percent of the households served by Feeding America do not receive direct government food assistance from SNAP. Many of the people served by food banks have to make tough choices. 65.9 percent of client households report having to choose between food and medicine, and 69.3 percent have to choose between food and utilities, such as heating.

My local food bank, Food Bank of Alaska, and others around the country could not meet the needs of these families alone without programs like the Emergency Food Assistance Program, commonly known as TEFAP. These funds were vital to supporting our food banks and other charities in their mission to help feed my most

vulnerable constituents. TEFAP food represents Food Bank of Alaska's largest source of food to rural Alaska, where costs are high and food assistance resources are few. These rural areas face unique barriers to providing nutrition support, including increased difficulties due to no connective road system, vast geography, and harsh weather.

TEFAP works by purchasing commodities from our farmers and distributing through food banks and other emergency feeding organizations to help feed the less fortunate among us. TEFAP is a highly efficient program that simultaneously supports our agriculture economy and is a vital resource for our nation's food banks and charities. According to a USDA report, producers of commodities provided through TEFAP mandatory purchases receive about 27 cents per dollar spent.

With strong TEFAP support, we are supporting our emergency food providers on the ground and protecting our most vulnerable constituents. Without adequate funding for TEFAP, food banks will be hard-pressed to continue providing current levels of food assistance to the 42 million people in our country who are food insecure.

I look forward to working with you on this matter and other pressing issues before the Subcommittee.

Again thank you Chairman Aderholt, Ranking Member Bishop and the members of the subcommittee for taking the time to hear my testimony.

Mr. BISHOP. Thank you. I yield back, Mr. Chairman.

Mr. ADERHOLT. Thank you, Mr. Bishop for your comments, and there being no further witnesses to testify, the hearing will now be adjourned.

THURSDAY, JUNE 8, 2017.

COMMODITY FUTURES TRADING COMMISSION—BUDGET HEARING

WITNESS

J. CHRISTOPHER GIANCARLO, ACTING CHAIRMAN, COMMODITY FUTURES TRADING COMMISSION

OPENING STATEMENT—MR. VALADAO

Mr. VALADAO [presiding]. Good morning. I will be filling in for Chairman Aderholt briefly in my role as Vice Chairman of the Subcommittee, and kicking us off with the opening statement. The Chairman will be joining us shortly.

Before we get started, I want to remind everyone that there are a lot of hearings going on this morning, both on our Committee and, of course, on the other side of the Capitol. Members will be coming and going as we try to manage our time and assignments to other Subcommittees. Please be courteous as you enter and exit the room.

The Subcommittee will come to order. Good morning. Welcome to the Agriculture Appropriations Subcommittee's sixth hearing for 2017, where we will examine the fiscal year 2018 budget request for the Commodity Futures Trading Commission.

As mentioned in previous hearings, four primary goals have been established for this Subcommittee as we progress through the fiscal year 2018 appropriations process. The first goal is evaluating accounting for taxpayer dollars to ensure efficiency and accountability; second is investing in rural infrastructure as a catalyst for growth; third is ensuring support for the American farmers, ranchers and producers; and, lastly, protecting the health and safety, of people, plants and animals.

What began as a small agency nestled within the United States Department of Agriculture is now a quarter of a billion dollar independent regulatory agency that oversees the futures, swaps, and options markets. The Commission's budget has grown 123 percent in just a few short years and there has now been a constant stream of activity related to the fiscal matters at the Commission.

Acting Chairman Giancarlo, thank you for being here with us today. We hope the Senate can swiftly confirm you as the permanent Chairman. As part of our question and answer session, we will discuss the President's fiscal year 2018 budget request of $250 million and other matters related to the Commission. There is no doubt that your agency and its budget have been the subject of much discussion over the past few years. Many of the matters that will be discussed today occurred on someone else's watch. Frankly, the previous Administration handed you an agency with a wide as-

sortment of problems that stem from political games being played with CFTC's budget and employees.

The President's budget request clearly laid out a flat funding level for $250 million. I will briefly acknowledge that in both your prepared testimony and your Congressional justification, you are requesting $281.5 million for fiscal year 2018. However, as in past years, this number will be considered as your annual "Passback" submission to the Office of Management and Budget and nothing more, as you are required by law. The President's budget will be the main topic of our discussion today and in examining it we can use the detailed information provided for fiscal year 2017 as our guide for reaching a request of $250 million.

Some of the topics we will cover today include management and labor issues, such as the recent labor negotiation impasse that occurred between CFTC and its union. Due to what could be called a loophole in federal labor laws, CFTC is one of the few federal agencies that is required to negotiate with its union over personnel compensation and benefits. The negotiation in 2016 almost resulted in CFTC employees having to be furloughed for 17 days. This discrepancy in labor laws allows employee unions or leaders in government to place civil servants at the mercy of aggressive negotiation tactics and attempts to coerce Congress to provide more funding.

There is no guarantee that providing the CFTC an increase would further your major priorities, such as improving economic analysis or the financial technology sector. Without addressing the inclusion of salaries and benefits in collective bargaining negotiations, I fear that instead an increase would simply be absorbed into maintaining the status quo. By government standards, your employees are already paid substantially higher than average and this allows you to recruit very qualified employees. Mr. Giancarlo, I know this did not happen under your watch, but it is possible that it could happen again. I would prefer that neither you nor this Committee have to deal with it.

I also know that this Committee is exhausted with the rumors of furloughs at the agency. Last year during this negotiation, it was the second time in the last few years that the CFTC has said it would be forced to furlough employees unless it received more money. The first occurred in 2013. Both times a solution was clearly attainable and furloughs were unnecessary. I look forward to discussing this matter.

Additionally, I hope to get the chance to discuss other issues such as your leasing costs and plans for the remainder of the current fiscal year. The entirety of the Federal government is facing fiscal challenges, and the Commission is unlikely to be exempt.

I also look forward to covering issues related to the regulations and policies coming out of the CFTC. I am optimistic about what your Commission will be able to accomplish in the years and months ahead to help our nation's farmers, ranchers and producers. Your recent statement regarding the future of the agency and its direction is refreshing. Finding the right mix of regulation while still allowing our economy to grow is new to many people who have experienced over-regulation in the last eight years.

I am also encouraged by your initiative in the financial technology space to work with industry instead of against it, to find an appropriate balance between regulation and cooperation. This Committee has been a big proponent of investing in information technology at your agency and has a history of including funding set aside for this very purpose at the Commission.

One particular area of regulation that needs revising is the swap dealer de minimus level. End users that were never intended to be subject to the thousands of regulatory requirements that come with being a swap dealer have been anxiously awaiting the automatic 60 percent reduction in this level for years. Hopefully, we can find a permanent solution for this issue.

I look forward to discussing these and other matters with you. There is a lot of work before this Congress, the Administration and your agency to get our economy moving again. I hope you would agree that a fully functioning and thriving derivatives market can co-exist with adequate controls and without overly burdensome regulations. As this Administration begins to implement its policies and restore order to the Commission, I hope we can identify whose areas that need to be addressed and begin working toward solutions.

Again, I want to thank you for being with us today and I look forward to our discussion.

Now let me ask our distinguished Ranking Member Mr. Bishop if he has any opening remarks. Mr. Bishop?

OPENING STATEMENT—MR. BISHOP

Mr. BISHOP. Thank you very much. A lot of Members who are not on this Subcommittee may have never heard of the CFTC. The agency itself was founded in 1974, but it has a much longer history that began about 1922 when Congress put USDA in charge of administering grain futures. Given its origins in USDA, I am happy that we still have jurisdiction over CFTC in our Subcommittee.

Representing an agricultural district, I am very much aware of CFTC's continued relevance to our farmers and ranchers, as well as other industries, who use financial instruments to hedge their risk.

Turning to your budget, I want to thank you for submitting a budget request that, based on our previous discussions, is based on what is needed to perform the important CFTC mission and strays away from legacy areas that may be unnecessary in today's environment. At $281.5 million, it's below the average of requests from 2011 through 2017, which were about $303 million, but it is still a healthy increase over the $250 million that the agency has received for the past three years.

When you look at the historical scope and the exigencies in the financial world, the year 2008 was devastating for our country. Let me just briefly note the damage that was done. We lost about eight and a half million jobs, the unemployment rate increased from 4.7 percent to 10.1 percent in October 2009, 10 million families lost their homes, and nearly a quarter of a million small businesses had to close their doors for good.

In response, Congress dramatically expanded CFTC's responsibilities in the Wall Street Reform and Consumer Action Act, which

we called Dodd-Frank. I always agreed with our former colleague, Congressman Sam Farr of California, in categorizing the CFTC as a financial first responder. And Congress would never deprive first responders of the resources necessary to perform their duties. Unfortunately, CFTC has been held at the same $250 million funding level since 2015, which makes performing your duties as a financial first responder very difficult, especially when it comes to the daunting task of assuring the economic utility of the futures markets by, one, encouraging their competitiveness and efficiency; two, ensuring their integrity; three, protecting market participants against manipulation, abusive trading practices and fraud; and four, ensuring the financial integrity of the clearing process.

I find this particularly ironic, since CFTC has more than paid for itself. Between 2006 and 2014, actual fines collected against wrongdoers were more than 175 percent greater than the agency's budget during that entire period.

I would like to take this time to thank you for working across the aisle and reaching out, not only to me as Ranking Member, but also to my colleagues on the Subcommittee. We hear reports of departments and agencies being nonresponsive to Congress and making the operation of the country appear to be a partisan circus. But I am glad that the departments and agencies that are under our Subcommittee have stayed above the fray, are remaining professional, collaborative, and focused on their respective missions.

I look forward to your testimony today and an increased understanding of the identified needs to make CFTC successful for our country's farmers, ranchers and other businesses, and giving them the ability to manage costs and hedge risk as a result, positively impacting the price that Americans pay for food, energy, and other goods and services.

Mr. Vice Chairman, thank you for the opportunity to welcome the Acting Chairman. And at this time, I will yield back.

INTRODUCTION OF ACTING CHAIRMAN GIANCARLO

Mr. VALADAO. Well, Acting Chairman Giancarlo, without objection, your entire written testimony will be included for the record. I will recognize you now for your statement and then we will proceed with questions.

OPENING STATEMENT—MR. GIANCARLO

Mr. GIANCARLO. Thank you. Good morning, Vice Chairman, Ranking Member Bishop and Members of the Subcommittee. I thank you for this opportunity to testify on the CFTC's fiscal year 2018 budget.

As you know, for more than a hundred years, American farmers and ranchers have used derivative markets to hedge their costs of production and their delivery price. It assures that we Americans can find plenty of food on grocery store shelves. But derivative markets are not just helpful for agricultural producers. They influence the price and availability of heating in American homes, electric power in offices and factories, interest rates on homeowners' mortgages, and returns on retirement savings.

These markets allow producers to manage changing production costs, like the price of raw materials, energy, foreign currency, and interest rates. They enable business risk to be transferred from those who can't bear it to those who can, and they free up capital for investment and boost economic growth, job creation and American prosperity. Yet today, in a number of ways, these markets are more fragmented, more concentrated, less liquid, and less supportive of economic growth than in the past.

The overly prescriptive regulation of American derivative markets is part and parcel of the over-regulation of the U.S. economy that thwarts broad-based prosperity. The time has come for these markets, and the efforts of those of us who regulate them, to be put more fully in service to the American economy.

Turning to our budget request, a request that was approved by both the Republican and the Democrat member of our Commission, the CFTC is requesting, 281.5 million and 739 FTEs for fiscal year 2018. This is an increase of $31.5 million and 36 FTEs over the fiscal year 2017 level. The $31.5 million in additional funds is not an ad hoc number, but a careful assessment of what the CFTC needs to execute its mission in fiscal year 2018.

Now, I recognize the enormous task of setting the Federal government's $4 trillion budget, and I respect the priorities of this Congress and President Trump to balance the budget rather than pile up more debt on American citizens. And I know this Committee's essential role in appropriating and allocating the resources provided to it by our fellow Americans. Therefore, we do not take lightly the use of bypass authority to present our 2018 budget directly to Congress.

Now, this is my first time directing a federal agency and its budgeting process. Previously, I spent 30 years in the private sector where I was last a senior executive of a public company. And from that perspective, it seemed to me that the budgeting process of government agencies always started with last year's number, to which was added an additional percentage.

When I became Acting Chairman a few months ago, I approached the budget differently, the way I did back in business. I sat down with the heads of every unit, I reviewed their missions and their spending, and together we built this budget up from zero, based upon real needs and expenditures. Now, no surprise, I found areas where the agency can be more efficient. For example, by returning to regular order in our operations. That means taking greater care and precision in our rule drafting, adopting less contracted time frames for public comment to our rule proposals, and reducing the docket of new rules and regulations to be absorbed in a short period of time by market participants.

We are also looking to reestablish the agency's core structure of a central service agency. We are not going to over-interpret our mission and we are going to share duties with other federal agencies and self-regulatory organizations.

While I hoped that by implementing changes, I could have reduced our 2018 budget request perhaps below prior year levels or even held it steady, but it will take some time to see these efficiencies realized in our budget. But instead, I also discovered three critical areas where the agency falls short of its mission. These are

the Commission's budget priorities for fiscal year 2018, and they explain the modest increase in our budget request.

First, our Office of the Chief Economist is under-resourced currently to meet the challenges of the rapidly changing nature of global derivative markets. We must conduct a more thorough cost/benefit and economic analysis to support better regulatory policy.

Second, as clearinghouses grow in size and scope, so too has the complexity of the counterparty risk management oversight programs and procedures of the firms we regulate. Ben Franklin said an ounce of prevention is worth a pound of cure. The better our process of examining derivatives clearinghouses, the less taxpayers are at risk of bailing them out if something goes wrong. So we must strengthen our examinations capacity to keep pace with the explosive growth in the amount and value of cleared swaps here and abroad.

And third and finally, to avoid being a 20th century analog regulator of new 21st century digital markets, the CFTC must keep pace with emerging technology. Our world is changing. Our parents' financial markets are gone. A digital transformation is well under way in our markets and shows no sign of stopping. For this reason, we have launched something called Lab/CFTC, an important financial technology initiative that will help our agency catch up with the changing nature of markets for which it is responsible.

So in conclusion, U.S. derivative markets should be neither the most regulated nor the least regulated in the world, but the best regulated. Providing effective oversight and robust enforcement of our laws motivates the talented men and women of the CFTC. The standard of our agency is operational and regulatory excellence. Our proposed budget will meet this standard for the American people. It will allow the CFTC to keep pace with innovation and oversee risk transfer markets that are durable and competitive here and abroad.

I submit my written testimony for the record and welcome your questions. Thank you.

[The information follows:]

Testimony of J. Christopher Giancarlo
Acting-Chairman, Commodity Futures Trading Commission
Before the U.S. House of Representatives Committee on Appropriations
Subcommittee on Agriculture, Rural Development and Related Agencies
June 8, 2017

Good morning, Chairman Aderholt, Ranking Member Bishop and members of the Subcommittee. Thank you for the opportunity to testify on the Commodity Futures Trading Commission ("Commission" or "CFTC") FY 2018 Budget Request.

For more than 100 years, farmers and ranchers have used listed derivatives markets to hedge their costs of production and delivery price so that Americans can always find plenty of food on grocery store shelves. But derivatives markets are not just beneficial for agricultural producers. They influence the price and availability of heating in American homes, the energy used in factories, the interest rates borrowers pay on home mortgages and the returns workers earn on their retirement savings.

These markets provide a forum in which producers can manage the risks of variable production costs, such as the price of raw materials, energy, foreign currency and interest rates. The markets serve the vital economic function of transferring risk from those who cannot bear it to those who can. Thus, derivatives free up capital for other purposes and boost economic growth, job creation and American prosperity.

Our oversight of market participants, here and abroad, should provide a model of regulatory excellence. Yet today, America's derivatives markets are more fragmented, more concentrated, less liquid and less supportive of economic growth and renewal than in the past. The overly prescriptive regulation of American derivative markets is part and parcel of the over-regulation of the U.S. economy that thwarts the revival of American prosperity.

The time has come for our financial markets – and the efforts of those who regulate them – to be put more fully into the service of American economic recovery.

Budget Request

To effectively oversee the evolving derivatives markets, the Commission is requesting $281.5 million and 739 full-time equivalents (FTE) for fiscal year 2018 operations. This is an increase of $31.5 million and 36 FTE over the FY 2017 level. The $31.5 million in additional funds is not a formulaic or superficial number, but a thorough and informed assessment of what the CFTC needs to execute its mission in FY 2018.

I would like to note, that under my direction the Commission has utilized its ability to provide a budget directly to the Congress. This is the first budget submission under my leadership, and I thought it important to articulate the needs of the Commission based on my perspective and vision for a renewed and refocused CFTC. I bring to this process my experience, not in politics, but as a former senior executive of a publicly-traded company. In business, everything we did – every expenditure and every investment -- had to contribute to shareholder value. The P&L was our scorecard and it didn't lie. We were either adding value to our enterprise or we were looking for another line of work.

On January 20th, I began a process of looking at every function and every expenditure undertaken by the Commission. In the private sector, we would never simply take last year's budget number and add a percentage increase. Rather, each dollar requested had to serve a purpose. Likewise, when I sat down with our leadership team, my budget baseline was zero. We built our budget from the ground up. Drawing on my business experience, I have already identified several areas in which the agency can run more efficiently and save taxpayer dollars. For example, I reviewed the needs of the offices that provide various support services to our divisions, and intend to gain efficiencies by instituting a central-services organizational model that is a best practice in the private sector. We also discovered areas within our current mission where we need additional investment. The $281.5 million FY 2018 budget request reflects the current needs of the CFTC based on this analysis.

The era of Dodd-Frank implementation at the CFTC is now drawing to a close. It is time for the agency to resume normalized operations and practices. That means a return to greater care and

precision in rule drafting, more thorough econometric analysis, less contracted time frames for public comment and a reduced docket of new rules and regulations to be absorbed by market participants. It also means that the CFTC will embrace the Administration's directive that each federal agency minimizes the costs borne by their regulation. We plan to accomplish this through the KISS initiative I launched in March, which includes both internal and external reviews of rules and processes. It is another way of looking for opportunities where we can reinvest and maximize current resources.

Normalizing operations at the CFTC also means working cooperatively with other federal market regulators, like the Securities and Exchange Commission. And where appropriate, the CFTC should look to delegate responsibility to the National Futures Association and other SROs for certain compliance matters.

In addition, we are reevaluating the focus of our enforcement efforts. The Commission's enforcement function is staffed by experienced and decorated former prosecutors and, I can proudly say, is one of the premier civil law enforcement arms of the federal government. Yet, the Commission's enforcement efforts must look to benefit from cooperation and, where appropriate, defer to the civil and criminal capabilities of other federal and state regulators and enforcement agencies.

Resources for Increased Economic Cost Benefit Analysis

The additional resources requested for economic analysis will be invested in building the Commission's capacity to systematically analyze large volumes of trade data and improve our understanding of the markets.

The additional investment in economic capabilities will boost the CFTC's analytical expertise and monitoring of systemic risk in the derivatives markets, in particular with regard to central counterparty clearinghouses. It includes the expansion of sophisticated econometric and quantitative analysis devoted to risk modeling, stress tests, and other evaluations necessary for market oversight. Furthermore, such analysis will help the CFTC fulfill the Presidential Executive Order on Core Principles for Regulating the U.S. Financial System, relating to the

core principle of fostering economic growth and vibrant financial markets through more rigorous regulatory impact analysis that addresses systemic risk and market failures, such as moral hazard and information asymmetry.

A common criticism of the rule-making process has been the lack of quantitative assessments of costs and benefits. While there was a paucity of relevant data for Dodd-Frank implementation, we believe that market participants and the public will be expecting the CFTC to leverage the data sources now available to inform future rulemaking. The current staff dedicated to economic analysis is inadequate to meet appropriate standards for econometric analysis required by a regulatory agency with oversight of more than 35 percent of the global derivatives markets.

Looking beyond rulemaking, the new data sets have opened up possibilities for more effective analysis of the U.S. derivatives markets. For example, Commission economists are focused on developing the capability to integrate activity and positions across futures and swaps markets, and thus gain a holistic view into the derivative exposures of market participants and the interaction between the futures and swaps markets.

There is growing awareness that just looking at the total notional size of activity in the market might not be representative of the true extent of risk transfer. We have taken some initial steps to convert notional amounts into risk-based measures; however, additional resources are necessary to develop these analytical capabilities. Without the requested increase, the CFTC will continue to rely on outdated, anachronistic models and metrics of studying our markets.

Resources for Examinations to Cover Increased DCOs

The Commission is also requesting additional resources that would strengthen the Commission's examinations capability and enable it to keep pace with the explosive growth in the number and value of swaps cleared by designated clearing organizations (DCOs), pursuant to global regulatory reform implementation. As the size and scope of DCOs has increased, so too has the complexity of the counterparty risk management oversight programs and liquidity risk management procedures of the DCOs under CFTC regulation here and abroad.

Currently, there are 16 DCOs registered with the Commission and there is one pending application for registration. The Commission projects that the number of DCOs will continue to expand in FY 2018, and volume will continue to grow at existing DCOs. Since the end of 2011, the total amount of initial margin held by registered DCOs for futures and swaps has grown by more than 168% from $119 billion to $320 billion. For swaps alone, the growth is even more dramatic. For example, at LCH Clearnet Ltd, the amount of initial margin held for swaps has grown by more than 600% since 2010.

The growth in volume has been accompanied by an increase in the complexity of products. For example, the risks posed by credit default swaps differ from those posed by interest rate swaps. Accordingly, DCOs have developed a large number of individualized margin models and other risk management tools to address these risks. This, in turn, generates a corresponding increase in the complexity of the Commission's oversight responsibilities.

The Commission is seeking to position additional resources to enable it to continue to fulfill its responsibilities relating to systemic risk. Increases in the number of DCOs, the volumes cleared, and the complexity of the products necessitate increases in the resources devoted to the oversight of clearing, through timely and thorough examinations of DCOs. These examinations cover a range of issues from the size of financial resources, to margin, to treatment of customer funds, and cyber security. In addition, the Commission will also continue to develop capabilities for conducting stress testing and back testing to assess the impact of stressful market scenarios across the clearinghouses.

Many of the DCOs are expanding their registration in other jurisdictions around the world. Those jurisdictions look to the Commission to provide insight regarding the effectiveness of the programs implemented by the DCOs. The Commission supports the expanding market participant registrations through information sharing and compliance discussions in the areas of cybersecurity, liquidity risk management, default management and other high profile risk management issues.

Resources to Further Implement Fin Tech

Earlier in the year, President Trump issued an Executive Order establishing an American Technology Council. The President said: "It is the policy of the United States to promote the secure, efficient, and economical use of information technology to achieve its missions. Americans deserve better digital services from their Government. To effectuate this policy, the Federal Government must transform and modernize its information technology and how it uses and delivers digital services."

I could not agree more, which is why in FY 2018, the Commission requests additional funds to increase staffing and resources to address financial technology innovation (FinTech). Through FinTech, the Commission will look to address three fundamental issues arising from this transformational change: 1) how the CFTC should leverage FinTech innovation to make it a more effective regulator, 2) how FinTech can help the CFTC identify rules and regulations that need to be updated for relevance in digital markets, and 3) the role of the Commission in supporting U.S. FinTech innovation in CFTC regulated markets. With these additional investments, I plan a phased approach that will achieve these three objectives.

So much of our world today – from information to music to manufacturing to transportation to commerce, and even farming, has undergone a digital transformation. And, it should be no surprise to anyone that our capital, commodity and futures markets are going through the same digital transformation. The electronification of markets over the past 30 to 40 years and the advent of exponential growth in digital technologies have altered trading, markets and the entire financial landscape with far ranging implications for capital formation and risk transfer.

Other breaking digital innovations present equal regulatory challenges. They include "big data" capability to enable more sophisticated data analysis and interpretation, artificial intelligence to guide highly dynamic trade execution, "smart" contracts that value themselves and calculate payments in real-time, behavioral biometrics that can detect and combat online fraud, and distributed ledger technology, more commonly known as blockchain, that will challenge orthodoxies that are foundational to today's financial market infrastructure.

The pace of investment in these technologies, and in FinTech more broadly, have accelerated in recent years. According to one measure, it has increased at a cumulative annual growth rate of over 45 percent from 2011 to 2016. We are seeing a powerful convergence, as the costs of launching new ventures and applying these technologies have dropped enormously, while the speed and scalability with which they can be brought to market have increased dramatically.

The world is changing. Our parents' financial markets are gone. The 21st century digital transformation is well underway, and the digital technology genie will not go back in the bottle. In order for the CFTC to remain an effective regulator, it must keep pace with these changes or our regulations will become outdated and ineffective.

Effective Use of Resources

Just as I did in the public sector, I will strive as a government official to maximize how limited resources are used. Earlier this year, I notified you of actions we took to streamline and centralize business management functions from the mission delivery divisions to administrative services, a change that will produce long-term savings. In addition, we realigned portions of the surveillance staff under the enforcement division and refocused a team on developing improved market intelligence. Each of these actions leverages existing processes, and increases the efficiency and effectiveness of the Commission's core functions. Moreover, these actions allow us to better manage our resources while maintaining, but not increasing, our Division of Enforcement's legal resources.

The Commission has also worked to improve its administration of its leases. CFTC entered into a memorandum of understanding (MOU) with GSA to administer all future CFTC leases. In addition, the CFTC cleared the lease accounting issues highlighted in the FY 2015 financial statements audit, received an unmodified, or clean, opinion on its FY 2016 financial statements and earned the certificate of excellence in accountability reporting from the Association of Government Accountants.

In FY 2018, I have plans to review additional opportunities to streamline operations and further maximize the effective use of our resources. The Commission's organizational structure must

evolve to support the changing times. These types of organizational reviews are critical to ensure that resources and staff are used for the most important priorities in the CFTC's mission to oversee the nation's derivatives markets.

Conclusion

The U.S. derivatives markets should be neither the most regulated nor the least regulated of the world—but the best regulated. This quest for superior regulatory oversight and unswerving enforcement of our laws motivates the work of the hundreds of talented men and women who serve their country at the CFTC. Only with such a commitment can all Americans experience the economic benefits that risk-transfer markets afford. This budget request ensures that the CFTC can meet such a standard for the American people. The FY 2018 budget submitted by the Commission reflects the true needs of a policy setting and civil law enforcement agency that has the duty to ensure the derivatives markets operate effectively. This budget will give the Commission the resources it needs to put in place and oversee responsible regulations that allow for innovation and allow our markets to remain competitive and safe at home and abroad.

MEASURING SUCCESS

Mr. VALADAO. Thank you. I would like to begin by taking a look at the future. Over the past eight years, many of us have been consistently challenged with your agency's policies, actions and decision making. Your budget was used as a political tool to convince people that Republicans were in the tank for Wall Street. CFTC would oftentimes ignore input from businesses that wanted to do the right thing on regulations.

The President has laid out several executive orders to provide for reforms. These reforms include a review of the core principles of financial regulation and a proposal for reorganization of agencies to achieve greater efficiencies and effectiveness.

Mr. Giancarlo, I want to get your thoughts on how you plan to change the direction of the agency, both in terms of policy and management. Can you tell me how you are complying with the President's executive orders and also how you plan to implement your own initiatives and ideas for the future of the agency?

And in the past, CFTC measured success by the amount of fines and penalties imposed on the private sector. What types of outcome-based performance measures do you plan to put in place?

Mr. GIANCARLO. Thank you very much. And I think your comment about how to measure success is a very important one. I think the right way to measure the success of an agency like the CFTC is whether U.S. derivative markets attract the world's capital because the world recognizes them to be the most durable, the most vibrant, but also the most stable and the best regulated.

There is a reason why the world flocks to U.S. IPO markets, the reason why capital from all over the world wants to have their initial public offerings in the United States. It is not because our regulations for public companies are in any way lax. In fact, most people would say that the requirements for a public offering in the United States are some of the most stringent. But the real reason capital flocks here is because they are perceived to be the best, the best combination of sensible regulation, of transparency, but also flexibility.

Capital will go where the rules are the best. They will not go where they are the most lax, they will not go where they are the most unreasonably stringent. They will go where they are the best. And I think derivative markets, by their very nature, are global in scope. If we operate the best markets, we will see capital attracted to those markets and those markets will flourish, and that is how I would measure success for the agency. As an overseer of those markets, are we developing the best rules and the best policies to make our markets attract global capital.

REGULATORY REFORM

Mr. VALADAO. And on the first part of that question, how are you complying with the President's executive orders and how you plan to implement your own initiatives and ideas for the future of the agency?

Mr. GIANCARLO. So, to that end, in terms of making our rules the best, one of the things that I think is required, not just in a federal agency but, quite frankly, in any operation is to occasionally step

back and take a look at your rules and see whether the rules that have been accumulated over dozens of years, or in the case of the CFTC, four decades, are still relevant and still make sense.

And so we have started a new initiative at the CFTC, which I have called project KISS—it goes back to something my father used to say when I was a young man, and that was, "keep it simple, stupid". And sometimes you just need to take a look at your rule set and say, are they still relevant? Do they still make sense for the current times? And if they do, is the agency applying them in a way that is just straightforward. It is not a matter of necessarily changing policy, but does the application of the policy make sense?

So we have launched this initiative. We are looking at our rule sets to see whether they are applied in a way that is the least burdensome, the least costly and the least drag on the economy. We have identified a number of areas and with the support of my fellow commissioner, Commissioner Bowen, we have announced two new reapplications of some of our existing law already.

In one case, we have gone back in a recordkeeping requirement and taken out of it some technology requirements that are decades old in terms of the technology used and made those rules technologically neutral.

So what we are trying to do at the agency is regulate in a way that is just more streamlined and better, without necessarily having to rewrite the rule, but can we apply it in a simpler fashion.

Mr. VALADAO. All right, thank you. My time is about expired, so I am going to give it over to our Ranking Member, Mr. Bishop.

TECHNOLOGY SUPPORT

Mr. BISHOP. Thank you very much, Mr. Valadao.

Mr. Giancarlo, I would like to commend you again for exercising your legal authority in submitting the CFTC's budget request directly to Congress. You have stated that this $281.5 million request is based on a bottom-up requirements identification. The systems engineering approach is advisable for all departments and, of course, I applaud you for doing so.

However, with the past two years of flat funding, I want to make sure that the CFTC is advocating for what's required to perform your very important mission. For example, in fiscal year 2017, CFTC requested $42.29 million for data and technology support. But now in fiscal year 2018, you are requesting an additional, $43.59 million for the same mission function. Was the fiscal year 2018 request for data and tech support submitted because fiscal year 2017 was completed half way into the fiscal year, or is an additional, $43.59 million absolutely required to complete the IT uplift?

And I am asking, because Congress has seen a lot of hard-earned tax dollars spent on IT that hasn't met the projected return on investment. So we want to know if we are applying the funds appropriately here.

Mr. GIANCARLO. One of the things I discovered upon taking over as Acting Chairman is that the way the agency goes about defining its technology needs within the agency really doesn't accord with best practices in the private sector. When I was an executive in a public company, no technology would be purchased or built without

a proper internal specification process. The internal customer, say the Division of Market Oversight, would go to our Office of Data and Technology and say, we need the following technology to do our mission.

Previously, that would just be built without a lot of documentation, without a lot of careful specification at the agency. Now, where I was in the private sector, that couldn't be the case. There would have to be a careful, back and forth process and everything would be written down. And the reason why that is important is accountability. Once that technology is then delivered, if the internal buyer of it said, well, it doesn't work for me, the builder of it could say, well, it meets the specification, you agreed to the specification, and provide accountability.

We haven't engaged the agency in a proper specification. And so I am a little cautious in speaking to previous budgets for technology, because I don't believe they were done with the rigor that I think they deserve and I think that the American taxpayer deserves. Going forward within the agency we will not complete technology builds without a specification process.

Now the total, if I have the figure correctly, the total amount we are asking for in our 2018 budget is $57 million. Some of that includes some new build and some of that includes just the escalation of costs for systems we already deploy with renewed licenses and the cost of technologies going up. But I have been through that $57 million with our staff and I believe that, with proper specifications going forward, that is a real, hard number that we will be able to live with and will meet our technology needs quite adequately.

DIVERSITY

Mr. BISHOP. Thank you. I want to get to a question that may not be quite as long.

Let me ask you about diversity. You have previously indicated that diversity was a goal and I was glad to see that CFTC began targeting outreach to minority-serving institutions, such as HBCUs, to identify future candidates for internship opportunities. You and I discussed this when we met in March and at that time, funding wasn't allocated that would allow for internships to be CFTC-paid experiences.

It wasn't clear from the budget request, has this funding been accounted for within the Office of Minority and Women inclusion portion of the budget? If not, we stand ready to connect you with programs that would allow you to reach out to excellent HBCUs such as Fort Valley State, Albany State, South Carolina State, Morehouse College, Howard University, and Tuskegee University, that produce high-caliber graduates in finance as well as agriculture economics fields. Is it your intent to have these introductory internship opportunities progress into permanent full-time employment for these students? Because you will have invested money in them and it seems like it would be a waste if you did not take advantage of that investment. Can you describe your strategic workforce plan that includes increasing minorities and women in positions at CFTC?

Mr. GIANCARLO. Thank you for that question, Ranking Member. I am very pleased that since we met you with you a month or so

ago, we have been able to progress that initiative, our outreach, to historically minority and underrepresented communities. And, in fact, we have extended 18 offers for summer internships and received 11 acceptances. We now have 11 terrific candidates at the agency.

In fact, if I might, at the risk of embarrassing him, introduce you to one of our summer interns, Zach Shepperd, who is a student at Howard Law School, and really we were lucky to get him and 10 other students that will be with us this summer.

But I think your point is extremely well taken. It is one thing to recruit interns. It is another thing altogether to see them as the basis for our future hiring needs and bring them into the organization. That is something we very much intend to do. We look upon this program not as something that is just a one-time thing, it is something we want to use as the basis for our future work force.

And to that end, we also have the capability built into our budget to pay our interns for their service to the agency. So if the Committee sees fit to grant our budget, we will look to do that.

Mr. BISHOP. Thank you. My time is up.

Mr. VALADAO. I would like to recognize the gentleman, Mr. Palazzo.

STAFFING

Mr. PALAZZO. Thank you, Mr. Chairman. Given the changes over the last several years in how the markets you regulate are traded or, as you put it, the new digital world, how much of your request is for technology resources not human resources? And I ask, because the CME Group, for example, continues to trade more of their product electronically rather than in the trading pits, so manipulation, spoofing and other market disruptions have grown.

While I see the budget includes an increase in funding for full-time employees, I am wondering where they are being added and will the new funding and the new employees be enough for you to do your job, to protect farmers and ranchers who utilize futures contracts as a risk-management tool?

Mr. GIANCARLO. Thank you for that question. The budget increase that we are looking to apply to the areas of FINTECH, to the Office of the Chief Economist, and to examinations of the clearinghouses that play a central role in this increasingly digital marketplace also includes the technologies and the tools they will use to do their functions.

One of the challenges of this new digital world is really a deep understanding of where it is going. There is a quote that I like very much by the hockey star, Wayne Gretzky. He said the reason he was so successful during his championship years is not because he skated to where the puck was, because he skated to where the puck was going. I think what this budget request really represents is an effort by us as an agency to try to start skating to where the puck is going.

I think a lot of what we have done over the last few years has been somewhat backward looking, perhaps by necessity, because the backward looking was to the last crisis, but not sufficiently forward looking, to my view, as to how these markets are dramatically changing the nature of risk transfer. And if we don't look for-

ward, if we don't look very much forward into the future, I don't think we are going to be able to keep up. The questions we get repeatedly from farmers and ranchers are what is the impact of high-frequency trading in the markets? What are the roles of algorithms in the markets? And the answers to those things are extremely complicated. The role of these new market participants is truly challenging. And I can't say we yet have all the answers.

Which is why I am looking to bring our level of econometric analysis back up to an historical level. The CFTC decades ago was considered primarily an econometric point of excellence in the Federal government, and we have really lost that in the last several decades, and I would like to bring that back. And that is why we are seeking an increase to our Office of the Chief Economist and we are looking to recruit some of the nation's best economists to come to the agency, to help us understand the changing nature of the markets. They will use a lot of data in their work and a lot of analytical capability, and we have built that into the budget as well.

FINANCIAL TECHNOLOGY

Mr. PALAZZO. You mentioned FinTech and, specifically, Blockchain in your testimony. My understanding is that you are excited about the possible application of this technology. How do you see Blockchain developing over the next several years, and is the U.S. developing an appropriate set of rules for this new digital universe? And if so, what is the CFTC's role in this?

Mr. GIANCARLO. Thank you for the question. Unfortunately, we are behind. The United States is behind in Blockchain and technology. Let me make that more precise. The U.S. government is behind. Our innovators are state-of-the-art. Some of the best work in blockchain is being done today in New York and Silicon Valley. But as regulators, some of our overseas counterparts are way ahead of us. The British have something called Project Innovate, and it is a unified approach between their Treasury, their Central Bank, the Bank of England, and their Financial Conduct Authority to encourage financial technology innovation, including Blockchain, to be done in London and to bring the jobs that that innovation brings with it there.

A study by PricewaterhouseCoopers looked at financial technology innovation around the globe and rated the U.S. against Europe and said, despite our lead in funding and scientific excellence, Britain is ahead of us because the warm welcome that the regulators give to innovation and the rather indifferent approach we, as regulators, have taken to it in the United States. Our LabCFTC aims, at least within our own agency, to be a step, we think, in the right direction. And that is we want to take some of the regulatory risk out of innovators. I was at a conference in New York recently, and I met a venture funder of technology. And he said that 18 months ago he was prepared to invest in a startup company in New York that was doing some very interesting work.

But his diligence showed that they might have a regulatory issue with another financial regulator. I am happy to say it wasn't us. And he said that, 18 months later, they were still waiting for a response to a letter they sent to that regulator as to whether they were subject to that agency's regulation and, therefore, he decided

not to fund that company. So that is a company that is not going to get funded because a U.S. government agency couldn't give them an answer in 18 months as to whether they were subject to its regulation. Our LabCFTC aims to take that regulatory risk by being much more responsive to some of these innovative companies.

Mr. PALAZZO. That is good. Thank you. I yield back.

Mr. ADERHOLT [presiding]. Mr. Pocan.

STAFFING

Mr. POCAN. Thank you, Mr. Chairman. I appreciate it. And Mr. Giancarlo, very nice to meet you. I really appreciate you explaining the thought process, how you came up with your budget coming into that position new and thank you for that. That helped me ask some questions. First question I did want to ask, because I know in your short time that you have been in the position you are in, you have developed a very good relationship with your agency's employees.

And one of the concerns, I think, that I am looking at is I know you have had a lot of turnover from folks going to either other agencies or the private sector because of the very specialized type of skills they have. You have had some loss, and I know you are looking for a little additional money in the budget to try to address that. Can you just talk just briefly about that?

Mr. GIANCARLO. I think the turnover we have had—actually, I think it actually may be, percentage-wise, compared to other agencies, a little bit lower. But, you know, in the change of a government, it is often the case that people will move on to the private sector or to another government agency. So I haven't been either surprised or disappointed in the loss. But we are always looking to bring in quality people, whether they come from the private sector or other government agencies.

The area of the Office of the Chief Economist is an area where probably we are asking for the biggest increase. I think it is vitally important that we attract some world-class econometric thinking to these marketplaces that are changing so rapidly, so we get ahead of the curve. When we compete for talent at the CFTC, we are often competing against the financial sector and in many cases, I think, increasingly against Silicon Valley for the right level of talent.

These are the world's most sophisticated markets. With great respect to my colleagues at the SEC, the derivative markets are the world's most sophisticated. And the United States' are the biggest in the world. We are world leaders. We are the only country in the world that has a separate regulator devoted just to derivatives.

And while some people may challenge that, I think it makes absolute sense because of the sophistication and the complexity of the markets we oversee. Order of magnitude, the over-the-counter swaps market is measured in the hundreds of trillions of dollars. These are extremely complicated markets, and we need very, very sophisticated people.

REGULATORY REFORM

Mr. POCAN. Let me build on that in two questions, if I can, in the derivative area. One of my concerns is that part of what

brought us to the financial crisis of 2008. You know, we all have to deal with our constituents who have lost homes during that area. And my brother is a circuit court judge in Milwaukee. Every judge had to take time off on Mondays just to deal with foreclosures during that period for months. I mean, it is devastating impact. So this is really important, I think, to the American people.

Two things. One, you talked about the current process you thought was overly prescriptive, but you did also say you didn't want to have the most or the least. You want to have the best regulation, if you could just talk a little bit about that. And then secondly, if the budget request comes in at the level that the President has, not what you are requesting, what does that difference mean to making sure that we have got this market under control?

Mr. GIANCARLO. Okay. So when I say "neither the least nor the best," I am not a foe of regulation. I am a believer in good regulation. In fact, I support Title VII of Dodd-Frank. I did as it was making its way through Congress. I have done ever since. I have said repeatedly, in Title VII, Congress got it right. I have been a critic of some of the CFTC's implementation, but most of it, I have been supportive of. But in terms of the swaps provisions, I think Congress got it right.

Now, I will tell you I think Congress got it right because it took the best practices from the private sector and embodied them and made them into mandates. The notion of moving bilateral swaps into central clearing was already moving in the private sector. It was the right thing to do, and Congress rightly adopted it as part of Title VII. Similarly, at the heart of the financial crisis was the opacity in what swaps were being held on bank balance sheets and the inability to understand whether, if one bank would fail, whether another one would fall because of their interrelationship in terms of swaps exposure.

So reporting swaps transactions to swaps repositories makes sense. Similarly, it was already started in the private sector, but it needed to be advanced, and it has been advanced tremendously since. Requiring swaps transactions take place on licensed platforms absolutely made sense. I think Congress got it right.

So I believe with the right regulations, these markets are better for it. And done properly, they can be more stable, more durable and, yet, still vibrant at the same time and attract the world's capital. I think those are all very important objectives. And that is what we aim to do at the CFTC.

Mr. POCAN. Just you got 15 seconds on the budget side. What if you wound up with the $30-some million less?

Mr. GIANCARLO. So the three initiatives that are built into the additional $31 million are additional economists, additional examinations people. Our approach to central counterparty clearinghouses is a rigorous process of examinations.

The amount of capital, of margin that has gone into these clearinghouses since Dodd-Frank was adopted, is in the hundreds of trillions of dollars. And some of that is done off in London and, yet, we are the London Clearinghouse's primary regulator. We have to have the resources to be able to oversee that clearinghouse. And finally, we wouldn't be able to do our FinTech initiative without these resources as well.

Mr. POCAN. Thank you very much.

Mr. ADERHOLT. Mr. Valadao.

ENFORCEMENT

Mr. VALADAO. As you might know, I represent a rural part of California with an economy that is highly dependent on agriculture. Farmers in my district need to have reliable and efficient markets in order to compete in the global economy. One contributor to market uncertainty which may negatively affect prices is how the CFTC investigates and enforces the Commodity Exchange Act and the Dodd-Frank Act.

I am certain you are aware that the House will be voting on the Financial Choice Act later today. And there are a number of ideas related to the SEC operations reforms that were included in the bill and I believe could also be applied to the CFTC. Of particular concern is the transparency and the enforcement practices of your agency. Have you considered how publishing an enforcement manual could improve regulatory compliance and, in turn, market certainty? Do you believe that transparent guidelines could help market actors better meet the expectations of the CFTC? And if so, what additional resources would your agency need to achieve this?

Mr. GIANCARLO. Thank you very much. I am a believer that strong enforcement is a critical part of our regulatory mission. I spent 14 years in the markets, and I am not naive about how markets operate and that vigorous enforcement is needed because there unfortunately always have been and always will be bad actors in the markets.

From time to time, regulators need to be seen to be taking those persons out of the markets so that the majority of good actors in the markets know that those markets are safe for them to operate. So I think strong enforcement is vitally important.

I supported an initiative by the former head of our Enforcement Division at the end of last year at the CFTC to put forward guidelines for cooperation agreements with registrants and other firms subject to our regulations, where they would self-report wrong behavior that they would become familiar with. Those guidelines have been made public. I believe that the more the public understands the rules of engagement that we utilize in enforcement, the more they can direct their conduct in a way that is satisfactory to the market. So, yes, I do support greater transparency in our rules of engagement.

Mr. VALADAO. All right. Thank you. That is all I have, so I yield back.

Mr. ADERHOLT. Ms. DeLauro.

REGULATORY IMPACT ON THE ECONOMY

Ms. DELAURO. Thank you very much, Mr. Chairman, and welcome, Mr. Giancarlo. Pleasure to be with you today. First of all, let me commend you for fighting for a budget increase. I think it is critically important. I think the continued underfunding of your agency has been a mistake on our part and, as such, I have fought over the years for increased funding for the CFTC because I think it does impact your ability to deal with enforcement, monitoring

and surveillance. So I just want you to know that I will be an ally with you in fighting for increased funding for the agency.

With that said, let me move to two areas. One is the issue of regulation. In your opening testimony, you state that, and I quote, "regulation of American derivative markets is part and parcel of the overregulation of the U.S. economy and thwarts the revival of American prosperity". I looked into the issue, and I talked with several experts in the area. I can't find the evidence to support your claim. Can you say specifically how regulation of the derivatives market held back, quote, "the revival of American prosperity"? And if you can give me hard data on that——

Mr. GIANCARLO. Sure. I will point to areas within our oversight at the CFTC. In 2007, there were 157 futures commission merchants serving farmers and ranchers and smaller manufacturers in the United States with their hedging needs. We are now down to about a third of that number serving the same constituents in the markets.

And, unfortunately, of the 50 or so futures commission merchants that are left, the ones that are serving the lion's share of market participants are several banks on Wall Street. The last 10 years have been devastating for those financial institutions serving smaller market participants. Now, we have seen the same thing in community banks and smaller banks around the country. We are seeing a dwindling number of broker-dealers registered. The intermediaries in markets, especially the ones serving smaller market participants, have been dramatically reduced over the last decade. Now, not all of that is due to regulation.

Ms. DELAURO. Right.

Mr. GIANCARLO. Some of that is due to the lack of economic growth in the economy, but some of it has been due to regulation as well. We have had to reverse some of the regulations we imposed on some of these smaller firms because they were just too draconian.

Ms. DELAURO. I would just say to that, and I will move on to enforcement, it wasn't me, but I think some wise person said that the most dangerous time after a crisis—you know, we had a crisis, serious crisis—is when things are going well because that is when one relaxes and risk, again, begins to creep in. That may be where human nature takes us, but it does not have to be government policy.

And I think we have to be very, very careful here about what we pull back on so that we don't find ourselves in the same set of circumstances and we put in place—we had nothing before. And so, again, the claim that that has thwarted the revival of the American prosperity, my view, I think it is overstated and I want to just say that.

Mr. GIANCARLO. I understand. I understand. You know, the way I look at it is I feel that the regulation reform that came out of the financial crisis, I would call it like almost like software, 1.0, and I think it is now time to go to version 2.0.

ENFORCEMENT

Ms. DELAURO. If you could give us some hard examples of where, in fact, this has, that would be useful for me, for the Committee,

I hope, to move past the generalization. But you gave a couple of examples and specific examples of overregulation. I will start with the enforcement piece here. Your budget makes a startling statement. "As a civil law enforcement agency, CFTC has a duty to protect and serve derivative market participants." I would say that the duty of a law enforcement agency is to enforce the law. And this suggests a coziness with industry that is, frankly, disturbing to me.

Even OMB talks about CFTC's mission as being to protect market users and their funds, consumers and the public from fraud, manipulation and abusive practices related to derivatives and other products. So, in your view, which is it? Are we going to serve the market, or are we going to protect the users?

Mr. GIANCARLO. Well, our mission is to oversee markets. And as part of that, we have a strong enforcement capability to go after bad actors who would seek to manipulate or commit fraud or spoof or commit other violations of our rules in the marketplace.

Ms. DELAURO. All right. But, again, you said, "CFTC has the duty to protect and serve derivative market participants." Now, again, I think it is the market users that we have to protect, consumers and their funds rather than those folks who are directing the derivatives. You seem to agree with that.

Mr. GIANCARLO. By "participants," I include all participants in the markets, big or small, farmers, ranchers, manufacturers as well as larger participants.

Ms. DELAURO. Just final comment. Thank you very much, Mr. Chairman, but the public needs to be protected from fraud, manipulation, and abusive practices related to derivatives and other products. Sorry, Mr. Chairman.

Mr. ADERHOLT. Mr. Yoder.

LIQUIDITY

Mr. YODER. Thank you, Mr. Chairman, and, Acting Chairman, welcome to the Committee.

Thanks for your testimony today. It has been very enlightening. You know, I think it also could be said that the greatest risk following a crisis could also be swinging the pendulum too far. I think we all agree we need to get this right. We are all here to protect our constituents, small businesses, farmers, people who are trying to create jobs and make America prosperous and create opportunity for everyone.

And they can't do that without access to capital. They can't do that without being able to protect risk. They can't do that without liquidity in markets. And so you have a real balance to play here and it is important. But the goals are the same. I know my colleague from Connecticut, we share the same goals. We just sometimes disagree about whether the regulations in place might be undermining those goals; right? I think that is the challenge we have here, and that is the debate we continue to have on this Committee, and we are having it on the floor today in the House. I think you would agree that regulations that reduce liquidity, regulations that actually create more risk by reducing the amount of participants in markets, actually harm our consumers, actually make transactions that they do in our districts and across this country riskier, less protective, less safe.

And so we have seen across the country every day there are less small banks than there were the day before. We see big banks getting bigger. We see, in many cases, consumers not being protected as was laid out in Dodd-Frank. And so I think that is why this Congress attempts to try to get this reform right to protect those very consumers.

One of the items you had mentioned this morning in your recent back and forth with the Committee related to the futures commission merchants, I continue to hear concerns from market participants that the supplemental leverage ratio impact on clearing members is causing significant losses, not only with access to central clearing but also hampering market liquidity by artificially constraining customers who provide liquidity. While I recognize this is not a regulation that your agency put in place, it certainly is having an impact on the markets you regulate. Could you help the Committee understand how the CFTC is working with your fellow regulators to find a solution to this growing problem?

Mr. GIANCARLO. Thank you very much. The issue of futures commission merchants' consolidation is a real issue for America's farmers, ranchers and smaller manufacturers. Within the past year, we saw the sale of one of America's most storied names in this area, Beisch, a name that probably goes back 100 years in providing services to smaller market participants.

And when the firm was sold, and they were sold because their owners felt they couldn't make a go at it, thousands of customers were basically let go and forced to find another service provider. And the customers that were let go were the smallest in the spectrum, the very small constituents that I think we are all concerned about.

The supplementary leverage ratio, as it is known, is part of the problem that we are seeing with the consolidation of the smaller futures commission merchants. Because it really falls on them. One of the core reforms to the financial crisis that was agreed by the G-20 in Pittsburgh in 2009 and embodied in Title VII of Dodd-Frank was that we would address part of the problem of the crisis by requiring more bilateral swaps to not be on bank balance sheets but to be in the central clearinghouses. That was one of the key reforms. And, yet, this leverage ratio actually penalizes that very activity. It is counter to our own prioritization of central clearing as one of the ways of addressing the crisis.

We have done our own estimate at the CFTC, which I announced a few weeks ago, that if the supplementary leverage ratio were kept but reformed in two very simple ways, it could free up as much as 70 percent of capital for use of these very smaller market participants that are—as you quite rightly say, Representative, struggling to be able to utilize adequate trading liquidity in the markets.

So, yes, the supplementary leverage ratio is something that is very important. It is something that I have shared with the Treasury Secretary, and I'm hoping that some of the other agencies that are responsible for it will see the way to making the amendments necessary so we can actually achieve the purposes of Dodd-Frank, achieve the purposes of reg reform, which is greater central counterparty clearing.

HRW FUTURES CONTRACT

Mr. YODER. I appreciate your leadership there. Briefly, with the time we have remaining, Kansas, that I represent, is the leading wheat-producing state in the country. And after last year's huge crop, we saw significant spread between farmers' local cash price and the futures price. So not only were farmers having to deal with a futures market with historically low prices. We had farmers that were getting a cash price more than a dollar less than was on the board. In April, the CME group announced that it would implement a variable storage rate on the Kansas City HRW futures contract beginning in March 2018, pending approval from the CFTC. Could you share with us the process CFTC is undertaking considering this request and what your thoughts are about establishing a VSR on the hard red winter wheat contract.

Mr. GIANCARLO. Thank you for that. In fact, I had the pleasure of visiting Kansas in February and visiting with some of your constituents that farm wheat in the state. And I am familiar with the issue that you mentioned with regard to the Kansas City wheat contract, the hard red winter wheat contract. We are processing that application. I think it is due by early July.

We are on schedule with that application. I understand from our team that is looking at it that it is going very well. I expect a successful result in that, and I must commend the CME for listening to concerns of users of that contract and responding to those concerns and taking the steps and not only that, but we will watch the outcome of this to make sure it solves the problem that has been addressed.

Mr. YODER. I appreciate your support. Thank you.

Mr. ADERHOLT. Mr. Young.

NOTIONAL VALUE OF MARKETS

Mr. YOUNG. Thank you, Mr. Chairman, and welcome, Mr. Giancarlo. I see you are looking at converting notional amounts of swaps into actual measures of risk. This is probably overdue, don't you think? Is that your idea or something that the CFTC has been wanting to do for a while? How did this come about where you are really going to take a look at this?

Mr. GIANCARLO. So it is a complicated subject. And I probably am guilty of something that I find problematic, and I know probably you and your other Members do as well. And that is, when we refer to these markets, we cite the same astronomical levels of notional value.

Mr. YOUNG. $600 trillion market is what I hear.

Mr. GIANCARLO. And yet there is no other way of presenting what that means in terms of real risk to the system. But we need to find a better way. We need to not just cite a big number and say, therefore, the house is on fire. We all need to, you know, do whatever it is that the proponent is calling for.

Mr. YOUNG. That is a big number. The world's GDP doesn't even add up to that.

Mr. GIANCARLO. And yet——

Mr. YOUNG. So how do you find it?

Mr. GIANCARLO. So our Office of the Chief Economist is going to be charged with coming up with better ways of understanding the risk to the financial system that is present in big numbers like that. Now, the number I understand after that $600 trillion has been netted down——

Mr. YOUNG. So you have a preliminary number?

Mr. GIANCARLO [continuing]. Is closer to $250 trillion.

Mr. YOUNG. Okay.

Mr. GIANCARLO. Still a ridiculously big number. But what does that really mean in risk to the system? That is something that I don't have an answer for, but as you note, that is something we are going to search for an answer for.

Mr. YOUNG. Who do you reach out to—to help you find this number? I mean, there are some really smart people who work within the government. There are equally smart people outside of the government. Can you contract out to specialists, quantitative specialists, under your information technology account—a line item and bring folks in to achieve this work to find out what that number is?

Mr. GIANCARLO. So our Office of the Chief Economist now surveys all the best literature in the field, speaks at all the major important conferences. We welcome in academics. It is always a bit challenging because we have proprietary data, and we have to be very careful how that data is used and whether it is used by outsiders. Could it be commercialized? Could it be disclosed? So that is always a challenge. We work very carefully with the legal team to make sure we get that right. In our budget request for 15 additional economists, we are going to be looking to bring in nationally and internationally-ranked economists who specialize in the area of risk to be able to take these grand numbers and reduce it down to what it really means in terms of risk to the financial system.

Mr. YOUNG. Well, I appreciate taking those steps to find the true size of the market and the tools that you are using, not just internally but also looking at what folks are saying on the outside who study these things for a living. Keep us posted. I understand now that you have moved that down to $250 trillion mark. But keep us posted. We all have a vested interest in this issue. So thank you for your work on this, and we will be prepared to have further conversations about this. Thank you, Mr. Chairman.

DE MINIMUS

Mr. ADERHOLT. Welcome. I was a little bit late arriving this morning, but thank you for proceeding with your testimony, and I look forward to getting a chance to visit with you as well. I wanted to ask about the CFTC swap dealer de minimus regulation.

Of course, it sets the threshold of annual financial activity when a market participant must register as a swap dealer, as you well know, and it's scheduled to be automatically reduced to 60 percent from $8 billion in annual swap activities to $3 billion. Thankfully, your predecessor included a one-year delay on the scheduled reduction, but that revised deadline is fast approaching.

So, time is of the essence as we address this issue. CFTC has now completed two studies on this rule. The vast majority of feedback, as I understand it, the Commission received was in favor of

maintaining the level of revising it even higher, saying there's no benefit to our economy, no increased protection preventing another financial crisis from allowing this threshold to be reduced.

It would only serve to crush our job creators and add even more burdens and regulations. The entities that would be captured by the reduction would be the end users of derivatives. They had nothing to do with Wall Street or the financial crisis.

In fact, the levels set by the majority of U.S. financial regulators that subjects financial entities to more stringent regulation is $50 billion. Many even consider that level to be too low. Becoming a swap dealer brings with it 4,000 additional regulatory requirements. Some businesses just cannot afford this cost.

They would be forced out of the market. In numerous recent appropriation laws, we've included provisions related to this issue, including the recently passed Omnibus.

One of these provisions directed your agency to keep the swap dealer de minimus level at no less than $8 billion. Preferably, we'd like to see it higher. Can you talk a little bit about your plans for addressing this issue and whether or not the agency will follow this directive?

Mr. GIANCARLO. Thank you very much, and thank you Chairman, and I appreciate you coming so far. I know you traveled far to get here.

Mr. ADERHOLT. Yes.

Mr. GIANCARLO. Let me just—if I could, start from first principles, and then work down. So, one of the reforms that was embodied in Title VII of Dodd-Frank was that the dealing of swaps should be a regulated activity. And it sought to regulate the traditional dealers of swaps.

All the household names you'd expect on Wall Street. Well, in fact, we have done that. We have 104 swap dealers registered with us today. So, the question of de minimus is really a question of just how far out that goes. Do we go from 104 to 124, but where is the tail-end of that set of registrants?

It was the Wall Street Reform Act. We have all the Wall Street firms. When we talk about de minimus, we're talking about going way further out into the field, into non-Wall Street firms.

We're now talking about firms—that their primary business is being a power utility, an electric company, a refinery, distributor of agricultural products, that may have, as a small subcomponent of their business, a market making activity where they will offer some liquidity into the markets, in addition to their own trading activity.

I've spoken to most of these firms right now who are keeping their trading activity below the $8 billion, simply because they cannot be registered as a swap dealer, because it will change their whole business model. Their investors that see them as a power utility will suddenly say, "Wait a minute, you're a swap dealer? I need to compare you against Goldman Sachs in terms of your earning potential?"

I won't do it. Their CEOs simply have told their trading operations, "You have to stay below the de minimus, because we cannot be considered as a competitor to Goldman Sachs." If we lower the

de minimus level, all these firms will do is reduce trading to a lower level again.

What I fear is by lowering the level, we're not going to go from 104 registrants to 124. We're not even going to go from 104 to 108. I'd be surprised if we go from 104 to 105, because they're all going to lower their trading activity to a lower level to stay out.

So, we're not going to gain anything, but what are we going to lose? We're going to lose the liquidity they provide, and often they're providing liquidity to the smaller players in the market place.

Now, I've worked very well with Commissioner Bowen at the SEC. She feels differently. She feels it should be lowered, and I respect the thoughtfulness that she brings to these issues. But I've said publicly I don't feel it should be lowered.

So, right now, we are in that situation where she feels it should be lowered. I feel it would be counterproductive to lower it. I don't feel we'll gain any more registrants. I think we'll just force them out of the market, and I don't think that helps anybody. But I do respect her view on this, but that's where we are today.

Mr. ADERHOLT. Quickly, can you provide a timeline of how long it would take to complete a new rule making on this issue?

Mr. GIANCARLO. Oh, I don't think it would take long at all, but I don't think right now there's a consensus at the Commission. I think we're at——

Mr. ADERHOLT. Right.

Mr. GIANCARLO [continuing]. An impasse.

Mr. ADERHOLT. Exactly. All right. Mr. Bishop.

GLOBAL MARKETS

Mr. BISHOP. Thank you, Mr. Chairman. Let me talk about your anticipation of future needs. I'm glad that we both agree that the recent growth in the number of designated clearing organizations and swaps are only going to expand further.

Can you outline CFTC's plan for keeping pace with industry? Do you have the financial and human resources necessary to get ahead of industry, and to ensure that consumers are protected?

And along the same lines of anticipatory needs with the UK's looming withdrawal from the EU, there's uncertainty on how Brexit will affect business planning and investment decisions of U.S. firms operating in the UK.

So, I'd venture to guess that this uncertainty translates into the commodity trading markets CFTC is responsible for overseeing. Do you have planning efforts underway in preparation for Brexit's impact on the U.S. commodities markets, and if so, what are they?

In light of the perceived diminishing prominence of the U.S. in the global financial marketplace, what is CFTC doing to take a leadership role in influencing our global commodity financial standards?

Mr. GIANCARLO. Well, there's a lot of challenges in the world we live in today, and Brexit is certainly one of them. I know it's a great challenge for our colleagues in the UK, and our colleagues in continental Europe to resolve the challenges that presents to their place in the global financial markets.

And there's currently an issue as to whether the clearing that we've talked about before that takes place on the London clearing house would be forced to relocate to continental Europe for at least that portion of the swaps market that's denominated in euros.

I have made the point that, while we in the US have historically been comfortable with regulating clearing houses offshore—in which US market participants participate—if Europe were to take a different view, and euro denominated instruments need to be cleared on European soil, then it could rightly raise the question on the United States' side. Why are we comfortable with offshore clearing houses if continental Europeans are not?

And if the whole world were to go to that regime, I think that would actually be detrimental to global markets, and to global trade, to the dollar standing as the world's reserve currency.

So, I think there are tremendous ramifications that come out of how the negotiators on both sides of the Brexit debate consider the consequences of this, and I don't envy their job, but I do hope that they get it right in the end.

WHISTLEBLOWER REGULATIONS

Mr. BISHOP. Thank you. I was pleased to see that CFTC finalized rules that were proposed last year to protect whistleblowers. In particular, whistleblowers would be better protected from interference or retaliation by their employers, and CFTC would even be empowered to bring legal action against an employer who retaliated against an employee.

I assume, that in part, this was to conform CFTC's rules on whistleblowers to those at the SEC. Beyond that, can you tell us what prompted the Commission to take this action, and also can you discuss the role that whistleblowers play in CFTC's work?

Mr. GIANCARLO. Thank you. I was proud to support those enhancements to our whistleblower program. It was done in part because we are cognizant of the SEC's rules, but it was also done because we felt it was the right thing to do.

Whistleblowers play an important part in alerting us at the Commission to areas where we need to take enforcement action. That's not to say that whistleblowers always have it right. They need to be careful. As I said, I believe it was the right thing to do, and they're now part of our framework.

USER FEES

Mr. BISHOP. Okay. Let me talk about user fees. Previous CFTC Chairmen have indicated support for funding some or all of the agency's costs with user fees. The National Futures Association, for example, is funded by those types of fees.

In fact, NFA recently cut the amount of money collected because it was getting too much. Every President since Ronald Reagan has proposed user fees. What is your position on user fee funding for the CFTC?

Mr. GIANCARLO. This is an area where there is a broad range of views, and I know quite reasonable people, and as you say, every President since Ronald Reagan, although I don't think the current President has proposed user fees.

But many people have proposed that, and a number of financial regulatory agencies, like the SEC, also are paid with user fees. Our markets are a little different. Unlike the SEC's markets, which are primarily domestic, our markets are quite international in scope.

Our markets also already have a form of user fees in NFA, which our registrants are required to be members of and which charges user fees. Our markets have also seen a dramatic increase in transaction costs in the form of clearing costs, in the form of execution costs that had been brought on in the last few years.

Our markets suffer right now from challenges in liquidity formation, something I've been talking about and writing about in great detail for the last two and a half years. I'm very concerned that imposing transaction costs on our markets would contribute to greater liquidity challenges than we have now, and so, I do not support user fees.

Mr. BISHOP. Thank you. I think my time has expired. I thank you very much.

Mr. ADERHOLT. Ms. DeLauro.

TITLE VII OF DODD-FRANK

Ms. DELAURO. Thank you, Mr. Chairman. Let me just repeat something that I said on the first go-round. If you could provide us with the statement—and I know a lot of people take the statement seriously that this is about the issue of regulation and how much regulation we should have or shouldn't, and what is overregulation.

But how specifically—and you can please get back to us on this—has regulation of the derivatives market held back the revival of American prosperity? And I would really like to see hard data because otherwise, honestly, it becomes—and I am not suggesting it is rhetoric on your part, but it certainly on our part often becomes rhetoric. So that would be enormously helpful.

[The information follows:]

Copies enclosed:

1. (pg. 55) J. Christopher Giancarlo, ***Pro-Reform Reconsideration of the CFTTC Swaps Trading Rules: Return to Dodd-Frank***, White Paper, Jan. 29, 2015: See Chapter IV (p. 48) "Adverse Consequences of the CFTC's Swap Trading Regulatory Framework."
2. (pg. 144) J. Christopher Giancarlo, ***American Prosperity Requires Capital Freedom***, Cato Journal, Vol. 35, No. 3 (Fall 2015).
3. (pg. 157) Hester Peirce, ***Dwindling numbers in the financial industry***, Hester Peirce, Monday, May 15, 2017.
4. (pg. 174) *Impact of Dodd-Frank on Community Banking, Before the Subcommittee on Economic Growth, Job Creation, and Regulatory Affairs of the House Committee on Oversight and Government Reform*, 113th Cong. 3-7 (2013) (statement of Hester Peirce, Senior Research Fellow, The Mercatus Center at George Mason University). Available at https://oversight.house.gov/wp-content/uploads/2013/07/Hester-Peirce-Testimony.pdf.
5. (pg. 182) *The Dodd-Frank Act Five Years Later: Are We More Prosperous?, Before the House Financial Services Committee*, 114th Cong. 6 (2015) (statement of Peter J. Wallison, Arthur F. Burns Fellow in Financial Policy Studies, American Enterprise Institute). Available at https://financialservices.house.gov/uploadedfiles/114-47.pdf.
6. (pg. 267) David Smith, *Consolidations, Regulations Pare Banks, Execs Say*, Arkansas Online (Sept. 20, 2015), http://www.arkansasonline.com/news/2015/sep/20/consolidations-regulations-pare-banks-e/?f=business

Pro-Reform Reconsideration of the CFTC Swaps Trading Rules: *Return to Dodd-Frank*

White Paper

J. Christopher Giancarlo
Commissioner
U.S. Commodity Futures Trading Commission

January 29, 2015

The views expressed in this White Paper reflect the views of Commissioner J. Christopher Giancarlo and do not necessarily reflect the views of the Commodity Futures Trading Commission (CFTC), other CFTC Commissioners or CFTC staff.

EXECUTIVE SUMMARY

This White Paper is written by Commodity Futures Trading Commission (CFTC or Commission) Commissioner J. Christopher Giancarlo, a public supporter of the swaps market reforms passed by Congress in Title VII of the Dodd-Frank Act, namely clearing swaps through central counterparties, reporting swaps to trade repositories and executing swaps transactions on regulated trading platforms. The author supports the CFTC's implementation of the first two reforms, but is critical of the CFTC's implementation of the third, as explained in this White Paper.

This paper (a) analyzes flaws in the CFTC's implementation of its swaps trading regulatory framework under Title VII of the Dodd-Frank Act and (b) proposes a more effective alternative.

This paper begins with a broad overview of the complex structure of the global swaps market. It then reviews the clear legislative provisions of Title VII of the Dodd-Frank Act. Next, it reviews in detail the Commission's flawed implementation of the Dodd-Frank Act's swaps trading provisions.

This paper asserts that there is a fundamental mismatch between the CFTC's swaps trading regulatory framework and the distinct liquidity and trading dynamics of the global swaps market. It explains that the Commission's framework is highly over-engineered, disproportionately modeled on the U.S. futures market and biased against both human discretion and technological innovation. As such, the CFTC's framework does not accord with the letter or spirit of the Dodd-Frank Act.

This paper identifies the following adverse consequences of the flawed swaps trading rules:

- Driving global market participants away from transacting with entities subject to CFTC swaps regulation.
- Fragmenting swaps trading into numerous artificial market segments.
- Increasing market liquidity risk.
- Making it highly expensive and burdensome to operate SEFs.
- Hindering swaps market technological innovation.
- Opening the U.S. swaps market to algorithmic and high-frequency trading.
- Wasting taxpayer money when the CFTC is seeking additional resources.
- Jeopardizing relations with foreign regulators.

- Threatening U.S. job creation and human discretion in swaps execution.

- Increasing market fragility and the systemic risk that the Dodd-Frank regulatory reform was predicating on reducing.

This White Paper proposes an alternative swaps trading framework that is pro-reform. It offers a comprehensive, cohesive and flexible alternative that better aligns with swaps market dynamics and is more true to congressional intent. The framework is built upon five clear tenets:

- **Comprehensiveness:** Subject the broadest range of U.S. swaps trading activity to CFTC oversight.

- **Cohesiveness:** Remove artificial segmentation of swaps trading and regulate all CFTC swaps trading in a holistic fashion.

- **Flexibility:** Return to the Dodd-Frank Act's express prescription for flexibility in swaps trading by permitting trade execution through "any means of interstate commerce," allowing organic development of swaps products and market structure, accommodating beneficial swaps market practices and respecting the general nature of core principles.

- **Professionalism:** Raise standards of professionalism in the swaps market by establishing requirements for product and market knowledge, professionalism and ethical behavior for swaps market personnel.

- **Transparency:** Increase transparency through a balanced focus on promoting swaps trading and market liquidity as Congress intended.

This White Paper asserts that its pro-reform agenda would yield a broad range of benefits. It would:

- Align with congressional intent to promote swaps trading under CFTC regulation.

- Promote vibrant swaps markets by regulating swaps trading in a manner well matched to underlying market dynamics.

- Reduce global and domestic fragmentation in the swaps market.

- Foster market liquidity.

- Reduce burdensome legal and compliance costs of registering and operating CFTC-registered SEFs.

- Encourage technological innovation to better serve market participants and preserve jobs of U.S.-based support personnel.

- Free up CFTC resources and save taxpayer money at a time of large federal budget deficits.

- Provide another opportunity for the CFTC to coordinate with other jurisdictions that are implementing their own swaps trading rules.

- Reverse the increasing fragility of the U.S. swaps market by allowing organic development and growth for greater U.S. economic health and prosperity.

Of Note:

1. Commissioner Giancarlo asserts that the CFTC's swaps trading rules do not accord with Title VII of the Dodd-Frank Act. He calls for greater adherence to the express language of Title VII in conformance with congressional intent.

2. Commissioner Giancarlo contends that the CFTC's swaps trading rules increase rather than decrease the systemic risk that the Dodd-Frank Act was premised on reducing.

3. Commissioner Giancarlo contends that the CFTC's restrictive and over-engineered swaps trading rules have failed to achieve their ostensible objective of meaningful pre-trade price transparency.

4. Commissioner Giancarlo contends that the CFTC's swaps trading rules add unprecedented regulatory complexity without meaningful benefit wasting taxpayer money at a time when the CFTC is seeking additional funding.

5. Commissioner Giancarlo contends that the CFTC's rules open the U.S. swaps market to algorithmic and high-frequency trading that is not otherwise present.

6. Commissioner Giancarlo is the first CFTC Commissioner to call for and put forth a proposal to raise the standards of professional conduct for swaps market personnel.

7. Commissioner Giancarlo proposes a comprehensive, cohesive and transparent swaps trading framework that is pro-reform and better aligns with swaps market dynamics and the express provisions of Title VII of the Dodd-Frank Act.

TABLE OF CONTENTS

INTRODUCTION: Why a White Paper?

> What is at stake in our economic decisions today is not some grand warfare of rival ideologies which will sweep the country with passion but the practical management of a modern economy. What we need is not labels and clichés but more basic discussion of the sophisticated and technical questions involved in keeping a great economic machinery moving ahead.
>
> John F. Kennedy[1]

In September 2008, Lehman Brothers filed for Chapter 11 bankruptcy protection. Its failure was a consequence of the bursting of a double bubble of housing prices and consumer credit as lenders became concerned about a fall in property values and the repayment of mortgages. Lehman's demise came amidst a global "run on the bank," in which rapidly falling asset values looked to prevent U.S. and foreign lenders from meeting their cash obligations. This event marked the beginning of a full-blown financial crisis that was devastating for too many American businesses and families.

Bilaterally executed over-the-counter (OTC) swaps amplified and spread the financial crisis. Some counterparties who entered into such swaps had inadequately collateralized exposures that caused swaps users to face huge losses as counterparty defaults appeared likely. Because there was little public information about bilateral exposures among swaps users, third parties were less willing to provide credit to institutions that possibly faced such losses. Fear for the stability of the global banking system led the U.S. government to inject emergency capital into the largest U.S. banks and insurance companies at great expense to American taxpayers.

I remember the 2008 financial crisis very well. I served for over thirteen years as a senior executive of a U.S. wholesale brokerage firm that operates global trading platforms for bank-to-bank swaps transactions. I remember the panic in the eyes of bank executives and the tremor in the voices of bank regulators. I saw how fear drove

[1] John F. Kennedy, XXXV President of the United States: 1961-1963, *234 - Commencement Address at Yale University* (Jun. 11, 1962), *available at* http://www.presidency.ucsb.edu/ws/?pid=29661.

the crisis: fear of counterparty failure among the major swaps dealing banks and fear among regulators of their lack of visibility into counterparty credit exposure.

The experience confirmed my unwavering support for greater transparency into counterparty credit risk and trading data and increased central counterparty (CCP) clearing of swaps.[2] Although not driven by the crisis,[3] I also support sensible regulation of swaps trading and execution to raise trading standards and bring swaps markets more in line with the standards of conduct in other capital markets, such as equities and futures.

Upon passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)[4] in July 2010, I publicly commended the work of the President and Congress to enhance the safety and soundness of the OTC derivatives markets.[5] Since that time, I have been a consistent advocate for practical and effective implementation of the following three pillars of Title VII of the Dodd-Frank Act:[6] reporting swaps data to trade repositories, executing swaps on regulated trading platforms and clearing swaps

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[2] Even before the 2008 financial crisis, I was involved in an independent effort by non-Wall Street banks to develop a central clearing house for credit default swaps. *See, e.g.,* GFI Group Inc., *GFI Group Inc. and ICAP plc To Acquire Ownership Stakes In The Clearing Corporation*, PRNewswire, Dec. 21, 2006, *available at* http://www.prnewswire.com/news-releases/gfi-group-inc-and-icap-plc-to-acquire-ownership-stakes-in-the-clearing-corporation-57223742.html. *See also Testimony Before the H. Committee on Financial Services on Implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act*, 112th Cong. 8 (2011) (statement of J. Christopher Giancarlo) ("In 2005, GFI Group and ICAP Plc, a wholesale broker and fellow member of the WMBAA, took minority stakes in the Clearing Corp and worked together to develop a clearing facility for credit default swaps. That initiative ultimately led to greater dealer participation and the sale of the Clearing Corp to the Intercontinental Exchange and the creation of ICE Trust, a leading clearer of credit derivative products.").

[3] Markets for credit default swaps and other OTC derivatives remained open and well-functioning throughout the 2008 financial crisis. *See* Peter J. Wallison, Bad History, Worse Policy: How a False Narrative about the Financial Crisis Led to the Dodd-Frank Act 535 (AEI Press 2013) (Wallison).

[4] Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203, 124 Stat. 1376 (2010).

[5] *Wholesale Markets Brokers' Association, Americas Commends Historic US Financial Legislation, GFI Group Inc.*, Jul. 21, 2010, *available at* http://gfigroup.investorroom.com/index.php?s=43&item=158.

[6] J. Christopher Giancarlo, Commissioner, Keynote Address of CFTC Commissioner J. Christopher Giancarlo at The Global Forum for Derivatives Markets, 35th Annual Burgenstock Conference, Geneva, Switzerland: The Looming Cross-Atlantic Derivatives Trade War: "A Return to Smoot-Hawley" (Sep. 24, 2014), *available at* http://www.cftc.gov/PressRoom/SpeechesTestimony/opagiancarlos-1; *Testimony Before the H. Committee on Financial Services on Implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act*, 112th Cong. 7-19 (2011) (statement of J. Christopher Giancarlo).

through CCPs.[7] My professional and commercial experience, not academic theory or political ideology, drives my support for these reforms. Simply put, well-regulated markets are good for American business and job creation. That is why I support swaps market reform.

I commend the CFTC for its generally successful implementation of CCP clearing. I also support the CFTC's data reporting mandate, the implementation of which remains a work in progress. I am, however, critical of the CFTC's swaps trading rules. I believe they are fundamentally flawed for reasons set forth in this White Paper, the foremost of which is that the CFTC rules neither enhance trading liquidity nor accord with the express requirements of the Dodd-Frank Act.

There is a fundamental mismatch between the CFTC's swaps trading regulatory framework and the distinct liquidity, trading and market structure characteristics of the global swaps markets. This misalignment was caused by inappropriately applying to global swaps trading a U.S.-centric futures regulatory model that supplants human discretion with overly complex and highly prescriptive rules in contravention of congressional intent. This mismatch – and the application of this framework worldwide – has caused numerous harms, foremost of which is driving global market participants away from transacting with entities subject to CFTC swaps regulation, resulting in fragmented global swaps markets. In addition, the CFTC's rules carve swaps trading into numerous artificial market segments, fragmenting markets domestically. This fragmentation has exacerbated the already inherent challenge in swaps trading – adequate liquidity – and thus is increasing market fragility and the systemic risk that the Dodd-Frank reforms were predicated on reducing.

[7] The author readily acknowledges that CCP clearing is not a panacea for counterparty credit risk. CCP clearing does not extinguish risk, but transfers and centralizes it into one or more clearinghouses. See Wallison at 419-421. Yet, with proper management of CCP margin requirements, credit reserves operations to uniform standards of best practices and competent regulatory supervision, the benefit of CCP clearing is its potential to attract more counterparties into trading markets, thereby enhancing transactional liquidity and reducing counterparty concentration. Nevertheless, the author is sympathetic to concerns that clearinghouses themselves – now required to clear trillions of dollars in trades – are too big to fail. See Wallison at 537.

Vibrant and competitive financial markets must work hand-in-hand with smart and well-designed regulations to support a strong U.S. economy. Flawed and ill-suited swaps market regulation arbitrarily increases the cost of risk management, repels global capital, diminishes trading liquidity and stymies the legitimate use of derivatives causing the economy as a whole to suffer. I have written this White Paper to address these and other concerns.

It is not too late to get these rules right. This paper proposes an alternative regulatory framework that is pro-reform. It is comprehensive in scope and more flexible in application. This alternative focuses on raising standards of professional conduct for swaps market personnel rather than dictating prescriptive and ill-suited trading rules. It provides flexibility so that market participants can choose the manner of trade execution best suited to their swaps trading and liquidity needs. It better aligns regulatory oversight with inherent swaps market dynamics. Crucially, the alternative fully aligns with Title VII of the Dodd-Frank Act to promote swaps trading under CFTC regulation and attract, rather than repel, global capital to U.S. trading markets. The alternative seeks to lessen the market fragility and fragmentation that have arisen as a consequence of the CFTC's flawed swaps trading regime.

This paper is organized as follows: Section I examines global swaps trading that evolved in the decades before the Dodd-Frank Act. Section II reviews Congress's intended swaps trading regulatory framework as set out in Title VII. Section III details the major aspects of the CFTC's faulty swaps trading regulatory framework. Section IV discusses the adverse consequences of this flawed regime. Section V proposes an alternative regulatory framework. Section VI concludes with an appeal for a new and non-partisan effort to reconsider CFTC swaps trading rules to better align them with the inherent nature of swaps trading in global markets and the clear instructions of Title VII of the Dodd-Frank Act.

I believe the current Commission, led by Chairman Massad, has a budding spirit of cooperation and pragmatism. In my first few months at the Commission, I have been impressed with the knowledge, dedication and professionalism of my fellow

Commissioners and the CFTC staff. The Commission and staff carry a long and proud history of smart and principled regulation of the U.S. futures market. I believe they are committed to implementing and operating a similarly successful regulatory framework for the U.S. swaps market. In this regard, criticism herein of the CFTC's swaps trading regulatory framework is not directed at the dedicated CFTC staff, who under the direction of Chairman Massad and the Commissioners, continue to work diligently to apply the CFTC's ill-fitting rule set to the unique characteristics of global swaps markets. Unfortunately, the CFTC staff and particularly staff of the Division of Market Oversight are faced with the Sisyphean task of making swaps trading succeed in an unsuitable futures-style regime.

I wish to thank the members of my professional staff, Marcia Blase, Jason Goggins and Amir Zaidi, for their insightful and substantive contributions.[8] Nevertheless, the views and opinions expressed herein are my own and do not necessarily reflect the views of the CFTC, other CFTC Commissioners or the CFTC staff.

[8] I would also like to thank my legal interns, Chelsea Pizzola and Michael Selig from The George Washington University Law School, for their editorial assistance.

I. THE NATURE OF GLOBAL SWAPS TRADING

The use of derivatives to manage commercial or market risk dates back thousands of years.[9] Derivatives allow users to guard against gains or declines in the values of underlying financial assets, such as physical commodities, interest rates, stocks, bonds, trading indices or currencies. They serve this purpose without requiring the user to buy or sell the underlying assets. In this regard, derivatives are akin to risk insurance, but without requiring actual loss or damage as a condition to settlement. Derivatives enable users not only to hedge risk, but also to benefit from advantageous price movements in the underlying assets.

Derivatives are widely used throughout the U.S. and global economies. They are used by both big and small enterprises, such as farming and ranching operations, commercial manufacturers, power utilities, retirement funds, banks and investment firms. More than 90 percent of Fortune 500 companies use derivatives to control costs and other risks in their worldwide business operations.[10]

A. Exchange-Traded and Over-the-Counter Derivatives

Derivatives generally fall into two broad categories: exchange-traded and OTC. Exchange-traded derivatives, such as futures, are relatively fungible products with standardized terms and conditions, such as delivery locations and expiration dates, and uniform trading and credit procedures. Exchange-traded markets are generally domestic or national markets. In the U.S., futures exchanges called designated contract markets (DCMs)[11] facilitate the execution of futures products mostly through anonymous central limit order books (*i.e.,* CLOBs or trading facilities).[12] Exchange-traded futures must be cleared through a CCP, which in the U.S. regulatory framework is generally

[9] Robert J. Shiller, Finance and the Good Society 76 (Princeton University Press 2012) (Shiller). Shiller cites Aristotle's *Politics* description of the successful use of options on olive pressing by the Greek philosopher Thales in the mid-620s to mid-540s BCE.
[10] Anatoli Kuprianov, *2009 ISDA Derivatives Usage Survey*, International Swaps and Derivatives Association (ISDA) Research Notes, No. 2, at 1-5 (Spring 2009), *available at* http://www.isda.org/researchnotes/pdf/ISDA-Research-Notes2.pdf.
[11] 17 C.F.R. 1.3(a) and (h).
[12] CEA section 1a(51); 7 U.S.C. 1a(51).

contractually tied to the DCM that lists the product, and also integrates data reporting, trade confirmation and settlement in its range of services.

In contrast to exchange-traded futures, OTC derivatives, such as swaps,[13] are far less fungible. Swaps range from highly customized structures with long maturities to somewhat more liquid and standardized instruments with shorter maturities. OTC derivatives come in a broad array of unique instruments that are almost infinitely variable in their terms. In its 2014 annual survey,[14] *Risk Magazine* identified over seventy OTC derivative categories in a range of asset classes.[15] Swaps trading is a global activity that takes place in numerous cross-jurisdiction liquidity pools through competing execution and clearing venues in global trading centers, such as New York, London, Singapore and Hong Kong. An increasing number of OTC swaps are cleared through a CCP. However, many swaps are bilateral, privately negotiated agreements.

A comparison of the respective notional amounts outstanding in the OTC and exchange-traded derivatives markets highlights the importance of OTC products. As of June 2014, the notional outstanding amount of exchange-traded derivatives was $29 trillion, whereas the notional outstanding amount of OTC derivatives was 24 times that size at $691 trillion.[16] Exchange-traded derivatives thus accounted for less than 5 percent of the total outstanding global derivatives transactions, with the remainder being OTC derivatives.[17]

Futures and swaps are complementary product sets that work symbiotically to provide accurate and effective risk hedging and mitigation. They are often used

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[13] A swap is an agreement between two parties to exchange cash flows or other assets or liabilities at specified payment dates during the agreed-upon life of the contract.
[14] Tom Osborn, *Bank Rankings 2014: a question of scale*, Risk.net (Sep. 2, 2014), available at *http://www.risk.net/risk-magazine/research/2362542/bank-rankings-2014-a-question-of-scale*.
[15] The survey covered 73 derivatives categories, including (a) interest rate swaps (IRS) in major currencies, such as U.S. Dollar, Euro and Japanese Yen, (b) credit swaps, such as credit index default swaps (CDS) and (c) foreign exchange (FX) swaps in the major currency pairs. Swaps are also widely used for a broad range of commodities, such as oil, coal, electric power, natural gas, industrial and precious metals and other commodities, and for the transportation and storage thereof.
[16] *International Banking and Financial Market Developments*, Bank for International Settlements (BIS) Quarterly Review, Statistical Annex, Table 23A (Dec. 2014), *available at* https://www.bis.org/publ/qtrpdf/r_qa1412.pdf.
[17] *Id.* at Table 19.

together. As noted, futures have standardized terms and durations that make them well-suited to hedge generalized risks. However, futures products alone cannot address the risk-hedging needs of commercial enterprises in a highly sophisticated global economy.[18] To more effectively hedge less standardized risks over longer durations and larger exposures, swaps are used alone or in conjunction with standardized futures products. Without the customized hedging that swaps afford, commercial entities would have no choice but to accept basis risk.[19] Properly using futures and swaps effectively limits commercial basis risk, thus controlling costs and freeing up capital to invest in new enterprises or additional employment, among other initiatives, promoting economic growth.

B. Different Liquidity and Trading Characteristics

Any assessment of the effectiveness of swaps trading regulations must begin with an appreciation of the unique nature of swaps trading liquidity because liquidity determines most other aspects of the global swaps market structure, including the roles of trading participants, support infrastructure, methods of execution and clearing and product development.

In essence, liquidity is the degree to which a financial instrument may be easily bought or sold with minimal price disturbance. The liquidity of a market for a particular financial instrument depends on several factors, including product demand and scarcity, the number of market participants and facilitators of liquidity, the number of bids and offers, the size of bid-offer spreads and the volume of trading activity. These factors derive from the particular characteristics of a financial instrument, including product

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[18] Using a simple analogy, the marketplace for hedging the complex commercial needs of the $17 trillion U.S. economy may be seen as a balloon. One end of the balloon consists of the large OTC swaps market, and the other end consists of the smaller exchange-traded futures market. Together, the balloon is in balance. Regulatory efforts to squeeze the large swaps end of the balloon may succeed in pushing some trading into the smaller futures end. Squeezing a little may be okay. Squeezing too much will strain the futures end of the balloon. Squeezing too much will burst it.

[19] Basis risk is defined as "the risk that the value of a hedge will not move exactly inversely to the value of the asset or liability being hedged," a risk which "arises from the imperfect match between the characteristics of the hedge vehicle and the item being hedged." Edward D. Kleinbard, *Competitive Convergence in the Financial Services Markets*, 81 Taxes: The Tax Magazine, at 225, 258 n.166 (Mar. 2003).

parameters such as tenor and duration and the degree of standardization of an instrument's terms.

Liquidity in the swaps market is fundamentally different than liquidity in the futures and equities markets. Generally, liquidity in the swaps market is episodic in nature as compared with liquidity in the futures and equities markets, which is continuous in nature.[20] In 2011, the Federal Reserve Bank of New York (New York Fed) published an analysis of CDS transactions over a three-month period in 2010.[21] The New York Fed's analysis demonstrated that the vast majority of single-name CDS contracts traded less than *once* per day and index CDS contracts traded less than ten times per day, but in very large sizes.[22] In a similar analysis of IRS transactions, the New York Fed estimated that the vast majority of IRS contracts traded only once during the three-month period studied.[23] Such episodic liquidity can often be volatile, with liquidity peaks and troughs that are seasonal (*e.g.,* certain energy products in extremely cold winter weather) or tied to external market and economic conditions (*e.g.,* interest rate products in response to central bank tightening or loosening of interest rates).

The episodic nature of swaps liquidity results is characteristic of markets that feature a limited number of counterparties, almost all of which are relatively large

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[20] The distinct nature of swaps liquidity has been the subject of several well-researched studies and comment letters presented to the CFTC and the Securities and Exchange Commission (SEC). *See, e.g., Block Trade Reporting for Over-the-Counter Derivatives Markets*, ISDA and Securities Industry and Financial Markets Association (SIFMA) (Jan. 18, 2011) (ISDA/SIFMA Block Trade Study); *available at* http://www.isda.org/speeches/pdf/Block-Trade-Reporting.pdf; J.P. Morgan Comment Letter to Real-Time Public Reporting of Swap Transaction Data Proposed Rule (Jan. 12, 2011), *available at* http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=27106&SearchText=j.p.%20morgan.

[21] Kathryn Chen et al., *An Analysis of CDS Transactions: Implications for Public Reporting*, Federal Reserve Bank of New York, Staff Report no. 517 (Sep. 2011), *available at* http://www.newyorkfed.org/research/staff_reports/sr517.pdf.

[22] *Id.* at 12-14. The New York Fed's analysis also revealed that the most active single-name CDS contracts only traded a little over twenty times per day, and the most active index CDS contracts only traded over 100 times per day. *Id.* at 12.

[23] Michael Fleming et al., *An Analysis of OTC Interest Rate Derivatives Transactions: Implications for Public Reporting*, Federal Reserve Bank of New York, Staff Report No. 557, at 14 (Mar. 2012 rev. Oct. 2012), *available at* http://www.newyorkfed.org/research/staff_reports/sr557.pdf (discussing episodic liquidity in the IRS market) ("Even the most commonly traded instruments in our data set were not traded with a high degree of frequency. In fact, no single instrument in the IRS data set traded more than 150 times per day, on average, and the most frequently traded instruments in OIS and FRA only traded an average of 25 and four times per day, respectively."). *Id.* at 3. *See also* ISDA/SIFMA Block Trade Study at 13-21.

institutions. The swaps market is generally closed to retail investors and under U.S. law is only open to eligible contract participants.[24] On any given day in these markets, large institutional counterparties conduct only a few thousand transactions in very large notional amounts for a broad array of unique instruments that are almost infinitely variable in their terms.

In contrast, many exchange-traded markets, such as certain equities and futures, have relatively continuous liquidity. In these markets, buyers and sellers actively submit orders leading to high transaction flow. As a result, tens of thousands of trades take place each day in many exchange-traded instruments. For example, certain Eurodollar futures contracts trade on the Chicago Mercantile Exchange (CME) over 375,000 times per day.[25] Exchange-traded markets, however, offer no guarantee of trading liquidity, as evidenced by the high percentage of new exchange-listed products that regularly fail to enjoy active trading.

The relatively continuous liquidity results from markets that feature a broad range of customers, including retail customers, who trade generally small-sized orders for a more limited range of highly fungible instruments based on standard characteristics and a few key measures or parameters (*e.g.,* price and size). Exchange-traded markets feature substantial price competition, tighter bid-offer spreads and high trading volume that further fuel their liquidity.

The following chart provides a generalized comparison of the liquidity and trading characteristics of the swaps and futures markets:

[24] CEA section 1a(18); 7 U.S.C. 1a(18). The Commodity Exchange Act (CEA) limits "eligible contract participants" to institutional investors, such as investment firms, insurers, commodity pools and large employee-benefit plans. *Id.*

[25] *E.g.,* CME Eurodollar futures contract December 2015 expiration, average daily volume, week ending Jan. 9, 2015, *available at* http://www.cmegroup.com/trading/interest-rates/stir/eurodollar_quotes_volume_voi.html?optid=1#tradeDate=20150109 (last accessed Jan. 12, 2015).

Generalized Comparison of OTC Swaps Market to Exchange-Traded Futures Market[26]		
Characteristic	**Listed Futures**	**OTC Swaps**
Trade Size	**Small**	**Very, very large**
Tradable Products	**1,000s**	**100,000s[27]**
Daily Trading Volume	**100,000s**	**100s**
Trading Counterparties	**100,000s (including retail)**	**Dozens (no retail)**

The difference between swaps and futures markets has been likened to two pyramids – one upside down and one right-side up.[28] In each case, the base of the pyramid is the number of participants in a market and the ceiling is the average trade size and number of instruments traded.[29] The swaps market pyramid has a narrow base, but a very broad point, while the futures market pyramid has a broad base and a narrow point.[30]

C. Different Market Structures

It is because of the episodic liquidity in many of the swaps markets that they have generally evolved over the past several decades into two-tiered marketplaces for institutional market participants, that is, "dealer-to-customer" (D2C) marketplaces and "dealer-to-dealer" (D2D) marketplaces.

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[26] *See* ISDA/SIFMA Block Trade Study at 13-15.
[27] Inclusive of all tenors, strikes and duration.
[28] Joe Rennison, *Interdealer Broker Rankings 2014: Sef Questions Piling Up*, Risk.net, Sep. 2, 2014, *available at* http://www.risk.net/risk-magazine/research/2362397/interdealer-broker-rankings-2014-sef-questions-piling-up (quoting Chris Ferreri of ICAP PLC) (Rennison).
[29] *Id.*
[30] *Id.*

In D2C marketplaces, corporate end-users of swaps and other buy-side traders recognize the risk that, at any given time, a particular swaps market will not have sufficient liquidity to satisfy their need to acquire or dispose of swaps positions. As a result, these liquidity "taking" counterparties turn to sell-side dealers and other market makers (*i.e.,* liquidity makers) with large balance sheets that are willing to take on the liquidity risk for a fee. These buy-side-to-sell-side transactions are known in the swaps industry as dealer-to-customer or D2C transactions.

From a market structure standpoint, liquidity takers benefit from D2C liquidity makers acting in a competitive environment. The liquidity makers compete with each other, often deriving small profits per trade from a large volume of transactions. By relying on their ability to deploy capital to make markets and using their distribution and professional knowledge to offer competitive prices to their customer base, sell-side dealers and other market makers provide essential liquidity to these customers for hedging and other risk-management strategies.

In D2D marketplaces, sell-side dealers have access to marketplaces operated by wholesale and interdealer brokers for the secondary trading of their swaps exposure. These wholesale marketplaces allow dealers to almost instantly hedge the market risk of their large swaps inventory by trading with other primary dealers and sophisticated market-making participants. In this way, these wholesale markets are similar to upstairs block markets in stocks or off-exchange block trading in futures for large-sized trades. These transactions are known in the swaps industry as dealer-to-dealer or D2D transactions.

Dealers price their customer trades based on the cost of hedging those trades in D2D markets. Without access to D2D markets, the risk inherent in holding swaps inventory arguably would require dealers to charge their buy-side customers much higher prices for taking on their liquidity risk, assuming they remained willing to do so.

In contrast, in futures markets, continuous liquidity and broad market participation mean participants generally face much lower liquidity risk. As a result, buy-side

customers and market makers generally operate in the same market, leading to an all-to-all market structure, with some exceptions where there are price and liquidity risk concerns, such as for large-size block trades.[31]

Further, as mentioned above, in exchange-traded futures markets the exchange generally integrates data reporting, trade confirmation and settlement in its range of services. Swaps markets, on the other hand, are served by a range of often independent, third-party commercial service providers for trade data reporting, affirmation and confirmation. This design is a function of the fact that swaps products are not the exclusive intellectual property of any particular execution venue, as explained in Section I.E. below. Therefore, execution platforms do not know or have access to all of a product's terms and are not designed to handle these post-trade processing functions. Third-party service providers have stepped in to fulfill these essential functions.

Similarly, swaps markets support third-party vendors that provide compression, risk reduction, risk recycling, dynamic hedging and other services that seek to reduce counterparties' outstanding trade count, outstanding notional value or risk exposures.[32] These services provide innovative solutions for participants to help them achieve operational efficiencies in managing their swaps portfolios and to reduce systemic risk. These services exist in the swaps market given the non-standardized terms and conditions of swaps products, such as unique termination dates, coupon rates and notional amounts that make it operationally challenging to offset risk. This situation exists to a far lesser extent in the futures market given futures products' standardized terms and conditions.

[31] In such cases, third-party introducing brokers may arrange block trades off the centralized market and then enter the trades into the exchange on a delayed basis for settlement and clearing purposes. This is analogous to the swaps market, where there are non-CLOB execution methods given the liquidity risk concerns and large-size transactions.

[32] *See* Core Principles and Other Requirements for Swap Execution Facilities, 78 FR 33,476, 33,480-483 (Jun. 4, 2013) (SEF Rule) (discussing portfolio compression and risk mitigation services).

D. Different Methods of Trade Execution

The episodic liquidity of the swaps market has given rise to a broad and diverse range of competing venues with multiple methods of trade execution.

In D2C markets, dealers and other market makers traditionally interact directly with their institutional investor and end-user clients through telephone, email or text message communications. Increasingly, participants conduct transactions through multi-dealer-to-institutional-investor electronic trading platforms. These platforms contain request for quote (RFQ) protocols, where a buy-side liquidity taker may request and act upon live price quotes for the purchase or sale of specified swap products in specified quantities from multiple sell-side dealers and other liquidity makers. Such RFQ platforms may be one-to-one or one-to-multiple trade execution facilities.

In D2D markets, intermediaries known as interdealer brokers arrange trades between dealer participants. They gain access (almost on a consignment-like basis) to sell-side dealers' inventory of swaps products and solicit interest and negotiate transactions in such inventory with other dealers. In such markets, execution methods and techniques vary widely according to product trading characteristics along the continuum of swaps market liquidity from low-to-high. In almost all cases, interdealer broker platforms may be characterized as multiple-to-multiple trade execution facilities.

For less standardized swaps markets, where liquidity is not continuous and negotiation is common, wholesale trading platforms often feature voice execution that is similar to traditional "open-outcry" trading pits. On these platforms, professional brokerage personnel communicate bids and offers to counterparties in real time through a combination of electronic display screens and hundreds of always-open phone lines, as well as email and text messages.

In other slightly more standardized swaps markets, venues provide, for example, (a) hybrid modes of broker "work-up," where brokers broadcast completed trades to the market in order to attract other participants to "join the trade" to increase trading

volume[33] and (b) time-limited, batch auction-based methods or Dutch Auction methods, such as fixing and matching sessions, where multiple participants place bids or offers on a specific product in an abbreviated timeframe in order to determine a market price or quantity.[34]

Finally, in a few, more continuously liquid swaps markets, wholesale swaps trading venues operate electronic order book platforms. In every case, a trading platform's technology and execution methodology calibrate to the particular liquidity characteristics of the instruments traded and disseminate customer bids and offers to the widest extent possible to foster the greatest degree of trading liquidity.

The distinct trade execution methods used in D2C markets and D2D markets are not unprecedented in the world of finance. They have corollaries in the long-established U.S. government-bond and corporate fixed-income markets, both of which serve U.S. and global capital markets. In these markets, approximately 50 percent of government bonds and 80 percent of credit markets and corporate bonds are negotiated and traded telephonically.[35] This method of execution differs markedly from the generally all-to-all market structure of the U.S. futures markets, where the telephone is increasingly rare.

Returning to the analogy of the two pyramids, futures markets in the form of a right-side up pyramid, with many participants trading a small set of standardized instruments, more readily support electronic CLOB trading. On the other hand, swaps markets, represented by the inverted pyramid, with a relatively small number of participants trading a wide variety of non-standardized products, tend to support one-to-

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[33] *See, e.g.,* Wholesale Markets Brokers' Association Americas (WMBAA) Comment Letter to SEF Rule (Aug. 1, 2012), *available at* http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=58343&SearchText=. During a broker "work-up," for a period of time after an order is executed, the price of the transaction is reported to the market and any market participant may engage in transactions in that asset at a price matching that of the original order so long as parties interested in counter-trading remain available. *See id.*

[34] *See, e.g.,* WMBAA Comment Letter to SEF Rule, at 3 (Jul. 18, 2011), *available at* http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=47865&SearchText=wholesale.

[35] Hirander Misra, *Fixed Income Robot Wars & the Rise of the Machines,* TABB FORUM, Nov. 18, 2014, *available at* http://tabbforum.com/opinions/fixed-income-robot-wars-and-the-rise-of-the-machines.

multiple voice and electronic RFQ protocols in D2C markets and multiple-to-multiple voice- and auction-based protocols in D2D markets.[36]

It is noteworthy that while algorithmic trading and high-frequency trading (HFT) are an increasing presence in U.S. futures markets, they are generally absent from global swaps markets. This distinction proceeds from the different methods of execution prevalent in the two markets. The mandatory continuous CLOB model in U.S. futures markets and U.S. equity markets accommodates and, arguably,[37] rewards algorithmic trading and HFT strategies and methodologies. On the other hand, traditional swaps execution methods, such as electronic RFQ, voice execution and time-limited, batch auctions do not readily accommodate algorithmic trading or HFT.

E. Different Process of Product Development

Swaps products generally develop in a different manner than do futures products. Sell-side dealers generally create new and novel swaps products as OTC bilateral contracts with their buy-side customers. Such new derivative instruments often have distinctive terms and little or no trading history with which to estimate price. They generally begin to trade on platforms only after they have gained sufficient trading liquidity so that dealer firms need to access a secondary market to offset their primary market exposure to the product.

The structure and terms of most swaps products may be likened to an "open-source" design permitting their broad usage in global markets. Because swaps products are not the exclusive intellectual property of any particular execution venue, they may and often do transact on numerous platforms. Since no one platform owns a swap product or asserts exclusive right to execute it, trading platforms do not know or have access to all of the terms and corresponding documentation that the buy-side customers and sell-side dealers created. In short, swaps products move to platforms

[36] Rennison.
[37] Eric Budish et al., *The High-Frequency Trading Arms Race: Frequent Batch Auctions as a Market Design Response*, (Dec. 23, 2013), *available at* http://faculty.chicagobooth.edu/eric.budish/research/HFT-FrequentBatchAuctions.pdf; Eric Budish et al., *Presentation to the CFTC's Technology Advisory Committee*, (Feb. 10, 2014), *available at* http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/tac021014_budish.pdf.

generally after they are successful, not before. They never become the exclusive intellectual property of any trading venue.[38]

Futures products, in contrast, begin and end life directly on the exchange. The product is the proprietary intellectual property of the exchange that spent time and resources to develop it. It is, in other words, "closed-source." Many new futures products never attract liquidity. Those that do may only trade on the exchange that owns the product and controls the product's terms and conditions. Futures products are generally launched on the exchange before their success is assured and before they have attracted any trading liquidity.

[38] A hypothetical example will help to illustrate this point. A buy-side client who operates a wind farm approaches a dealer to create a swap to hedge its wind exposure. The sell-side dealer creates and executes a customized wind swap with its buy-side client. As time progresses, additional buy-side clients with wind exposure approach their dealers to create similar swaps. Once a critical mass of dealers are serving customers seeking such wind swaps, the dealers need a secondary market to trade in and out of this exposure. At this point, a platform or interdealer broker comes along to provide this secondary market for wind swaps. The swap product will generally trade on several wholesale platforms and, in time, may be featured on one or more dealers' direct D2C platforms.

II. THE DODD-FRANK SWAPS TRADING REGULATORY FRAMEWORK

> If firms and individuals cannot insure themselves against bad outcomes, they will be necessarily cautious; the economy will grow more slowly than it should. A company will not invest in a new factory, if it cannot hedge against swings in exchange rates that might render its investment unprofitable. An individual will not consume to the full extent of his capacity if he cannot insure his house or health. By connecting the ranks of insurance seekers with specialists who pool risk and so reduce it, finance liberates animal spirits and boosts prosperity.[39]

While a full assessment of the social utility of swaps, futures and other derivatives products is beyond the scope of this White Paper, it is generally well accepted that derivatives serve the needs of society to control commercial and other risk.[40] They are essential to U.S. economic growth and job creation.[41] American Nobel Laureate and economist Robert J. Shiller explains that in free market economic systems, complex markets have evolved, such as those for equities, bonds, futures, swaps and insurance that allow business owners to shift a portion of the risk of uncertainty.[42] The benefit of risk-shifting is that risks are transferred to the party best able to bear them through its wealth and ability to pool risks.[43] Markets for risk-shifting enable productive but higher-risk activities that investors would not otherwise undertake.[44]

Whether one accepts or rejects such arguments for the social utility of derivatives, two things are incontrovertible. The first is that faced with the opportunity to

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[39] Sebastian Mallaby, *Sunday Book Review: Finance and the Good Society, by Robert J Shiller*, The New York Times, Jun. 22, 2012, *available at* http://www.nytimes.com/2012/06/24/books/review/finance-and-the-good-society-by-robert-j-shiller.html?pagewanted=all&_r=0.

[40] Shiller at 75-80.

[41] The Milken Institute found the following economic benefits to the U.S. economy from derivatives: "Banks' use of derivatives, by permitting greater extension of credit to the private sector, increased U.S. quarterly real GDP by about $2.7 billion each quarter from Q1 2003 to Q3 2012; derivatives use by non-financial firms increased U.S. quarterly real GDP by about $1 billion during the same period by improving the firms' ability to undertake capital investments; combined, derivatives expanded U.S. real GDP by about $3.7 billion each quarter; the total increase in U.S. economic activity was 1.1 percent ($149.5 billion) between 2003 and 2012; by the end of 2012, use of derivatives boosted U.S. employment by 530,400 (0.6 percent) and industrial production 2.1 percent." Apanard Prabha et al., *Deriving the Economic Impact of Derivatives*, Milken Institute, at 1 (Mar. 2014), *available at* http://assets1b.milkeninstitute.org/assets/Publication/ResearchReport/PDF/Derivatives-Report.pdf.

[42] Shiller at 75-80.

[43] *See generally* Kenneth J. Arrow, *Insurance, Risk and Resource Allocation* (1971) in Essays in the Theory of Risk-Bearing 134-143 (Markham Pub. Co. 1971).

[44] *Id.*

abolish or restrict the use of derivatives as a matter of U.S. law, Congress did not do so under the Dodd-Frank Act. Thus, one can assume that Congress was satisfied that an acceptable degree of social utility is inherent to derivatives. The second is that whatever social and commercial value derivatives provide, exchange-traded futures do not provide such value in materially greater measure as compared with OTC swaps. Certainly, Congress did not draw such a distinction. Congress could have restricted derivatives use to exchange-traded futures or required swaps to trade exclusively on DCMs. Congress did not take that step. Congress could also have subjected swaps to a futures-like execution model in contravention of the way swaps actually trade in global markets. Fortunately, Congress did not do that either. Instead, Congress laid out a fairly simple and flexible swaps trading framework suited to the episodic nature of swaps liquidity.

In essence, Title VII of the Dodd-Frank Act requires execution of most cleared swaps on DCMs or registered swap execution facilities (SEFs) via a straightforward trade execution requirement.[45]

Congress expressly permitted SEFs to offer various flexible execution methods for swaps transactions using "any means of interstate commerce." The law defines a SEF as a "trading system or platform in which multiple participants have the ability to execute or trade swaps by accepting bids and offers made by multiple participants in the facility or system, through any means of interstate commerce, including any trading facility, that – (A) facilitates the execution of swaps between persons; and (B) is not a designated contract market."[46]

Additionally, Congress articulated goals, not requirements, for this SEF framework in order to maintain its flexibility. Congress set two goals for SEFs in Title VII of the Dodd-Frank Act: to promote (1) the trading of swaps on SEFs and (2) pre-trade price transparency in the swaps market.[47]

[45] CEA section 2(h)(8); 7 U.S.C. 2(h)(8).
[46] CEA section 1a(50); 7 U.S.C. 1a(50).
[47] CEA section 5h(e); 7 U.S.C. 7b-3(e).

Congress did not prescribe that the global swaps market be carved into an isolated U.S. domestic market and then further sliced and diced into smaller and smaller domestic markets for swaps trading.[48]

Congress mandated "impartial" access to swaps markets, not "open" access. It did not require SEFs to merge D2C and D2D market segments. Indeed, in providing that a SEF must establish rules to provide market participants with impartial access to the market, the Dodd-Frank Act requires a SEF to set out any limitation on this access.[49] This requirement confirms that the Act does not demand that all market participants receive access to every market. There is no mandate or impetus for an all-to-all swaps market structure in the Dodd-Frank Act.

Congress further laid out a core principles-based framework for SEFs and provided them with reasonable discretion to comply with these principles.[50]

In crafting Title VII of the Dodd-Frank Act, Congress got much of it right.[51] Unfortunately, the CFTC's implementation of the swaps trading rules widely misses the congressional mark.

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[48] *See* Sections III.A. and B. and IV.A. and B.
[49] CEA section 5h(f)(2); 7 U.S.C. 7b-3(f)(2).
[50] CEA section 5h(f)(1)(B); 7 U.S.C. 7b-3(f)(1)(B).
[51] The Dodd-Frank Act missed the mark with respect to the SEF core principles. Most of the SEF core principles are based on the DCM core principles. *Compare* 7 U.S.C. 7(d) (enumerating DCM core principles, including enforcement of exchange rules, restricting trading to those contracts not readily subject to manipulation, monitoring of trading, ensuring accurate recordkeeping and reporting, establishing position limits, adopting rules for emergency authority, etc.), *with id.* 7b-3(f) (setting forth extremely similar core principles applicable to SEFs). However, the futures regulatory model is inappropriate for swaps trading given the different liquidity and market structure characteristics of swaps. *See* Sections I. and III.H. for further details.

III. THE CFTC'S FLAWED SWAPS TRADING REGULATORY FRAMEWORK

Thomas Aquinas observed that the art of sailing must govern the art of shipbuilding.[52] By that, he meant that the way in which human activities are ordered and governed should be based on the ultimate good desired.[53] Hence, shipbuilding should be conducted to allow for safe and efficient navigation. Sailing should not be jeopardized by aesthetically pleasing, but unseaworthy ship designs.

So too, effective regulation should always have as its goal the betterment of the activities being regulated. Using readily available yet unsuitable frameworks in order to mollify political expectations does not produce sound regulation.

In response to political pressure to hurry the implementation of the Dodd-Frank Act and likely influenced by the naïve view that centralized order-driven markets are the best way to execute all derivatives transactions, the CFTC acted expediently and modeled its swaps trading rules on the well-known and readily available, regulatory template of the U.S. futures market. Unfortunately, that structure – though well-designed for futures – is ill-suited to global swaps trading.

The approach precluded adequate thoroughness and precision in crafting a swaps regime informed by the unique characteristics of swaps trading. As a result, the CFTC's swaps trading framework is mismatched to the natural commercial workings of the market. It is a square peg being forced into a round hole. In adopting this framework, the CFTC failed to properly respond to congressional intent and the Dodd-Frank Act's express goal of promoting swaps trading on SEFs.[54]

A. Limits on Methods of Execution

The SEF rules create two categories of swaps transactions: Required Transactions (*i.e.*, any transaction involving a swap that is subject to the trade execution

[52] Saint Thomas Aquinas, The Summa Contra Gentiles (The English Dominican Fathers trans., Burns Oates & Washbourne Ltd. 1924).
[53] *Id.* at Chapter I.
[54] CEA section 5h(e); 7 U.S.C. 7b-3(e).

requirement)[55] and Permitted Transactions (*i.e.*, any transaction not involving a swap that is subject to the trade execution requirement)[56] and prescribe execution methods for each category.[57] Required Transactions must be executed in an order book (Order Book)[58] or an RFQ system in which a request for a quote is sent to three participants operating in conjunction with an Order Book (RFQ System).[59] Any method of execution is allowed for Permitted Transactions,[60] but SEFs must also offer an Order Book for such transactions.[61]

There is no firm statutory support for segmenting swaps into two categories or for limiting one of those categories to two methods of execution. A footnote to the preamble of the final SEF rules justifies this segmentation by stating that Commodity Exchange Act (CEA) section 2(h)(8) "*sets out specific trading requirements* for swaps that are subject to the trade execution mandate ... [and] [t]o meet these statutory requirements, [the SEF rule] defines these swaps as Required Transactions and provides *specific methods of execution for such swaps*."[62] The only thing that CEA section 2(h)(8) expressly requires, however, is that swaps subject to the trade execution requirement must be executed on a SEF or DCM.[63] The statute nowhere references the concept of Required Transactions with limited execution methods and Permitted Transactions via any method of execution. These artificial categories unnecessarily complicate Congress's simple and flexible swaps trading framework.

Rather, the Dodd-Frank Act's SEF definition contemplates a platform where multiple participants have the ability to execute swaps with multiple participants through any means of interstate commerce, including a trading facility.[64] Congress clearly

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[55] 17 C.F.R. 37.9(a)(1).
[56] 17 C.F.R. 37.9(c)(1).
[57] 17 C.F.R. 37.9(a)(2) and 37.9(c)(2).
[58] 17 C.F.R. 37.3(a)(2), 37.3(a)(3), and 37.9(a)(2).
[59] 17. C.F.R. 37.9(a)(2) and 37.9(a)(3).
[60] 17 C.F.R. 37.9(c)(2).
[61] 17 C.F.R. 37.3(a)(2); SEF Rule at 33,504.
[62] SEF Rule at 33,493 n. 216 (emphasis added). The Commission further stated, to "distinguish these swaps from other swaps that are not subject to the trade execution mandate, [the SEF rule] defines such swaps ... as Permitted Transactions and allows these swaps to be voluntarily traded on a SEF by using any method of execution." *Id.*
[63] CEA section 2(h)(8); 7 U.S.C. 2(h)(8).
[64] CEA section 1a(50); 7 U.S.C. 1a(50).

drafted this broad and flexible definition to allow execution methods beyond an Order Book or RFQ System for all swaps, not just some swaps. In this regard, the CFTC Order Book obligation is not supported by the statutory text that contains a multiple-to-multiple participant trading requirement, not an all-to-all trading requirement.

Dodd-Frank also permits SEFs to offer swaps trading "through any means of interstate commerce." The SEF rules acknowledge this phrase but construe it narrowly to allow for voice and other "means" of execution or communication within the limited Order Book and RFQ System execution methods.[65] Yet, the phrase "interstate commerce" has a rich constitutional history, which U.S. federal courts have interpreted to cover almost an unlimited range of commercial and technological enterprise.[66] The CFTC rule construct is disingenuous and not supported by the plain language of the statute. Rather, it expresses a bias for two specific execution methods over all others: one drawn from the all-to-all U.S. futures markets and one that is generally one-to-many not multiple-to-multiple.

Congress could have required SEFs to offer only certain limited execution methods, but chose not to take that path. Congress was well-aware of the trading facility execution method that DCMs provide for futures contracts.[67] Additionally, Congress could have preserved references to "electronic execution" included in early drafts of the Dodd-Frank Act, but decided against that narrow approach in the final statutory text in favor of the more flexible SEF definition.[68] And, while the SEF definition includes a

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[65] 17 C.F.R. 37.9(a)(2)(ii); SEF Rule at 33,501-502. The Commission states that "in providing either one of the execution methods for Required Transactions in § 37.9(a)(2)(i)(A) or (B) of this final rulemaking (*i.e.*, Order Book or RFQ System that operates in conjunction with an Order Book), a SEF may for purposes of execution and communication use 'any means of interstate commerce,' including, but not limited to, the mail, internet, email, and telephone, provided that the chosen execution method satisfies the requirements provided in § 37.3(a)(3) for Order Books or in § 37.9(a)(3) for Request for Quote Systems." SEF Rule at 33,501.

[66] *See, e.g.*, Gonzales v. Raich, 545 U.S. 1, 17 (2005); Katzenbach v. McClung, 379 U.S. 294, 302 (1964); Wickard v. Filburn, 317 U.S. 111, 125 (1942).

[67] CEA section 1a(51); 7 U.S.C. 1a(51).

[68] *Compare* S. 3217, 111th Cong. § 720 (as reported by S. Comm. on Banking, Housing, and Urban Affairs, Apr. 15, 2010) (defining a SEF as "an electronic trading system" and discussing electronic execution of trades), *with* 7 U.S.C. 1a(50) (defining a SEF as "a trading system or platform" without reference to electronic execution).

trading facility,[69] it does not require one, nor does it limit a SEF to an Order Book or to the Commission's peculiar RFQ System definition.

It is also important to note that while execution methods of DCMs are limited by DCM Core Principle 9, which requires a competitive, open, and efficient market and mechanism that protects the price discovery process of trading in the centralized market,[70] there is no similar core principle for SEFs. The lack of such a principle for SEFs reflects Congress's understanding that swaps naturally trade through a variety of execution methods in the global marketplace given their episodic liquidity.

The preamble to the final SEF rules concedes that the statutory definition may allow for additional execution methods beyond an Order Book and RFQ System for Required Transactions.[71] It notes that a SEF may petition the CFTC for a rulemaking to include such additional methods.[72] Despite these admissions, the SEF final rules reflect a limited execution approach.[73] The SEF rules adopted this approach despite commenters' requests to allow SEFs to offer specific, additional and permissible execution methods, such as certain auction, volume match and voice broker models.[74] The SEF rules summarily reject or fail to discuss these additional execution methods.[75] There is no clear statutory justification for the conclusion that the SEF definition only allows an Order Book and RFQ System and no other execution method.[76]

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[69] CEA section 1a(51); 7 U.S.C. 1a(51).
[70] 17 C.F.R. 38.500.
[71] SEF Rule at 33,484, 33,501.
[72] *Id.*
[73] *Id.*
[74] *See, e.g.,* WMBAA Comment Letter to SEF Rule, at 5-6 (Mar. 8, 2011), *available at* http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=31296&SearchText=Wholesale; J.P. Morgan Comment Letter to SEF Rule, at 6 (Mar. 8, 2011), *available at* http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=31198&SearchText=morgan; Nodal Exchange Comment Letter to SEF Rule, at 1-3 (Mar. 8, 2011), *available at* http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=31234&SearchText=nodal; WMBAA Comment Letter to SEF Rule, at 2-3 (Jul. 18, 2011), *available at* http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=47865&SearchText=wholesale.
[75] *See, e.g.,* WMBAA Comment Letter to SEF Rule, at 3 (Jul. 18, 2011) (The Commission failed to discuss BGC's Volume Match execution method cited in this comment letter); SEF Rule at 33,501 (rejecting blind auctions as an acceptable method of execution and rejecting all methods of execution that failed to meet the Order Book or RFQ System definitions despite the "any means of interstate commerce" language).
[76] *See, e.g.,* SEF Rule at 33,484, 33,501-502.

The preamble to the final SEF rules again and again relies on general references to the SEF definition and SEF goals to support its positions.[77] However, the general reliance on the goals of promoting pre-trade price transparency and the trading of swaps on SEFs does not justify the limited execution methods for Required Transactions.[78] Tellingly, Congress defined these as "goals," not requirements, to provide additional flexibility to the SEF framework. Assuming, for the sake of argument, that both SEF goals must be met for each SEF execution method, there are certainly other swap execution methods that would meet the SEF definition and these goals. It is hard to accept, for example, that only an RFQ system that operates in conjunction with an Order Book, where a market participant must obtain quotes from three participants who are not affiliates of each other, among other peculiar requirements, is the only RFQ system that satisfies Congress's flexible SEF definition and SEF goals.[79] A narrow interpretation of SEF execution does not comport with the broad statutory SEF definition.[80] By restricting market participants to two limited trading options, it discourages rather than promotes trading on SEFs in contravention of the express goal of the Dodd-Frank Act.[81]

The SEF rules also contain a fifteen-second time delay requirement for cross-trades through the Order Book.[82] They reference the goal of pre-trade price transparency as justification.[83] This rule provides an exception to pre-arranged trading or pre-execution communications, as long as a participant exposes the order to the market for a minimum period of time (*e.g.*, fifteen seconds).[84] The Dodd-Frank Act does not mandate such a prescriptive rule. Given the flexible SEF definition, the rules should have provided SEFs with discretion in implementing exceptions to pre-arranged trading or pre-execution communications consistent with the SEF core principles. Such a flexible approach would be consistent with congressional intent.

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[77] *See, e.g.*, SEF Rule at 33,484, 33,496-499 and 33,501.
[78] CEA section 5h(e); 7 U.S.C. 7b-3(e).
[79] 17 C.F.R. 37.9(a)(3).
[80] CEA section 1a(50); 7 U.S.C. 1a(50).
[81] CEA section 5h(e); 7 U.S.C. 7b-3(e).
[82] 17 C.F.R. 37.9(b).
[83] SEF Rule at 33,503.
[84] 17 C.F.R. 37.9(b).

The CFTC's limited execution method approach also does not comport with the way swaps actually trade in global markets. As noted in Section I., trillions of dollars of swaps trade globally each day through a variety of execution methods designed to better account for their episodic liquidity. As such, in many cases, interdealer brokers exercise discretion in executing counterparty trades. A swap product's particular liquidity characteristics determine the execution technology and methodology, which can change over time. This liquidity continuum necessitates flexible execution methods as authorized by the Dodd-Frank Act.

CFTC swaps trading rules, however, thwart trade execution flexibility and limit needed human discretion.[85] By requiring SEFs to offer Order Books for all swaps, even very illiquid or bespoke swaps,[86] the rules embody the unsophisticated and parochial view that centralized order-driven markets, like those in the U.S. futures markets, are the best way to execute swaps transactions. That flawed view is not reflective of global swaps market reality. The unique nature of swaps trading liquidity should drive execution methods as Aquinas would have it, not the other way around. Attempts to force episodically liquid trading into centralized order-driven markets will only drive trading away. Certainly, the Dodd-Frank Act did not authorize such attempts.

The rules' misguided approach to SEF execution is showing its shortcomings. Package transactions are one example. Swaps market participants are now required to execute certain package transactions through the SEF's limited execution methods for Required Transactions.[87] Yet, many of these package transactions are ill-suited to Order Book or RFQ System execution given their limited liquidity and complex characteristics. To avoid harming swaps package trading, CFTC staff has engaged in a detailed no-action relief process for different categories of package transactions, gradually arriving upon a new "Permitted-Lite" set of execution methods in addition to

[85] 17 C.F.R. 37.9(a)(2).
[86] *See* SEF Rule at 33,504 (clarifying that a SEF must offer an Order Book for Permitted Transactions).
[87] Given the CFTC's definition of Required Transaction in 37.9(a)(1), a participant must execute a package transaction where one leg of the transaction is subject to the trade execution requirement through a SEF's limited execution methods in 37.9(a)(2) or break-up the package transaction and execute each leg separately. Breaking-up package transactions defeats the purpose of creating these strategies as it will increase costs and risks for participants.

the Required and Permitted methods.[88] This added complexity could have been avoided and countless hours of Commission resources could have been saved, if congressional direction that allows SEFs the flexibility to follow existing market practice and use methods of execution best matched to the existing way in which package transactions currently trade in global markets had been heeded.[89]

B. Block Transactions: "Occurs Away" from SEF

The CFTC block trade definition, specifically, the "occurs away" requirement, is another example of artificial segmentation like the contrived distinction between Required Transactions and Permitted Transactions. A block trade is defined as "a publicly reportable swap transaction that: (1) Involves a swap that is listed on a registered [SEF] or [DCM]; (2) 'Occurs away' from the registered [SEF's] or [DCM's] trading system or platform and is executed pursuant to the registered [SEF's] or [DCM's] rules and procedures; (3) Has a notional or principal amount at or above the appropriate minimum block size applicable to such swap; and (4) Is reported subject to the rules...."[90]

It is unclear what is being achieved by requiring block trades to be executed away from the SEF's trading platform. The "occurs away" requirement creates an arbitrary and confusing segmentation between non-block trades "on-SEF" and block

[88] CFTC Letter No. 14-12, *No-Action Relief from the Commodity Exchange Act Sections 2(h)(8) and 5(d)(9) and from Commission Regulation § 37.9 for Swaps Executed as Part of a Package Transaction* (Feb. 10, 2014), *available at* http://www.cftc.gov/ucm/groups/public/@newsroom/documents/letter/14-12.pdf; CFTC Letter No. 14-62, *No-Action Relief from the Commodity Exchange Act Sections 2(h)(8) and 5(d)(9) and from Commission Regulation § 37.9 for Swaps Executed as Part of Certain Package Transactions and No-Action Relief for Swap Execution Facilities from Compliance with Certain Requirements of Commission Regulations § 37.9(a)(2), § 37.203(a) and § 38.152 for Package Transactions* (May 1, 2014), *available at* http://www.cftc.gov/ucm/groups/public/@lrlettergeneral/documents/letter/14-62.pdf; and CFTC Letter No. 14-137, *Extension of No-Action Relief from the Commodity Exchange Act Sections 2(h)(8) and 5(d)(9) and from Commission Regulation § 37.9 and Additional No-Action Relief for Swap Execution Facilities from Commission Regulation § 37.3(a)(2) for Swaps Executed as Part of Certain Package Transactions* (Nov. 10, 2014), *available at* http://www.cftc.gov/ucm/groups/public/@lrlettergeneral/documents/letter/14-137.pdf.

[89] Further complicating matters, market participants have also asked questions regarding package transactions and block sizes. For example, does a package transaction qualify for block treatment if the leg of the package transaction subject to the trade execution requirement is above the block size, but the leg of the package transaction not subject to the trade execution requirement is below the block size? To date, neither the Commission nor the CFTC staff has clarified this issue in writing.

[90] 17 C.F.R. 43.2.

trades "off-SEF," especially given that a SEF may offer any method of execution for Permitted Transactions.[91] The "off-SEF" requirement also undermines the legislative goal of encouraging swaps trading on SEFs.

The block trade definition is a holdover from the futures model.[92] In futures markets, block trades occur away from the DCM's trading facility as an exception to the centralized market requirement.[93] The Commission has previously explained the rationale for this DCM exception in terms of the price risk and liquidity risk for these large-sized block trades.[94] In other words, given the generally small trade sizes for futures contracts in the centralized market and the large sizes for block trades, a counterparty executing a block trade in the centralized market would have to pay a significant price premium from the prevailing market price to execute such a large-sized order.[95]

In today's global swaps market, however, there are no "on-platform" and "off-platform" execution distinctions for certain-sized swaps trades. As explained in Section I.B., OTC swaps generally trade in very large sizes. These swaps are not constrained to CLOBs, but trade through one of a variety of execution methods appropriate to the product's trading liquidity. Thus, the same concern about the adverse market impact of large-sized trades is generally not prevalent in the swaps market.

Congress recognized these differences by not imposing on SEFs an open and competitive centralized market requirement with corresponding exceptions for certain non-competitive trades as contained in DCM Core Principle 9.[96] Congress knew that

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[91] The CFTC's approach is also creating technological challenges for SEFs and futures commission merchants (FCMs) in facilitating pre-execution credit checks of block trades that occur way from the SEF's platform. Currently, SEFs and FCMs are unable to implement these credit checks for block trades that occur away from the SEF's platform. *See* CFTC Letter No. 14-118, *No-Action Relief for Swap Execution Facilities from Certain 'Block Trade' Requirements in Commission Regulation 43.2* (Sep. 19, 2014), *available at* http://www.cftc.gov/ucm/groups/public/@lrlettergeneral/documents/letter/14-118.pdf.

[92] *See* Alternative Executive, or Block Trading, Procedures for the Futures Industry, 64 FR 31195 (Jun. 10, 1999); Chicago Board of Trade's Proposal To Adopt Block Trading Procedures, 65 FR 58051 (Sep. 27, 2000).

[93] 17 C.F.R. 38.500.

[94] Execution of Transactions: Regulation 1.38 and Guidance on Core Principle 9, 73 FR 54097, 54099 (proposed Sep. 18, 2008).

[95] *Id.*

[96] 17 C.F.R. 38.500.

counterparties executed swaps on flexible trading platforms in very large sizes. Rather, Congress expressly authorized delayed reporting for block transactions.[97] Congress got it right. The CFTC's swaps block trade definition is inappropriate and unwarranted.

C. Unsupported Made Available to Trade Process

As noted above, Congress included a trade execution requirement in CEA section 2(h)(8) that requires SEF[98] execution for swaps subject to the clearing mandate.[99] In a simple exception to this requirement, Congress stated that this trade execution requirement does not apply if no SEF "makes the swap available to trade."[100]

CFTC rules for the made available to trade (MAT) process have proved to be unworkable and have created an unwarranted regulatory mandate around the phrase "makes the swap available to trade."[101] Under this platform-controlled MAT process, a SEF submits a MAT determination for swaps products to the Commission pursuant to part 40 of the CFTC's regulations after considering, as appropriate, certain liquidity factors for such swaps.[102] The CFTC reviews the SEF's determination, but may only deny the submission if it is inconsistent with the CEA or CFTC regulations.[103] Once MAT, these swaps are Required Transactions and counterparties must execute them on a SEF pursuant to the limited execution methods permitted by CFTC rules.[104]

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[97] CEA section 2(a)(13)(E); 7 U.S.C. 2(a)(13)(E). Established marketplaces worldwide have long recognized that for less liquid products where a smaller number of primary dealers and market makers cross larger size transactions, the disclosure of the intention of a major institution to buy or sell could disrupt the market and lead to poor pricing. If a provider of liquidity to the market perceives greater danger in supplying liquidity, it will step away from providing tight spreads and leave those reliant on that liquidity with poorer hedging opportunities. Hence, large size or "block" trades are generally afforded a time delay before their details are reported to the marketplace.

[98] The trade execution requirement and the Commission's made available to trade process pertain to DCMs as well. Given this paper's focus on SEFs, the references to DCMs in this section have been omitted.

[99] CEA section 2(h)(8); 7 U.S.C. 2(h)(8).

[100] *Id.*

[101] CEA section 2(h)(8); 7 U.S.C. 2(h)(8); 17 C.F.R. 37.10, 37.12, 38.11 and 38.12; Process for a Designated Contract Market or Swap Execution Facility To Make a Swap Available to Trade, Swap Transaction Compliance and Implementation Schedule, and Trade Execution Requirement Under the Commodity Exchange Act, 78 FR 33,606 (Jun. 4, 2013) (MAT Rule).

[102] 17 C.F.R. 37.10(a), (b), 38.12(a) and (b).

[103] MAT Rule at 33,607 and 33,610. It is doubtful that the Commission could find that a MAT submission is inconsistent with the CEA or Commission regulations because neither the CEA nor the regulations contain any objective requirements that a swap must meet for a MAT determination to be valid.

[104] 17 C.F.R. 37.9(a)(1), 37.9(a)(2), 37.10, 37.12, 38.11 and 38.12.

This MAT process in combination with the CFTC's limited execution method approach is problematic for several reasons. It forces swaps to trade through a limited number of execution methods even where a product lacks the liquidity needed to support such trading. Since the MAT process is platform-controlled, a nascent SEF attempting to gain a first-mover advantage in trading liquidity may force certain swaps to trade exclusively through the SEF's restrictive methods of execution (*i.e.,* Order Book or RFQ System) before the appropriate liquidity is available to support such trading.[105] As former CFTC Commissioner Scott O'Malia stated in his dissent to the final MAT rule, an "available-to-trade determination has a far reaching effect. It binds not only the requesting SEF ... but the entire market, thus forcing all SEFs ... [that list the particular swap] to trade [it] by using more restrictive methods of execution."[106] Consequently, in creating a regulatory mandate around nothing more than the phrase "makes the swap available to trade," the MAT rule only adds a layer of bureaucratic process that lacks statutory authorization and fails to effectively guard against inadequate trading liquidity.

The Commission's MAT process is also not legally sound. As former CFTC Commissioner Scott O'Malia noted, part 40 of the CFTC's regulations does not provide an appropriate avenue for a MAT determination.[107] The Commission's rule certification and approval process under part 40 is "intended to apply to only one particular DCM or SEF that requested such rule approval or submitted such rule certification," not the entire market.[108]

The CFTC's limited execution method approach and MAT process has created an unnecessary tension between the clearing mandate and trading requirement. The determination of whether trading liquidity in an instrument is sufficient to calculate initial and variation margin to permit central clearing is a wholly different analysis than whether trading liquidity is appropriate for mandatory trade execution through an Order Book and RFQ System execution methods.

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[105] Richard Henderson, *Numerous SEF challenges predicted in 2014*, THE TRADE, Jan. 8, 2014, *available at* http://www.thetradenews.com/news/Asset_Classes/Derivatives/Numerous_SEF_challenges_predicted_in_2014.aspx.

[106] MAT Rule at 33,632.

[107] *Id.* at 33,631.

[108] *Id.* at 33,631-632.

The current non-deliverable forward (NDF) clearing mandate debate highlights the tension between clearing and trading and the flawed swaps trading regime. At the October 9, 2014 CFTC Global Markets Advisory Committee meeting, participants noted that once NDFs are subject to the clearing mandate, the trade execution requirement is a practical certainty due to the SEF-controlled MAT process.[109] The participants voiced their concern over an NDF clearing mandate because such NDF swaps are not ready to trade pursuant to a SEF's limited execution methods.[110] Unfortunately, the ill-conceived SEF execution and MAT regime has complicated the ability to make additional clearing mandates.

All of these problems could have been avoided if flexible execution methods were permitted for all SEF trades as is plainly called for in the statutory SEF definition and the plain language was followed in CEA section 2(h)(8). If SEFs could offer flexible execution methods, then participant resistance to clearing and trading mandates would likely be diminished. Moreover, flexible SEF execution methods would eliminate the need for the unworkable and legally unsound MAT process because execution methods could be tailored to the liquidity characteristics of all swaps products. Flexible methods of execution would allow swaps trading markets to evolve rationally and organically without the forced, unwarranted and unnecessary MAT construct.

A plain reading of the trade execution requirement demonstrates that Congress did not intend to create an entire regulatory mandate around the phrase made available to trade. Unlike the clearing mandate in CEA section 2(h)(1), Congress provided no process for determining whether swaps must be traded on-SEF in CEA section 2(h)(8).[111] Congress could have instituted a regulatory mandate for the trade execution requirement as it did for the clearing mandate, but chose not to.[112] Drafters of Title VII

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[109] *See* webcast of the October 9, 2014 Global Markets Advisory Committee meeting, *available at* http://www.cftc.gov/PressRoom/Events/opaevent_gmac100914.

[110] *Id. See also* Memorandum from Foreign Exchange Markets Subcommittee to Global Markets Advisory Committee, CFTC, Response to request for recommendation on an FX NDF mandate, at 7-9 (Dec. 5, 2014), *available at* http://www.cftc.gov/ucm/groups/public/@aboutcftc/documents/file/gmac_fxndfmandate122214.pdf (detailing issues around mandatory NDF trading).

[111] *Compare* CEA section 2(h)(1), 2(h)(2) and 2(h)(3); 7 U.S.C. 2(h)(1), 2(h)(2) and 2(h)(3), *with* CEA section 2(h)(8); 7 U.S.C. 2(h)(8).

[112] *Id.*

were aware that, unlike futures, newly developed swaps products are initially traded bilaterally and only move to a platform once trading reaches a critical stage. The trade execution requirement expresses this logic in that a clearing-mandated swap must be executed on a SEF unless no SEF makes that swap available to trade (*i.e.*, offers the swap for trading). However, congressional intent was not followed and an entire regulatory mandate was created based on nothing more than the phrase "makes the swap available to trade" in CEA section 2(h)(8).

D. Beyond Impartial Access

Congress required SEFs to have rules to provide market participants with impartial access to the market and to establish rules regarding any limitation on access.[113] The Commission, through the preamble to the final SEF rules, and staff appear to view these provisions as requiring SEFs to serve every type of market participant in an all-to-all market structure.[114] Given the Dodd-Frank Act's reference to *limitations* on access, however, efforts to require SEFs to serve every type of market participant or operate all-to-all marketplaces are unsupported by law.

There is no mandate for an all-to-all swaps market structure in the Dodd-Frank Act. Congress knew that there were D2C and D2D swaps markets before the Dodd-Frank Act, just as there are in many other mature financial markets. This structure is driven by the unique liquidity characteristics of the underlying swaps products.[115] This dynamic has not changed post-Dodd-Frank, and the law's impartial access provisions do not require or support the alteration of the present swaps market structure.[116]

The Dodd-Frank Act does not prohibit SEFs from serving separate D2D and D2C markets. Its impartial access requirement must not be confused with open access. Impartial access, as the Commission noted in the preamble to the final SEF rules,

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[113] CEA section 5h(f)(2); 7 U.S.C. 7b-3(f)(2).
[114] SEF Rule at 33,507-508.
[115] *See* Section I.C.
[116] In a McKinsey report, an overwhelming majority of buy-side participants interviewed acknowledged the important role that dealers play in providing liquidity and were "not interested in disintermediating dealers...." *The Brave New World of SEFs: How Broker-Dealers Can Protect Their Franchises*, McKinsey & Company, Working Papers on Corporate & Investment Banking No. 4, at 5-6 (Jun. 2014) (McKinsey Working Paper)

means "fair, unbiased, and unprejudiced" access.[117] This means that SEFs should apply this standard to their participants; it does not mean that SEFs are forced to serve every type of market participant in an all-to-all futures-style marketplace. Only Congress could have imposed this mandate; it chose not to do so. Even the CFTC acknowledged in the preamble to the final SEF rules that a SEF may operate different markets and may establish different access criteria for each of its markets.[118] This preamble language and the statutory language regarding "any limitation on access" are meaningless if CFTC staff act under the supposition that SEFs are required to serve all types of market participants.

E. Unwarranted Void *Ab Initio*

Under pressure to ban breakage agreements[119] between parties,[120] the staffs of the Division of Clearing and Risk and the Division of Market Oversight (the Divisions) issued guidance that states that "any [swap] trade that is executed on a SEF ... and that is not accepted for clearing should be void *ab initio*" (*i.e.*, invalid from the beginning).[121] The guidance also states that this result is consistent with CEA section 22(a)(4)(B), which prohibits participants in a swap from voiding a trade, but does not prohibit the Commission or a SEF from declaring a trade to be void.[122]

The statute does not support the Divisions' justification for this policy. Although CEA section 22(a)(4)(B) does not prohibit the Commission or a SEF from voiding a trade, it does not require this outcome if a trade is rejected from clearing.[123] This section also does not prevent a SEF from implementing rules that allow a participant to correct

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[117] SEF Rule at 33,508.
[118] *Id.*
[119] "A breakage agreement is any arrangement, whether contained in an agreement between the parties or the rules of a SEF or DCM, that provides for the assessment of liability or payment of damages between the parties to a trade intended for clearing in the event that the trade is rejected from clearing." CFTC Letter No. 13-66, *Time-Limited No-Action Relief for Swap Execution Facilities from Compliance with Certain Requirements of Commission Regulation 37.9(a)(2) and 37.203(a)* (Oct. 25, 2013), at 4, n.13, *available at* http://www.cftc.gov/ucm/groups/public/@lrlettergeneral/documents/letter/13-66.pdf.
[120] Prior to the issuance of this guidance, the Divisions learned that certain market participants would only trade with other participants on a SEF with whom they had executed breakage agreements. These agreements dictated terms in the event a trade was rejected from clearing.
[121] Staff Guidance on Swaps Straight-Through-Processing (Sep. 26, 2013), *available at* http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/stpguidance.pdf.
[122] *Id.*
[123] CEA section 22(a)(4)(B); 7 U.S.C. 25(a)(4)(B).

errors and resubmit a trade for clearing.[124] If the Divisions' main concern is breakage agreements, there are less onerous and more direct ways to prevent such agreements.

The CFTC staff's void *ab initio* policy creates a competitive disadvantage for the U.S. swaps market relative to the U.S. futures market. There are legitimate reasons, such as operational or clerical errors, that cause swaps trades to be rejected from clearing. Even the Divisions recognized some of these legitimate reasons in their expired no-action letter that allowed certain swaps trades to be resubmitted after being rejected from clearing.[125] In the futures market, DCMs have implemented rules to address the situation where an executed futures transaction is rejected from clearing.[126] SEFs, like DCMs, would suffer from reputational risk if too many trades were rejected from clearing and no transparent, workable resolution process existed. Thus, SEFs, like DCMs, have an incentive to get clearing right and implement clear, workable error trade policies.

Furthermore, the void *ab initio* policy introduces additional risk into the system. For example, after a participant executes a swap, the participant enters into a series of other swaps to hedge its risk. If the first swap is declared void *ab initio* and there is no opportunity to resubmit the trade, then the participant will not be correctly hedged, which creates additional market and execution risk. The higher level of risk and burden to the U.S. swaps market as compared with overseas swaps markets and the U.S. futures market should not be borne without an offsetting benefit carefully considered through public notice and comment.

F. Expansive Scope for Uncleared Swaps Confirmations

The CFTC's approach to SEF confirmations and related agreements for uncleared swaps has been confusing and expansive in scope.

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[124] *Id.*

[125] CFTC Letter No. 13-66, *Time-Limited No-Action Relief for Swap Execution Facilities from Compliance with Certain Requirements of Commission Regulation 37.9(a)(2) and 37.203(a)* (Oct. 25, 2013), *available at* http://www.cftc.gov/ucm/groups/public/@lrlettergeneral/documents/letter/13-66.pdf.

[126] *See, e.g.*, CME Rule 527.C. Outtrades Resolution, *available at* http://www.cmegroup.com/rulebook/CME/I/5/5.pdf; CME Rule 809.D. Reconciliation of Outtrades, *available at* http://www.cmegroup.com/rulebook/CME/I/8/8.pdf.

Under CFTC SEF rules, a SEF is required to provide "each counterparty to a transaction ... with a written record of all of the terms of the transaction which shall legally supersede any previous agreement and serve as a confirmation of the transaction."[127] Additionally, responding to comments about a SEF's confirmation for uncleared swaps, footnote 195 to the preamble of the final SEF rules states, in part, that "[t]here is no reason why a SEF's written confirmation terms cannot incorporate by reference the privately negotiated terms of a freestanding master agreement ... provided that the master agreement is submitted to the SEF ahead of execution ...."[128]

Shortly after SEFs and market participants discovered this language buried in footnote 195, they raised concerns about SEFs receiving master and other agreements, and the scope and content of the confirmation and reporting requirements applicable to uncleared swaps transactions.[129] Agency staff provided certain relief in August 2014.[130] Yet, much of the problem remains unresolved because of, among other things, a lack of clarity over which terms from an agreement must be included in SEF confirmations and subsequently reported.[131] The CFTC policy is increasing legal uncertainty, contrary to the stated goal in the preamble to the final SEF rules.[132]

The CFTC's approach to SEF confirmations is taken from the futures model. As explained in Section I.E., DCMs own their futures contracts and control the products' standardized terms. With swaps, however, SEFs do not own the products. The products' terms are akin to an "open-source" design that sell-side dealers created with their buy-side customers. Additionally, swaps market participants have long relied on master agreements, such as the International Swaps and Derivatives Association (ISDA) Master Agreement, that govern the overall trading relationship between

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[127] 17 C.F.R. 37.6(b).
[128] SEF Rule at 33,491 n. 195.
[129] *See Request for Relief Relating to Commission Regulation Part 37 for Foreign Exchange Asset Class*, GFMA (Oct. 28, 2013), *available at* http://www.gfma.org/correspondence/item.aspx?id=4294967295; *Request for Time-Limited No-Action Relief Relating to Confirmations for Swaps Not Required or Intended to be Cleared*, SIFMA (Mar. 10, 2014), *available at* http://www.sifma.org/comment-letters/2014/sifma-submits-comments-to-the-cftc-requesting-time-limited-no-action-relief-relating-to-sef-confirmations/.
[130] CFTC Letter No. 14-108, *Staff No-Action Position Regarding SEF Confirmations and Recordkeeping Requirements under Certain Provisions Included in Regulations 37.6(b) and 45.2* (Aug. 18, 2014), *available at* http://www.cftc.gov/ucm/groups/public/@lrlettergeneral/documents/letter/14-108.pdf.
[131] *Id.*
[132] SEF Rule at 33,491.

counterparties. These master agreements set out the non-transaction specific credit and operational terms that apply to all transactions entered into under them. As a result, SEFs do not know or have access to all of these terms and corresponding documentation. This paradigm has not changed post-Dodd-Frank for uncleared swaps transactions.

Importantly, a master agreement and a confirmation serve different purposes and should be thought of as different documents. A master agreement includes provisions regarding credit and risk mitigation between counterparties, while a confirmation includes provisions regarding the limited economic terms of a particular transaction. The CFTC swap documentation rules recognize the importance and distinct purposes of these documents.[133] The rules define a master agreement as including "all terms governing the trading relationship between the [parties]"[134] and a swap confirmation as documentation that "memorializes the agreement of the counterparties to all of the terms of the *swap transaction*."[135] In other words, confirmations and master agreements are as alike as apples and oranges.

It is time to reconsider the largely illusory benefits against the almost impossible burden of requiring a SEF to confirm and report "all of the terms" of a trading relationship to which it is not a party, especially terms from agreements that do not affect the fundamental economic terms of the transaction. Without such a rethink, the SEF confirmation requirements will continue to be an obstacle for the trading of uncleared swaps on SEFs.

G. Embargo Rule and Name Give-Up

Under the embargo rule, a SEF may not disclose swap transaction and pricing data to its market participants until it transmits such data to a swap data repository (SDR) for public dissemination.[136] To effect such SDR transmission, a SEF must first enrich and convert such transaction data as required by the SDR. Alternatively, the SEF

[133] *Compare* 17 C.F.R. 23.501 Swap Confirmation, *with* 17 C.F.R. 23.504 Swap Trading Relationship Documentation.
[134] 17 C.F.R. 23.504(b)(1).
[135] 17 C.F.R. 23.500(c) (emphasis added).
[136] 17 C.F.R. 43.3(b)(3).

may choose to use a third-party provider to transmit data to an SDR. Only then can the SEF disclose swap transaction data to market participants on its trading platform.

The delays in transaction and pricing data disclosure caused by the embargo rule inhibit the long-established "work-up" process, whereby counterparties buy or sell additional quantities of a swap immediately after its execution on the SEF at a price matching that of the original trade.[137] It is believed that the work-up process increases wholesale trading liquidity in certain OTC swaps by as much as 50 percent.[138] The embargo rule thwarts this liquidity generation. This rule has hindered U.S. markets from continuing a well-established and crucial global trading mechanism. The effect of the embargo rule appears to prioritize public transparency – in a market that is closed to the general public[139] – at the expense of transparency for actual participants in the marketplace. It is difficult to justify this unbalanced restraint on swaps liquidity.[140]

Similarly, name give-up is a long-standing market practice in many swaps markets. With name give-up, the identities of the counterparties are disclosed to each other after they have been anonymously matched by a platform.[141] The origins of the practice lie in wholesale markets for self-cleared swaps and other products. There, counterparties to large transactions use name give-up to confirm the creditworthiness of their counterparties.

In markets with CCP clearing of swaps, however, the rationale for name give-up is less clear cut. That is because the CCP and not the trading counterparty bears the

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[137] *See* SEF Rule at 33,500 (explaining the work-up process).
[138] Author's professional observation based on marketplace experience.
[139] The swaps market is closed to participants that are not eligible contract participants. CEA section 1a(18); 7 U.S.C. 1a(18).
[140] The preamble to the final real-time reporting rule did not respond to a public comment about the embargo rule's impact on the work-up process. Real-Time Public Reporting of Swap Transaction Data, 77 FR 1,182, 1,200-1,202 (Jan. 9, 2012).
[141] *E.g.*, After counterparties execute a swap through an anonymous order book, the identities of the counterparties are disclosed to each other. *See* Peter Madigan, *CFTC to Test Role of Anonymity in Sef Order Book Flop*, Risk.net, Nov. 21, 2014, *available at* http://www.risk.net/risk-magazine/feature/2382497/cftc-to-test-role-of-anonymity-in-sef-order-book-flop (discussing the name give-up issue) (Madigan, Anonymity); Katy Burne, *CFTC to Look Into Disclosure of Identities of Swap Counterparties*, Wall Street Journal, Nov. 12, 2014, *available at* http://www.wsj.com/articles/cftc-to-look-into-disclosure-of-identities-of-swap-counterparties-1415834947?KEYWORDS=cftc+to+look+into+disclosure+of+identities.

credit obligations. Counterparties to CCP cleared swaps primarily need assurance of each other's relation to the CCP and not the opposing counterparty's individual credit standing.

As the swaps market increasingly becomes a cleared market, it is reasonable to ask whether name give-up continues to serve a valid purpose. There are a variety of different views on both sides of this issue depending on one's position in the market. One argument against the practice of name give-up for cleared swaps is that it serves to give superior market transparency to the most active market participants at the expense of less active market participants.[142] To some experienced market observers, name give-up has been abused by major sell-side dealers to restrict participation by non-dealers and other liquidity takers in the D2D markets.[143]

A counter-argument is that, while name give-up may be less necessary for counterparty credit confirmation for cleared swaps, it remains necessary for sell-side dealer capital allocation. In other words, as bank market-making capital becomes further constrained by regulations,[144] liquidity makers need to more precisely allocate their bank capital among their customer base in coordination with their overall bank cross-marketing strategies. Without the information provided by name give-up, liquidity makers will provide less liquidity to the market, especially in times of crisis, and charge higher prices to customers.[145] This outcome arguably would hurt all market participants. Another argument is that name give-up helps to "stop market abuses."[146] According to one observer, "a predatory customer could influence the price dealers would quote via RFQ by placing an order in the Clob. If the order book is anonymous, clients might feel

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[142] Madigan, Anonymity.
[143] *Id.* The argument is that sell-side dealers threaten to shun platforms in the D2D market that attempt to execute trades between dealers and non-dealers.
[144] *E.g.*, Due to such post-financial crisis regulatory reforms as the Volcker Rule, Basel III Accords, capital charges and other bank capital-based restrictions. *See* Anthony J. Perrotta, Jr., *An E-Trading UST Market 'Flash Crash'? Not So Fast*, TABB Group, Nov. 24, 2014, *available at* http://tabbforum.com/opinions/an-e-trading-treasury-market-'flash-crash'-not-so-fast (discussing regulatory capital constraints and declining market liquidity) (Perrotta).
[145] *See* Madigan, Anonymity; McKinsey Working Paper at 6.
[146] *See* Madigan, Anonymity.

they could play these kinds of games with impunity, so name give-up is seen as a way to keep customers honest."[147]

Some parties have urged the CFTC to ban, flat out, the practice of name give-up. Yet, there are important policy considerations on both sides of the issue that must be carefully considered before taking any action.[148] What impact would a blanket ban have on swaps market liquidity? Would such a ban cause sell-side dealers to remove liquidity from the market or charge higher prices? Would new liquidity makers fully and consistently act in the market to make up any shortfall in liquidity? Because market liquidity is increasingly recognized as a potential systemic risk to the U.S. financial system,[149] any regulatory action to curtail the use of name give-up must be thoroughly analyzed for its impact on market liquidity and systemic risk.[150]

H. Prescriptive Rules Disguised as Core Principles

Congress provided a core-principles based framework for SEFs.[151] It based this framework on the Commission's historical principles-based regulatory regime for DCMs.[152] Unfortunately, the Dodd-Frank Act missed the mark with respect to the SEF core principles, most of which are based on the DCM core principles. The successful futures regulatory model is an inappropriate template for SEF core principles.

This problem has been magnified by unwarranted amendments to CFTC rules making SEFs self-regulatory organizations (SROs)[153] and requiring them to comply with very prescriptive rules modeled after futures exchange practices that are unsuitable for the way swaps trade. Although the SEF core principles place certain regulatory obligations on SEFs, the Dodd-Frank Act does not require the CFTC to make SEFs

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[147] *Id.*
[148] A question remains whether the CFTC has such authority under the Dodd-Frank Act.
[149] *2014 Annual Report*, Office of Financial Research, U.S. Treasury Department, at 30-33 (Dec. 2, 2014), *available at* http://www.treasury.gov/initiatives/ofr/about/Documents/OFR_AnnualReport2014_FINAL_12-1-2014.pdf.
[150] *See* Section IV.C. (discussing market liquidity risk).
[151] CEA section 5h(f); 7 U.S.C. 7b-3(f).
[152] CEA section 5(d); 7 U.S.C. 7(d) (2009); 17 C.F.R. part 38 (2009).
[153] 17 C.F.R. 1.3(ee). Adaptation of Regulations to Incorporate Swaps, 77 FR 66,288, 66,290 (Nov. 2, 2012).

SROs.[154] Additionally, it does not instruct the Commission to take a prescriptive rules-based approach to SEFs.[155] In fact, the statute provides SEFs with reasonable discretion to comply with the core principles.[156]

This approach to SEFs departs from congressional intent and the CFTC's own principles-based regulatory history in favor of prescriptive rules. As CME explained in its comment letter to the proposed SEF rule, the Commission is choosing to:

> [E]vade the principles-based regulatory regime that Congress established for SEFs in [the Dodd-Frank Act] by enacting a litany of prescriptive rules that would dictate every detail of a SEF's day-to-day operations. Had Congress wanted the Commission to abandon principles-based regulation, it certainly would not have reinforced that regime for DCMs by adding an additional five core principles and established the regulatory framework for SEFs and [SDRs] through core principles.[157]

As CME further explained, principles-based regulation has allowed U.S. DCMs to maintain a competitive position in the global market. DCMs can keep pace with rapidly changing technology and market needs, and can operate more efficiently and economically.[158] This approach is especially important for SEFs given that swaps trading volume is relatively modest as compared with futures trading volume.[159] If SEF regulatory costs are too high, only a few SEFs will be successful, and there will be a lack of competition and innovation. As explained in the next section, there is already some evidence of these negative results.[160] Congress did not intend these results when it created competitive SEFs and set a goal to promote swaps trading on these SEFs.[161]

This section explains in greater detail some of the problematic futures-based core principles and prescriptive rules.

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[154] *Id.*
[155] CEA section 5h(f)(1)(B); 7 U.S.C. 7b-3(f)(1)(B).
[156] *Id.*
[157] CME Comment Letter to SEF Rule, at 2 (Mar. 8, 2011), *available at* http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=31276&SearchText=CME.
[158] *Id.* at 2-3.
[159] *See* Section I.B.
[160] *See* Sections IV.D and E.
[161] CEA section 5h; 7 U.S.C. 7b-3.

1. Compliance with rules

SEF Core Principle 2 requires SEFs to establish and enforce compliance with rules of the SEF.[162] This core principle is based on a similar DCM core principle.[163] The departure from principles-based regulation is readily evident by reviewing the litany of prescriptive rules promulgated under the auspices of Core Principle 2. The SEF rules pursued this approach despite numerous commenters' express concerns that a prescriptive approach would harm competition and impede growth in the swaps market.[164] A few of these prescriptive rules are discussed below.

Audit trail. SEFs, like DCMs, are required to establish audit trails, which include an electronic transaction history database and electronic analysis capability with respect to all audit trail data in the database.[165] The CFTC copied verbatim most of the SEF audit trail requirements from the DCM rules.[166] In certain areas, however, the CFTC created additional burdens for SEFs as compared with DCMs. Under a SEF's electronic transaction history database requirements, a SEF must include "all indications of interest, requests for quotes, orders, and trades...."[167] This rule does not distinguish between or make allowances for electronic and non-electronic communications and execution methods commonly used in the marketplace. Under a DCM's electronic transaction history database requirements, however, for orders, a DCM only must include "*orders entered into an electronic trading system.*"[168] In the preamble to the final DCM rules, in response to a comment, the CFTC recognized this distinction between electronic trading and open-outcry trading for a DCM's audit trail rules.[169] The rationale for such a disparity between the SEF and DCM rules is not clear as the rules lack an explanation. It is clear, however, that the SEF rules add unnecessarily burdensome and

[162] CEA section 5h(f)(2); 7 U.S.C. 7b-3(f)(2).
[163] CEA section 5(d)(2); 7 U.S.C. 7(d)(2).
[164] SEF Rule at 33,505.
[165] 17 C.F.R. 37.205, 38.551, 38.552 and 38.553.
[166] *Compare* 17 C.F.R. 37.205 *with* 17 C.F.R. 38.551, 38.552 and 38.553.
[167] 17 C.F.R. 37.205(b)(2). As discussed earlier, the Commission permits the use of "any means of interstate commerce" in connection with the execution of Required Transactions, but only if the method of execution satisfies the Order Book or RFQ System requirements. SEF Rule at 33,484, 33,501.
[168] 17 C.F.R. 38.552(b) (emphasis added). DCMs may provide for execution through non-electronic open-outcry trading pits. CEA section 1a(51); 7 U.S.C. 1a(51).
[169] Core Principles and Other Requirements for Designated Contract Markets, 77 FR 36,612, 36,644 (Jun. 19, 2012).

costly requirements on SEFs that go beyond practices in futures and other financial markets.

The burdensome voice order database requirement for SEFs creates additional complications for SEFs in their electronic analysis capability requirements. SEFs must have the ability to electronically analyze all indications of interest, requests for quotes and orders, including through voice execution methods.[170] The preamble to the final SEF rules acknowledges that a SEF that utilizes the telephone may comply with the electronic analysis capability for oral communications by ensuring that its digital database of recordings is capable of being searched and analyzed.[171] While the SEF rules acknowledge voice execution in its audit trail discussion, SEFs that utilize voice and electronic messaging (*e.g.*, telephone and instant messaging) for execution and communication face significant challenges in complying with the electronic analysis requirements given the emergent state of voice recognition and analysis technology.[172]

Given current challenges, it appears that CFTC staff is asking SEFs to develop a surveillance program to monitor voice and electronic messages. This one-size-fits-all approach would require a SEF to review a statistically significant sample of randomly selected voice recordings and electronic messages per market participant and per SEF execution specialist to ensure compliance with electronic analysis requirements. This manually intensive process could require a SEF to review thousands and thousands of voice messages per year. The SEF rules do not contemplate such a manually intensive process.[173] Before further steps are taken to adopt such an approach, its costs must be weighed against its actual benefits.

While compliance with audit trail requirements is important, such requirements should not discourage voice execution methods for swaps given that the Dodd-Frank Act allows execution by any means of interstate commerce. For futures, the CFTC recognized differences between electronic and non-electronic execution methods for a

[170] 17 C.F.R. 37.205(b)(3).
[171] SEF Rule at 33,519.
[172] The author is aware of promising technology that may ease in time the cost and technological burdens associated with the ability to electronically analyze voice recordings.
[173] The CFTC did not consider the costs and benefits of such an approach in the SEF final rules. *Id.* at 33,575-577.

DCM's audit trail requirements. The same flexibility should be afforded to SEFs. In the meantime, the Commission staff should work with the SEFs to develop a better tailored approach for electronic analysis of voice transactions. For example, a SEF could target its reviews based on potentially problematic behavior discovered by the SEF or its regulatory service provider. A SEF could also target its reviews based on a number of factors, such as a SEF's business model, product listing, type of participant or volume.

Warning letters. The CFTC's approach to warning letters is also very prescriptive. Three separate CFTC rules state that no more than one warning letter may be issued by a SEF to the same person or entity found to have committed the same rule violation within a rolling twelve month period.[174] This prescriptive approach does not allow a SEF to exercise reasonable discretion to determine the appropriate action based on the totality of the circumstances. It also takes no account of the fact that many entities have supervisory oversight over hundreds of employees. The rule makes no allowances for entities and their employees to adjust to the extraordinary amount of unprecedented regulations recently and rapidly promulgated by the CFTC. Such inflexibility is unnecessarily burdensome and heavy-handed.

Supervision of regulatory service provider. The rule requiring SEFs to supervise their regulatory service providers also takes a prescriptive approach.[175] It is not necessary for the CFTC to dictate prescriptive requirements, such as holding "regular meetings" to discuss specific enumerated topics and conducting "periodic reviews" given that a SEF is always responsible for the services provided by its regulatory services provider and for compliance with its obligations under the CEA and Commission regulations.[176] The SEF and its regulatory service provider should have the flexibility to determine how to handle supervisory arrangements.

2. Monitoring of trading and trade processing

SEF Core Principle 4 requires SEFs to monitor trading in swaps to prevent manipulation, price distortion and disruptions of the delivery or cash settlement process,

[174] 17 C.F.R. 37.203(f)(5), 37.205(c)(2) and 37.206(f).
[175] 17 C.F.R. 37.204(b).
[176] 17 C.F.R. 37.204(a).

among other things.[177] Certain rules promulgated under Core Principle 4 require a SEF to look beyond its own market to gain the information necessary to perform these functions. For example, CFTC Regulation 37.404(a) requires a SEF to "demonstrate that it has access to sufficient information to assess whether trading in swaps listed on its market, in the index or instrument used as a reference price, or in the underlying commodity for its listed swaps is being used to affect prices on its market."[178] In other words, a SEF that executes a credit default swap on a Ford Motor Company bond must also monitor trading in the underlying Ford Motor Company bonds to prevent manipulation, price distortion and disruption in its market. While a SEF has the ability to monitor trades it executes, asking it to monitor manipulation in another marketplace in which it may provide no execution services is an undue, unfair and unwarranted burden.

The CFTC acknowledges this challenge. Its website regarding market surveillance states that only the CFTC itself can "consolidate data from multiple exchanges and foreign regulators to create a seamless, fully-surveilled marketplace" due to its unique space in the regulatory arena.[179] The surveillance "requires access to multiple streams of proprietary information from competing exchanges, and as such, can only be performed by the Commission or other national regulators."[180] The CFTC correctly states that the surveillance "cannot be filled by foreign and domestic exchanges offering related competing products,"[181] and there is no reason to believe that a SEF is better situated. And yet, despite this broad disclaimer, each SEF that fails to fulfill this sort of surveillance function will be in violation of SEF Core Principle 4 and CFTC rules.

Congress should clarify SEF Core Principle 4 to make clear that a SEF is not required to monitor markets beyond its own.[182] The Commission should also revise its

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[177] CEA section 5h(f)(4); 7 U.S.C. 7b-3(f)(4).
[178] 17 C.F.R. 37.404(a).
[179] CFTC Market Surveillance Program, *available at* http://www.cftc.gov/IndustryOversight/MarketSurveillance/CFTCMarketSurveillanceProgram/tradepracticesurveillance.
[180] *Id.*
[181] *Id.*
[182] CEA section 5h(f)(4); 7 U.S.C. 7b-3(f)(4).

rules to this effect. As the CFTC admits on its website, only the Commission can perform cross-market surveillance.

3. Position limits

SEF Core Principle 6 places the burden for position limits and position accountability levels on SEFs that are trading facilities.[183] The Dodd-Frank Act got this core principle wrong.

The setting of position limits or position accountability levels by SEFs is very problematic. As explained in Section I.E., SEFs do not own swaps products, which trade on multiple competing SEFs and bilaterally off-SEFs. SEFs lack the knowledge of a market participant's activity on and off other venues. SEFs only have information about swaps transactions that occur on their platforms, and, thus, do not know whether a particular transaction on their platform adds to, or offsets all or part of, a participant's existing position. Therefore, SEFs are not able to calculate the total position of a market participant or monitor it against any position limit. As explained in the Core Principle 4 discussion above, only a markets regulator, such as the CFTC, that has a full picture of the market can perform cross-market monitoring and surveillance functions. Position limit monitoring and surveillance is another such area.

Congress should revise Core Principle 6 to reflect that the CFTC, or possibly a designee, should set and monitor swaps position limits or accountability levels. Until Congress revises this futures-based core principle, the Commission staff should continue to work with SEFs to derive a solution that ameliorates this burden on SEFs. Any regulatory demand that SEFs set or monitor limits or levels is an impossible exercise that adds extraordinary costs.

4. Emergency authority

SEF Core Principle 8 requires a SEF to "adopt rules to provide for the exercise of emergency authority ... including the authority to liquidate or transfer open positions in

[183] CEA section 5h(f)(6); 7 U.S.C. 7b-3(f)(6).

any swap ...."[184] In its current form, this futures-based core principle places an impossible burden on SEFs. Congress should revise it to better suit the realities of the swaps market.

A SEF does not have the ability to liquidate or transfer open swaps positions because SEFs do not hold positions on behalf of their participants. As several commenters to the final SEF rules have explained, a SEF is not the appropriate entity to order the liquidation or transfer of these positions in an emergency because it does not have the ability or legal right to do so.[185] The Commission or a derivatives clearing organization (DCO), for cleared swaps, for example, are more appropriate entities to exercise this authority. Until Congress revises this futures-based core principle, the Commission and its staff should work to revise its guidance under SEF Core Principle 8 at most to require a SEF to adopt rules for coordination with a DCO or the CFTC to facilitate the liquidation or transfer of open positions in an emergency.[186]

5. Financial resources

SEF Core Principle 13 requires a SEF to have "financial resources [in an amount that] exceeds the total amount that would enable the [SEF] to cover the operating costs of the [SEF] for a 1-year period, as calculated on a rolling basis."[187]

The market impact of a SEF failure is not nearly comparable to a DCM failure so it does not make sense for a SEF to hold one year of financial resources. A SEF failure will not likely create a liquidity crisis because most swaps trade on multiple SEFs and thus there are multiple liquidity pools available in which to trade. Participants can easily trade on another SEF in the event of a failure. This is in contrast with the futures market where the impact on market liquidity is of greater concern in the event of a DCM failure because a DCM owns its products and those products only trade on the specific DCM. Thus, there is one liquidity pool. The failure of one DCM will likely harm this liquidity absent regulatory action to transfer those products and corresponding open interest to

[184] CEA section 5h(f)(8); 7 U.S.C. 7b-3(f)(8).
[185] SEF Rule at 33,536.
[186] *Id.*
[187] CEA section 5h(f)(13); 7 U.S.C. 7b-3(f)(13).

another DCM or participants moving to another product on another DCM. Given these differences, SEFs should not be held to the same one-year financial resources requirement as DCMs.

The financial resources requirement is overly burdensome and disproportionately impacts SEFs that offer voice-based execution methods. These SEFs must significantly increase their financial resources to cover the compensation of employee brokers who facilitate execution through these voice-based methods.[188] This requirement ties up additional capital for these SEFs, which puts them at a competitive disadvantage.

Congress should reexamine this core principle and only require a SEF to hold enough capital to conduct an orderly wind-down of its operations. It would not take a SEF one year to terminate employees and contracts and conduct an orderly wind-down of its operations. It would not be unreasonable to expect a SEF to conduct such a wind-down in three months.[189] This approach would release significant capital back to the SEF for innovation, lower barriers to entry, reduce costs and increase competition.

In the meantime, the Commission and staff should reexamine CFTC rules and work with SEFs to reduce their financial burden. The Commission and staff could, for example (a) flexibly interpret a SEF's financial resources to include additional resources such as projected revenues or projected capital contributions, (b) flexibly interpret operating costs to mean wind-down costs or to exclude certain costs not directly tied to core principle compliance or (c) flexibly interpret operating costs to exclude compensation that is not payable unless and until collected by the SEF.

[188] It is a common practice in traditional voice brokerage firms for the bulk of compensation of client-facing personnel to be calculated as a percentage of transaction commissions generated and collected by the employer. Such aggregate compensation is often one of the largest components of operating costs at such firms.

[189] *See, e.g.,* CME Comment Letter to SEF Rule, Appendix A, at 37 (Mar. 8, 2011), *available at* http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=31276&SearchText=CME (stating that three months is an appropriate time frame for winding-down operations).

IV. ADVERSE CONSEQUENCES OF THE CFTC's SWAPS TRADING REGULATORY FRAMEWORK

Given the mismatch between the CFTC's flawed swaps trading regulatory framework and the manner in which swaps trade in global markets, the CFTC's swaps trading rules are causing numerous adverse consequences for U.S. market participants.

A. Global Market Fragmentation and Systemic Risk

Foremost among the adverse consequences is the reluctance of global market participants to transact with entities subject to CFTC swaps regulation. Traditionally, users of swaps products chose to do business with global financial institutions based on factors such as quality of service, product expertise, financial resources and professional relationship. Now, those criteria are secondary to the question of the institution's regulatory profile. Non-U.S. persons are avoiding financial firms bearing the scarlet letters of "U.S. person" in certain swaps products to steer clear of the CFTC's problematic regulations.[190] And it is not just American banks that are losing business, but also U.S. trading firms, intermediaries and asset managers, as well as the jobs of U.S.-based employees and vendors who support them.[191]

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[190] *See* Audrey Costabile Blater, *Revisiting Cross-Border Fragmentation of Global OTC Derivatives: Mid-year 2014 Update*, ISDA Research Note, at 1-5 (Jul. 24, 2014), (ISDA Update), *available at* http://www2.isda.org/functional-areas/research/research-notes/ ("Following the October 2, 2013 SEF rule coming into force . . . relationships appear to have shifted as European dealers became reluctant to trade with US counterparties."); Philip Stafford, *CFTC Calls for International Help on Derivatives Oversight*, Financial Times, Nov. 14, 2014, *available at* http://www.ft.com/intl/cms/s/0/3aeabbb0-6b63-11e4-9337-00144feabdc0.html#axzz3OX6k3roi (indicating that because of recent CFTC regulations, "Sefs have become US-centric venues[, which] has led to concern that the market is fragmenting, damaging both economic growth and contributing to potential systemic market risk"); Philip Stafford, *US Swaps Trading Rules Have "Split Market,"* Financial Times, Jan. 21, 2014, *available at* http://www.ft.com/intl/cms/s/0/58251f84-82b8-11e3-8119-00144feab7de.html#axzz3CHQbMKxU (noting that "European dealers [have become] unwilling to trade with US counterparts" due to CFTC regulations) (Stafford, Market Split); Katy Burne, *Big U.S. Banks Make Swaps a Foreign Affair*, Wall Street Journal, Apr. 27, 2014, *available at* http://www.wsj.com/articles/SB10001424052702304788404579520302570888332?autologin=y (noting that some banks are "changing the terms of some swap agreements made by their offshore units so they don't get caught by U.S. regulations").

[191] The CFTC's swaps rules have even stymied overseas development of global electronic trading platforms in favor of traditional phone transactions that allow participants to readily identify a counterparty's now essential U.S./non-U.S. regulatory profile.

This avoidance by non-U.S. person market participants of the CFTC's ill-designed U.S. swaps trading rules is fragmenting global swaps markets between U.S. persons and non-U.S. persons and driving away global capital. Global swaps markets have divided into separate liquidity pools: those in which U.S. persons are able to participate and those in which U.S. persons are shunned. Liquidity has been fractured between an on-SEF, U.S. person market on one side, and an off-SEF, non-U.S. person market on the other.

According to a survey conducted by ISDA, the market for euro IRS has effectively split over the past 12 months.[192] Volumes between European and U.S. dealers have declined 77 percent since the introduction of the U.S. SEF regime.[193] The average cross-border volume of euro IRS transacted between European and U.S. dealers as a percentage of total euro IRS volume was 25 percent before the CFTC put its SEF regime in place, and has fallen to just 9 percent since.[194] According to an unnamed senior SEF executive, "The exit of the US banks has shifted trading in euro, yen and sterling interest rate swaps to Europe. Given that interest rate swaps are 80% of the overall [swaps] market, that's effectively half the swap market gone at a stroke."[195]

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[192] *See* ISDA Update. *See also* Stafford, Market Split. Beginning on October 2, 2013 after the SEF rules compliance date, European dealers began to trade exclusively with other European counterparties in the market for euro interest rate swaps (IRS) and had dramatically moved away from trading with U.S. counterparties. ISDA Update at 4. In October 2013, 91 percent of euro IRS trades were between two European counterparties while only 9 percent were between a U.S. and a European dealer. *Id.* at 4-5. By May 2014, 93 percent of euro IRS trades were between two European counterparties while only 6 percent of euro IRS trades were between a U.S. and European dealer. *Id.* Compare these figures to those from a month before the SEF rules compliance date, when 71 percent of euro IRS trades were between two European counterparties while 29 percent of euro IRS trades were between a U.S. and European dealer. *Id.* European dealers have clearly shifted their trading behavior. This observation is also supported by an ISDA survey where 68 percent of non-U.S. market participant respondents indicated they have reduced or ceased trading with U.S. persons. Audrey Costabile Blater, *Footnote 88 and Market Fragmentation: An ISDA Survey*, ISDA Research Note, at 3-4 (Dec. 18, 2013), *available at* http://www2.isda.org/functional-areas/research/research-notes/.

[193] ISDA Update at 6.

[194] *Id* at 2. *See also* Amir Khwaja, *A Review of 2014 US Swap Volumes and SEF Market Share*, TABB Forum (Jan. 16, 2015), *available at* http://tabbforum.com/opinions/a-review-of-2014-us-swap-volumes-and-sef-market-share (noting that the majority of trading in EUR, JPY and GBP IRS is taking place off-SEF in Europe, Japan and London).

[195] Kim Hunter, *Growing Pains*, Markit Magazine, at 32 (Winter 2014), *available at* http://content.markitcdn.com/corporate/Company/Files/MagazineEntireIssue?CMSID=1277525de02549adbf7b422b9b34f641 (Hunter).

The fragmentation of the global swaps market has fractured trading liquidity, exacerbating the inherent challenge of swaps trading – adequate liquidity.[196] Fragmentation has led to smaller, disconnected liquidity pools and less efficient and more volatile pricing. Divided markets are more brittle, with shallower liquidity, posing a risk of failure in times of economic stress or crisis. Fragmentation also increases firms' operational risks as they structure themselves to avoid U.S. rules and now must manage multiple liquidity pools in different jurisdictions (*e.g.,* through different affiliates). This activity increases a firm's operational and structural complexity and reduces its efficiency in the markets. In short, market fragmentation caused by the CFTC's ill-designed trading rules – and the application of those rules abroad – is harming liquidity, increasing the systemic risk that the Dodd-Frank Act was predicated on reducing, and driving capital overseas as non-U.S. persons seek to avoid the CFTC's swaps trading rules.

There are at least two underreported impacts of global market fragmentation. First, the emergence of separate U.S. person and non-U.S. person swaps liquidity pools increases the likelihood of different pricing in the divergent swaps markets.[197] Meanwhile, global regulators are keen to reform global indices such as the London Interbank Offered Rate (LIBOR) to use transaction-based data rather than indicative market data. However, the development of disparate pricing in two distinct trading markets will make attempts to unify benchmark calculations extraordinarily challenging. Second, as trading in non-U.S. person markets continues to grow at the expense of U.S. person markets, bank prudential regulators in London and Singapore are requiring supervised entities, including subsidiaries of U.S. banking institutions, to increase capital reserves to meet Basel III capital and liquidity requirements. For U.S. bank subsidiaries, these requirements may well be met through the exporting of capital from

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[196] Referring to the manifest liquidity split between London and New York, Dexter Senft, Morgan Stanley's co-head of fixed income electronic markets, said, "I liken [SEF liquidity] to a canary in a coal mine. It's not dead yet, but it's lying on its side." *Id.* at 31. *See also* Katy Burne, *Companies Warn of Swaps Rules' Impact on Hedging*, Wall Street Journal, Apr. 8, 2014, *available at* http://www.wsj.com/articles/SB10001424052702304819004579489493056041978?autologin=y (noting fragmentation and liquidity concerns).

[197] Such a divergence in U.S. bank and non-U.S. bank lending rates took place during the height of the Eurodollar market.

the U.S. Simply put, the more swaps that are traded away from CFTC-regulated swaps markets, the more capital and liquidity that may flow away from the U.S. economy.

There are some who may argue that the fragmentation problem is simply one of regulatory arbitrage. They contend that trading will naturally flow away for some time from the U.S. to Europe and other jurisdictions that have yet to adopt swaps transaction-level rules. They argue that the Europeans and others are just taking too long to adopt transaction-level rules and that, once they do, the fragmentation of global swaps markets will reverse itself. To them the problem is just temporary.

This argument is far too forgiving of the CFTC's flawed rule set and ignores the resultant long-term harm to U.S. financial markets. The argument is built on the assumption that, if the Europeans and others could just be hurried along in their rule writing, they will adopt the same flawed rule set as the CFTC. Unfortunately, the Europeans are not looking to make the same mistakes.[198] It has been clear for a long time that European swaps trading rules will not narrowly limit methods of swaps execution nor impose many of the other peculiar CFTC trading restrictions described in this White Paper. The Europeans also do not appear willing to be hurried. They have been clear from the outset that the transaction-level swaps rules are tertiary in importance to trade reporting and clearing and will be addressed with that level of priority. The defense of current CFTC swaps trading rules further assumes that, once swaps markets leave the U.S., they can easily be brought back. Sadly, the history of trading markets, such as the Eurodollar market,[199] demonstrates that, even when

[198] Inevitably, European market regulators may make some unique mistakes of their own.

[199] Milton Friedman, *The Euro-Dollar Market, Some First Principles,* University of Chicago, Selected Papers No. 34, *available at* http://www.chicagobooth.edu/~/media/44CEE6C8A25B4FF2A48925163DAA2F85.pdf. Friedman makes the case that the development of the multi-trillion dollar Euro-dollar market was primarily the result of the Federal Reserve's Regulation Q in the 1970s, which fixed maximum interest rates that Fed member banks could pay on time deposits. As a result European (mostly London) banks paying higher interest rates became more attractive than U.S. deposits, and the Euro-dollar and later Asian-dollar markets expanded outside the U.S. Friedman also blames direct and indirect U.S. exchange controls imposed for "balance-of-payments" purposes. Despite the later withdrawal of Regulation Q and various exchange controls, the Euro and Asian Dollar markets remain firmly offshore where they continue to grow.

regulators address fundamental flaws, it is hard to bring departed markets back to U.S. shores along with the American jobs they once supported.[200]

B. Domestic Market Fragmentation

In addition to global swaps market fragmentation, the CFTC's unwarranted slicing and dicing of swaps trading into a series of novel regulatory categories, such as Required Transactions and Permitted Transactions and block transactions "off-SEF" and non-blocks "on-SEF," each with their corresponding execution methods, has fragmented the U.S. swaps market into artificial market segments. This fragmentation comes on top of the already inevitable segmentation caused by distinct SEC swaps transaction rules for securities-based swaps.[201] This fragmentation has exacerbated the inherent challenge of adequate trading liquidity. Like global fragmentation, domestic fragmentation has led to an artificial series of smaller and smaller pools of trading liquidity and an increase in market inefficiencies. So long as such disparate segments remain, U.S. swaps markets face a self-imposed liquidity challenge as compared with non-U.S. markets.

C. Market Liquidity Risk

A 2013 staff report from the New York Fed asks whether the reduced liquidity-provision capacity of dealers, as a result of the Volcker Rule and other new capital constraints, will encourage greater market making by non-dealer institutional investors to fill the void and result in a more stable financial system.[202] The report analyzes the liquidity-making activities of major sell-side dealers in corporate bond and CDS markets during the 2008 financial crisis.[203] It concludes that during the height of the crisis, sell-side dealers generally performed their customary role as liquidity makers when their clients demanded liquidity.[204] But the authors explain that, despite this dealer-provided

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[200] *Id.*
[201] As of this White Paper's publication date, the SEC has not promulgated final security-based SEF rules.
[202] Jaewon Choi and Or Shachar, *Did Liquidity Providers Become Liquidity Seekers?*, Federal Reserve Bank of New York, Staff Report No. 650 (Oct. 2013), *available at* http://www.newyorkfed.org/research/staff_reports/sr650.pdf (Choi and Shachar).
[203] *Id.*
[204] *Id.* at 17.

liquidity, there was still a shortfall in corporate bond liquidity driving a large negative CDS-bond basis.[205] The authors hypothesize that the bulk of liquidity taking during this period was driven by highly-levered traders and hedge funds.[206] The report expresses doubt on the desirability of offsetting sell-side dealers' traditional market-making capacity with liquidity from non-dealer institutional investors, including arbitrageurs.[207]

A more recent report by the Office of Financial Research of the U.S. Treasury Department makes clear that changes in financial market structures caused by new regulations will reduce the willingness of some major market participants to smooth out volatility in global financial markets.[208] According to this study, these changes will cause the U.S. financial system to become more vulnerable to debilitating financial market shocks.[209]

Market analyst Anthony Perrotta has explained how the October 15, 2014 crash in the U.S. Treasury market was fundamentally driven by structural imbalance in the ratio of liquidity provided to markets and liquidity demanded from markets.[210] He explains:

> Under the current, principal-based risk model, liquidity providers – traditionally large banks with significant amounts of capital – provide liquidity on-demand (a.k.a. "immediacy") to investors. As the amount of capital these banks have at their disposal and committed to market-making declines due to regulations imposed by the Dodd-Frank Act and Basel III Accords – including the Volcker Rule and the liquidity coverage ratio (LCR) – the likelihood of volatility increasing is greater ... and the amount of on-demand liquidity requested can sometimes overwhelm the liquidity providing universe."[211]

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[205] *Id.* at 18-22.
[206] *Id.* at 19.
[207] *Id.* at 22-23.
[208] *2014 Annual Report*, Office of Financial Research, U.S. Treasury Department, at 30-33 (Dec. 2, 2014), *available at* http://www.treasury.gov/initiatives/ofr/about/Documents/OFR_AnnualReport2014_FINAL_12-1-2014.pdf.
[209] *Id.*
[210] Perrotta.
[211] *Id.*

In light of these government studies and industry observations about liquidity shortfall in corporate and U.S. government debt markets, there is good reason for concern that CFTC regulations and staff actions may be hazarding a similar structural imbalance between liquidity provided and liquidity demanded in the U.S. swaps markets. The CFTC's restrictions on methods of execution and its slicing and dicing of regulatory categories are a challenge to broad liquidity formation both cross-border and domestically. The CFTC's embargo rule is inhibiting the established role of "work-up" in fostering greater trading liquidity. Its void *ab initio* policy increases risk of failed execution, inhibiting transaction volume. Misinterpretation of the impartial access requirement to hasten the emergence of all-to-all swaps markets may hamper sell-side dealers' access to D2D marketplaces to hedge swaps inventory. Without ready access to D2D markets, sell-side dealers may withdraw from the market or charge their buy-side customers much higher prices. This could leave buy-side customers with volatile pricing and without sufficient liquidity, especially during periods of volatility, when they need it most.

D. Threaten SEF Survival

The CFTC's swaps trading regime threatens the survival of many SEFs and has erected enormous barriers to entry for future registrants. The CFTC's prescriptive and burdensome rules have ensured that operating a SEF is an expensive, legally intensive activity.[212] The CFTC staff has unnecessarily added to this burden by issuing an unprecedented number of no-action letters, guidance, advisories, and other written communications.[213] On the revenue side, the mismatch between the CFTC's swaps trading framework and the natural commercial workings of the swaps market has caused participants to avoid the CFTC's SEF regime, sharply depressing revenues.[214] According to one SEF executive, "Some of those [SEFs] with volume are not making a

[212] Catherine Contiguglia, *Sef Boss Spends His Days 'Worrying About Costs,'* Risk.net, Sep. 24, 2014, *available at* http://www.risk.net/risk-magazine/news/2371788/sef-boss-spends-his-days-worrying-about-costs (Contiguglia).
[213] *See* Hester Peirce, *Regulating through the Back Door at the Commodity Futures Trading Commission*, Mercatus Working Paper (Nov. 2014), *available at* http://mercatus.org/sites/default/files/Peirce-Back-Door-CFTC.pdf (detailing how the CFTC used non-rulemaking methods to impose binding obligations on regulated persons).
[214] Contiguglia.

profit; the rest must be wondering how they can keep the lights on."[215] As a result, the CFTC has guaranteed that large, well-resourced corporations that operate SEFs have an advantage over smaller platforms. As the head of Ice Swap Trade recently stated, "it has become clear [that operating a SEF] ... is never going to be a standalone business."[216] Without change, the CFTC's current swaps trading regime is ensuring that big platforms get bigger, small platforms get squeezed out and operating a SEF is unprofitable. The Dodd-Frank Act did not authorize a regulatory drive for SEF consolidation.

E. Hinder Technological Innovation

In 1899, U.S. Patent Commissioner Charles H. Duell is said to have pronounced that "everything that can be invented has been invented."[217] Not to be outdone, the CFTC's swaps trading rules pre-suppose that order book and RFQ methodologies are today and will always remain the only suitable technological means for U.S. swaps execution. These restrictive SEF rules would close U.S. swaps markets to promising technological advances while the rest of the world proceeds ahead in financial market innovation.[218]

A particular example is Dutch Auction-based electronic trading systems, which are actively deployed in swaps markets around the world. These systems generally deploy algorithms based on time priority that match participants' orders at pre-determined prices, while protecting participant trading intentions as to side of market and size.[219] They have the ability to electronically concentrate otherwise elusive liquidity in episodically traded markets by bringing participants together and enabling them to execute orders based on a single pre-determined market clearing price without the

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[215] Hunter at 32.
[216] *Id.*
[217] Charles Holland Duell, Wikipedia, *available at* http://en.wikipedia.org/wiki/Charles_Holland_Duell. The statement has been debunked as apocryphal.
[218] *See* Section III.A. (discussing a SEF's limited execution methods).
[219] Definition of Dutch Auction, Investopedia, *available at* http://www.investopedia.com/terms/d/dutchauction.asp. *See also* BGC Derivatives Markets, L.P. SEF Rules, Rule 602(c) and (d), Volume Match Trading Facility and Volume Match Plus Trading Facility, *available at* http://www.bgcsef.com/BGC_SEF_Rulebook_11_01_13_Clean.pdf.

adverse price effects resulting from large-sized orders. Thus, Dutch Auction trading protocols promote liquidity and price transparency in these markets with episodic liquidity in a way CLOBs cannot. Participants may also obtain a better price through a Dutch Auction as compared with a CLOB given that there may be few bids and offers in the CLOB in illiquid markets or after periods of illiquidity.

Unfortunately, the CFTC's limited methods of SEF execution and CFTC staff's interpretation of those methods may prohibit these valuable auction-based electronic trading platforms, notwithstanding Congress's clear permission for "any means of interstate commerce."[220] This prohibition would be especially unjustifiable given that Dutch Auctions use a method similar to DCMs' currently permitted process for the daily opening of electronically traded futures markets.[221] For example, CME Rule 573 establishes procedures for the Globex opening with a single equilibrium opening price.[222] Globex determines this equilibrium price based on sell pressure and buy pressure where the largest volume of trading can occur.[223] There has been no suggestion that this process does not comport with the statutory definition of a trading facility, which DCMs are required to offer.[224] Therefore, any effort to prohibit Dutch Auctions appears contrary to CFTC regulations and precedent, let alone the expressed flexibility of Title VII of the Dodd-Frank Act.

F. Introduce High-Frequency Trading

In an odd twist, the CFTC's insistence upon RFQ systems and centralized, order-driven markets to execute swaps transactions has the potential to open U.S. swaps markets to algorithmic trading and HFT. While the HFT debate is beyond the scope of this paper, the CFTC's unwarranted bias for certain execution methods raises important public policy concerns regarding algorithmic trading and HFT. It is unclear how those who support the CFTC's impetus for electronic CLOB execution of swaps, yet decry

[220] CEA section 1a(50); 7 U.S.C. 1a(50).
[221] *See, e.g.*, CME Rule 573, Globex Opening, *available at* http://www.cmegroup.com/rulebook/CME/I/5/5.pdf.
[222] *Id.*
[223] *Id.*
[224] CEA section 1a(51); 7 U.S.C. 1a(51).

HFT in today's equities and futures markets, will reconcile these views when the enormous but humanly-managed swaps markets are launched into unmanned hyperspace by HFT algorithmic trading technologies.

G. Waste Taxpayer Dollars

Managing the CFTC's flawed swaps trading regulatory framework is expensive and time consuming. Fitting the square peg of the CFTC's swaps trading rules into the round hole of the established global swaps markets requires the Commission and staff to devote enormous resources to continuously explain, clarify, adjust, exempt and manipulate rules sufficient for rough swaps market operability. The Commission and staff must constantly add to the plethora of no-action letters, guidance, staff advisories and other written communications that go out to the market and participants. During the course of implementing the Dodd-Frank Act, the Commission staff has issued 334 such communications.[225] The package transactions example discussed earlier is a clear instance of the large amounts of staff resources expended. This mismatch is also requiring the CFTC and its staff to expend considerable resources on issues that would not be issues if the rules followed congressional intent and aligned with swaps market dynamics. The NDF clearing mandate debate discussed earlier is another example. The CFTC's current swaps trading regulatory framework requires enormous bureaucratic "make work" to assure industry compliance. Yet, it is mostly unnecessary and unsupported by Title VII of the Dodd-Frank Act. It wastes taxpayer dollars at a time when the Commission is seeking additional resources from Congress.

H. Harm Relations with Foreign Regulators

At the 2009 Pittsburgh G-20 Summit, one year after the financial crisis, global leaders agreed to work together to support economic recovery through a "Framework for Strong, Sustainable and Balanced Growth."[226] The Pittsburgh participants pledged to

[225] As of Jan. 13, 2015, the Commission staff has issued 250 no-action letters, 42 exemptive letters and 42 staff interpretive letters, guidance, advisories and other written communications.
[226] G-20 Leaders' Statement, The Pittsburgh Summit, at 2 (Sep. 24-25, 2009), *available at* https://www.g20.org/sites/default/files/g20_resources/library/Pittsburgh_Declaration.pdf.

work together to "implement global standards" in financial markets, while rejecting "protectionism."[227]

Instead of working with its counterparts abroad, the CFTC forged ahead with overreaching swaps rules, which are partially responsible for harming relations with foreign regulators. The CFTC exported its swaps rules overseas through its July 2013 "Interpretive Guidance and Policy Statement Regarding Compliance With Certain Swap Regulations" (Interpretive Guidance).[228] In essence, the Interpretive Guidance asserted that every single swap a U.S. person enters into, no matter where it is transacted, has a direct and significant connection with activities in, and effect on, commerce of the United States that requires imposing CFTC transaction rules.[229]

Several months later, the CFTC staff issued a "Staff Advisory" that declared that, even if no U.S. person is a party to the trade, CFTC transaction rules apply if it is "arranged, negotiated, or executed" by personnel or agents of a non-U.S. swap dealer located in the U.S.[230] If that was not enough, staff issued guidance the next day stating that it "expects that a multilateral swaps trading platform located outside the United States that provides U.S. persons or persons located in the U.S. (including personnel and agents of non-U.S. persons located in the United States) ... with the ability to trade or execute swaps on or pursuant to the rules of the platform, either directly or indirectly through an intermediary, will register as a SEF or DCM."[231]

Taken together, the combined effect of the CFTC's Interpretive Guidance, Staff Advisory and staff guidance – none of which is a formally adopted CFTC rule – is to dictate that non-U.S. market operators and participants must abide by flawed swaps transaction-level rules for trades involving U.S. persons or supported by U.S.-based

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[227] *Id.* at 7.
[228] Interpretive Guidance and Policy Statement Regarding Compliance With Certain Swap Regulations, 78 FR 45,292 (Jul. 26, 2013).
[229] *Id.*
[230] CFTC Staff Advisory No. 13-69, *Applicability of Transaction-Level Requirements to Activity in the United States* (Nov. 14, 2013), *available at* http://www.cftc.gov/ucm/groups/public/@lrlettergeneral/documents/letter/13-69.pdf.
[231] Division of Market Oversight Guidance on Application of Certain Commission Regulations to Swap Execution Facilities, at 2 (Nov. 15, 2013), *available at* http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/dmosefguidance111513.pdf.

personnel. This approach flew in the face of harmonization efforts, such as the CFTC-European Union Path Forward understanding.[232] The CFTC's relationship with foreign regulators and global swaps market participants has been strained as a result of the CFTC's global overreach.[233]

I. Threaten Job Creation and Human Discretion

The application of certain CFTC rules threatens jobs in the U.S. financial services industry. As explained in Section IV.H., the CFTC's Staff Advisory imposed swaps transaction rules on trades between non-U.S. persons whenever anyone on U.S. soil "arranged, negotiated, or executed" the trade.[234] While the Staff Advisory was recently delayed for the fourth time, it is causing many overseas trading firms to consider cutting off all activity with U.S.-based trade support personnel to avoid subjecting themselves to the CFTC's flawed swaps trading rules.[235] The Staff Advisory jeopardizes the role of bank sales personnel in U.S. financial centers like Boston, Charlotte, Chicago, New Jersey and New York. It will likely have a ripple effect on technology staff supporting U.S. electronic trading systems, along with the thousands of jobs tied to the vendors who provide food services, office support, custodial services and transportation needs to the U.S. financial services industry. With tens of millions of Americans falling back on part-time work, the CFTC should not cause good-paying full-time jobs to be eliminated.[236]

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[232] Cross-Border Regulation of Swaps/Derivatives Discussions between the Commodity Futures Trading Commission and the European Union – A Path Forward, Jul. 11, 2013, *available at* http://www.cftc.gov/PressRoom/PressReleases/pr6640-13.

[233] *See, e.g.*, Andrew Ackerman et al., *U.S., Europe Hit Impasse Over Rules on Derivatives*, Wall Street Journal, Sep. 25, 2014, *available at* http://online.wsj.com/articles/u-s-europe-hit-impasse-over-rules-on-derivatives-1411672215; Gina Chon and Michael MacKenzie, *CFTC Leadership Change Eases Strains*, Financial Times, Feb. 13, 2014, *available at* http://www.ft.com/intl/cms/s/0/3149635c-9401-11e3-bf0c-00144feab7de.html#axzz3LuyOpxFA. *See also* J. Christopher Giancarlo, Commissioner, Keynote Address of CFTC Commissioner J. Christopher Giancarlo at The Global Forum for Derivatives Markets, 35th Annual Burgenstock Conference, Geneva, Switzerland: The Looming Cross-Atlantic Derivatives Trade War: "A Return to Smoot-Hawley" (Sep. 24, 2014), *available at* http://www.cftc.gov/PressRoom/SpeechesTestimony/opagiancarlos-1.

[234] CFTC Staff Advisory No. 13-69.

[235] CFTC Letter No. 14-140, *Extension of No-Action Relief: Transaction-Level Requirements for Non-U.S. Swap Dealers* (Nov. 14, 2014), *available at* http://www.cftc.gov/ucm/groups/public/@lrlettergeneral/documents/letter/14-140.pdf.

[236] News Release, *The Employment Situation – September 2014*, Bureau of Labor Statistics, at Summary Table A, Oct. 3, 2014, *available at* http://www.bls.gov/news.release/archives/empsit_10032014.pdf. Steve

It is apparent to observers that underlying many CFTC rules and regulations is an unstated bias against human discretion in swaps execution.[237] The bias is seen in a range of CFTC positions, including allowing only two specific types of execution methods for Required Transactions,[238] requiring an RFQ System to operate in conjunction with an Order Book,[239] requiring an RFQ to be sent to three market participants,[240] placing various conditions around basis risk mitigation services[241] and the CFTC staff's aversion to Dutch Auctions that utilize professional discretion in setting opening auction prices.[242] Yet, there is no legal support in Title VII of Dodd-Frank for restricting human discretion in swaps execution.

Indeed, the CFTC's bias against human discretion is contrary to what is transpiring in the U.S.'s most successful financial marketplace. The two major markets for initial public offerings (IPOs), Nasdaq and the New York Stock Exchange (NYSE), are today competing against one another on the basis of which has the better degree of "human touch" in the IPO process.[243] These markets tout the role of professional discretion in determining a range of trading factors, including opening price, when trading begins and "price parameters to limit movements in the last few seconds before the open."[244] The human element is now seen as a key safeguard against the type of runaway technical errors that plagued Facebook's 2012 IPO, when "more than 30,000

Moore, *Under Obama: One Million More Americans Have Dropped Out Of Work Force than Have Found a Job*, Forbes, Oct. 6, 2014, *available at* http://www.forbes.com/sites/stevemoore/2014/10/06/under-obama-one-million-more-americans-have-dropped-out-of-work-force-than-have-found-a-job/.

[237] Regulatory pressure will force trading innovation to be "driven by the need for new mechanisms to ensure staff and clients don't misbehave," *See* Larry Tabb, *Peering Into the Future – Yelling and Screaming in 2015, But Little Radical Change*, Tabb Forum, Jan. 2, 2015, *available at* http://tabbforum.com/opinions/peering-into-the-future-yelling-and-screaming-in-2015-but-little-radical-change.

[238] 17 C.F.R. 37.9(a)(2).

[239] *Id.* and 17. C.F.R. 37.9(a)(3).

[240] 17 C.F.R. 37.9(a)(3).

[241] *See* Section V.C.4.

[242] *See* Section V.D.

[243] Sam Mamudi, *Nasdaq Tries Human Beings to Stave Off IPO Poaching by Bid Board*, Bloomberg, Jan. 6, 2015, *available at* http://www.bloomberg.com/news/2015-01-06/nasdaq-highlights-human-touch-in-ipo-process-to-fend-off-nyse.html.

[244] *Id.*

buy and sell orders were either canceled or delayed, leading to a $10 million fine from the U.S. Securities and Exchange Commission."[245]

There is no ascertainable policy purpose in promoting human discretion in equity public offerings while restricting it in U.S. swaps trading. It would be a regulatory failure to restrict human discretion in the $600 trillion swaps markets, and herd trading onto automated electronic platforms, where software failures and other technical glitches could someday cause a "flash crash" unlike anything yet seen in global markets.

J. Increase Market Fragility

Nassim Nicholas Taleb, the well-known options trader who coined the phrase "Black Swan," has written about the increased fragility of today's top-down designed, overly complicated economic systems.[246] He warns that naïve over-intervention in complex systems such as financial markets make them more vulnerable, not less, to cascading runaway chains of reactions and ultimately fragile in the face of outsized crisis events.[247] He posits that the opposite of such fragility is not more robust or durable systems, but systems that are "anti-fragile."[248] Taleb uses "anti-fragile" to mean systems that become stronger when subject to stress, the way a human body becomes immune to a disease through inoculation.[249] Taleb explains that financial markets that are allowed to grow organically through trial and error and gain and loss, with plenty of redundancy, cyclical stresses and disorders, best resemble biological organisms that adapt and, indeed, thrive, in the face of shock and partial destruction.[250] He also explains how systems artificially directed through untested regulatory prescriptions intended to limit randomness and avoid systemic stress become increasingly prone to fail in the face of sudden shocks.[251]

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[245] *Id.*
[246] *See generally* Nassim Nicholas Taleb, Antifragile: Things That Gain From Disorder (Random House 2012).
[247] *Id.*
[248] *Id.*
[249] *Id.*
[250] *Id.*
[251] *Id.*

Unfortunately, the CFTC swaps trading rules, with their prescriptive complexity, limits on human discretion and transaction methodology bias, seem to support this type of systemic fragility. That fragility increases rather than decreases the systemic risk – the risk of failure of the swaps markets and the broader U.S. financial system – that the Dodd-Frank Act was ostensibly designed to reduce. Instead, the CFTC's rules should allow for the supervised but natural development of U.S. swaps markets with all the richness and redundancy such organic development entails and the benefits of U.S. economic health and prosperity that "anti-fragility" can provide.

V. ALTERNATIVE SWAPS TRADING REGULATORY FRAMEWORK

This White Paper proposes a pro-reform reconsideration of many of the CFTC's swaps trading rules to align with natural swaps market dynamics and the express statutory framework of Title VII of the Dodd-Frank Act. This reconsideration of the swaps trading rules is drawn from five key tenets: comprehensiveness, cohesiveness, flexibility, professionalism and transparency. This section provides a high-level overview of this alternative swaps trading regulatory framework focusing on these five key tenets.

A. Comprehensiveness

The first tenet of this White Paper's alternative framework is to subject a comprehensive range of U.S. swaps trading activity to CFTC oversight. In this respect, the CFTC implemented a broad SEF registration requirement.[252] The final SEF rules explain that registration applies "to facilities that meet the SEF definition in CEA section 1a(50)."[253] This White Paper supports that comprehensive approach.

As the CFTC noted in the final SEF rules, the Dodd-Frank Act contains some ambiguity regarding SEF registration.[254] Given this ambiguity, some market participants have argued that Congress did not intend to require CFTC registration for platforms that meet the SEF definition, but only facilitate swaps not subject to the trade execution requirement.[255] However, the CFTC has already required SEF registration for any platform that meets the SEF definition, even if it only facilitates swaps not subject to the trade execution requirement.[256] Such SEF platforms are already temporarily registered.[257]

Furthermore, Congress generally intended in Title VII to bring all facilities for swaps trading into a comprehensive regulatory structure, not just a portion, through its

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[252] 17 C.F.R. 37.3(a)(1); SEF Rule at 33,481-483.
[253] SEF Rule at 33,481.
[254] *See* SEF Rule at 33,481-482.
[255] *See* SEF Rule at 33,479-480.
[256] *See* SEF Rule at 33,481 n. 88.
[257] As of Jan. 13, 2015, the Commission has temporarily registered 22 SEFs. *See* CFTC website, http://sirt.cftc.gov/SIRT/SIRT.aspx?Topic=SwapExecutionFacilities.

broad SEF registration provision.[258] Leaving platforms that solely facilitate the execution of swaps not subject to the trade execution mandate outside of CFTC oversight, and those that facilitate swaps subject to the mandate within, as some commenters have suggested, creates bifurcated regulated and unregulated markets and invites abuses and evasion.[259]

This White Paper proposes to adopt the CFTC's registration approach, albeit in a clear and direct manner. The scope of SEF registration should be defined through rules and not buried footnotes in the preamble text, such as the widely consequential impact of the CFTC's now famous footnote 88.[260] Similarly, this White Paper proposes that all key components of the CFTC's swaps rules reside in clear and definitive rule text and not in footnotes, staff advisories and ad-hoc no-action letters.

B. Cohesiveness

The second tenet of this White Paper's alternative framework is regulatory cohesiveness. This approach would remove the artificial segmentation between Required Transactions and their limited execution methods and Permitted Transactions and their broad execution methods, and between block transactions "off-SEF" and non-blocks "on-SEF." There is no statutory support for these divisions. They carry no ostensible policy justification. They are at odds with accepted global practices of swaps trading and hinder liquidity formation.[261] They add large and unjustifiable regulatory costs and burdens and absorb limited agency resources. Instead, all CFTC-regulated swaps trading should fall within the same, cohesive and undivided regulatory framework.

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[258] The SEF registration requirement states "[n]o person may operate a facility for the trading or processing of swaps unless the facility is registered as a [SEF] or as a [DCM] under this section." CEA section 5h(a)(1); 7 U.S.C. 7b-3(a)(1).

[259] *E.g.*, A platform meeting the SEF definition could shift its offerings to eliminate swaps imminently subject to a trade execution mandate in order to stay outside of CFTC oversight.

[260] *See* SEF Rule at 33,481 n. 88.

[261] *See* Section IV.B. and C. (discussing fragmentation and market liquidity risk).

C. Flexibility

This straightforward, comprehensive and cohesive approach will only work, however, if the CFTC returns to the Dodd-Frank Act's express prescription for flexibility in swaps trading as outlined below. This White Paper proposes congressionally authorized flexibility in the following five key areas:

1. Permitting trade execution through "any means of interstate commerce"
2. Allowing products to evolve naturally
3. Letting market structure be determined by the market
4. Accommodating beneficial swaps market practices
5. Treating core principles as general principles

1. Permit trade execution through "any means of interstate commerce"

This White Paper proposes that U.S. swaps markets be reopened to business and technological innovation that is currently stymied by CFTC swaps trading rules. Technology is improving American lives today in many ways, from hailing a taxi (*e.g.,* Uber) and connecting with business colleagues (*e.g.,* Linkedin) to listening to music (*e.g.,* Spotify). Technological innovations are also transforming capital markets in areas such as raising money for business start-ups (*e.g.,* Kickstarter) and consumer borrowing (*e.g.,* Payoff). These innovations lower barriers to entry, reduce costs and open markets to a broader range of participants. Unfortunately, the CFTC's swaps rules would prevent such technological innovation in the U.S. swaps markets.

Prudent regulatory oversight should allow methods of swaps execution to evolve organically based on technological innovation, customer demand and quality of service. SEFs, not regulators, should decide what methods of swaps execution are most suitable for the instruments they seek to execute and most useful to the particular customers they choose to serve. SEFs, not regulators, should decide in which promising new business methods and technologies to invest or not to invest. Similarly, market participants must not be denied the flexibility to choose what execution method is best suited to their swaps trading and liquidity needs. Therefore, the swaps market

should continue to allow its participants a broad choice of methods of swaps execution, including, but not limited to, electronic CLOBs, simple order books, RFQ systems, electronic Dutch Auctions, hybrid electronic and voice execution methods, full voice-based execution methods, work-up and any other "means of interstate commerce" that may today or in the future satisfy customer swaps trading and liquidity requirements. Markets, not regulators, must determine the various means of interstate commerce utilized in the swaps market. That is clearly what Congress intended.

2. Allow products to evolve naturally

This White Paper proposes a more commonsense approach to mandatory product trading on SEFs. That is, let new and novel swaps products develop commercially to the point where market participants naturally turn to platforms to offer trading in the product. Once that happens, the product must trade on a DCM or registered SEF. This evolution reflects the reality in the global swaps markets that participants initially trade newly developed swaps products bilaterally and only move to third-party trading platforms once commercial trading reaches a critical stage.

The Dodd-Frank Act trade execution requirement expresses this logic in that a clearing mandated swap must be executed on a SEF unless no SEF makes that swap available to trade (*i.e.,* offers the swap for trading).[262] This White Paper proposes to follow this simple approach and do away with the MAT process. As explained in Section III.C., the MAT process is not supported by the statutory language and has no sound policy basis. Simply following congressional intent would save precious resources. Anything more complicated is just regulatory make-work.

3. Let market structure be determined by the market

This White Paper proposes a more flexible approach to swaps market structure. As an essential governing principle, governments and regulators should not pick winners and losers in the commercial economy. Regulators should not substitute their judgment for the business judgment of commercial entities and participants.

[262] CEA section 2(h)(8); 7 U.S.C. 2(h)(8).

This White Paper asserts that there is no "all-to-all" trading mandate set forth in Title VII of the Dodd-Frank Act and the Commission does not have the authority to impose one. Accordingly, this White Paper does not advocate for any particular market structure, such as existing separate D2D and D2C markets or combined all-to-all markets, but simply calls for letting participants in the marketplace determine the optimal market structure based on their swaps trading needs and objectives. Adhering to Congress's mandate for flexible methods of execution will allow for a more organic and customer-driven development of swaps market structure and the necessary balancing of liquidity demand and liquidity provision.

SEF platforms must have the right to offer their services to segments of the swaps markets that they believe they are best qualified to serve, so long as they do so on an impartial basis consistent with the statute. Similarly, swaps participants must have the right to impartial treatment in seeking to transact with whichever CFTC-registered platform they determine to provide the best service for their specific needs.

In a similar regard, SEFs should be free to operate either on a name give-up or anonymous basis as they deem appropriate in the interest of the clients they serve. Nevertheless, such freedom of choice should not prevent customer-driven approaches to post-trade disclosure, in which SEF participants could individually elect whether or not to permit limited identifying information to be provided to trade counterparties following a transaction.

4. Accommodate beneficial swaps market practices

This White Paper proposes to better accommodate established and beneficial swaps market practices. For example, the proposal would allow SEFs to implement clear, workable error trade policies to address the situation where an executed swaps transaction is rejected from clearing. It would also end the void *ab initio* policy that is not statutorily sound, creates a competitive disadvantage relative to the U.S. futures market and introduces unjustifiable risk to U.S. swaps transactions.

This proposal would also narrow the scope of confirmations for uncleared swaps to include only their primary and other material economic terms. There would be no need for confirmations to either supersede or reference master agreements or require SEFs to possess such agreements. It is practicably impossible for a SEF to collect and track changes to every agreement between participants, and to have to "glean" any information from these agreements for confirmation and reporting purposes.[263] If there is a concern that master or other agreements may be used to change the economic terms of a transaction entered into on a SEF, then SEF-issued confirmations could be structured to supersede the terms of any agreement between the counterparties that contradict transaction-specific economic terms in the confirmation.

This proposal would also better accommodate the activities of third-party commercial service providers, such as swaps trade data vendors, trade term affirmation providers and trade confirmation vendors. As explained in Section I.C., the swaps market has had a history of third-party service providers, unlike the futures market, where DCMs handle these functions. These differing approaches are the result of differences in product development. One approach is not necessarily better than the other, and the proposal would provide the appropriate flexibility to accommodate both regimes so that market participants can decide which approach they prefer.

Similarly, this proposal would also take a benign view of compression, risk reduction, risk recycling, dynamic hedging and other similar services that provide operational efficiencies and crucial systemic risk reduction. As explained in Section I.C., these services exist in the swaps market, as opposed to the futures market, given the non-standardized terms and conditions of swaps products that make it operationally challenging to offset risk. At its core, the Dodd-Frank Act was aimed at reducing systemic risk. These services support this objective by using technology and continual innovation to meet the market's risk-management needs. These activities should not be limited by forcing service providers to comply with misguided registration requirements

[263] CFTC Letter No. 14-108 at 4.

or with certain limited execution methods.[264] Any other approach would be contrary to the public good of systemic risk reduction.

5. Treat core principles as general principles

This White Paper proposes to treat the SEF core principles as true principles rather than rigid rule sets. First, the framework would revise many of the futures-based SEF core principles to align with swaps trading and market structure as explained in Section III.H. Second, the framework would draw upon the CFTC's long and esteemed history as a principles-based regulator to implement a flexible core principles-based approach for SEFs that aligns with the way swaps actually trade. Prescriptive rules, such as those discussed in Section III.H., would be removed. To implement such an approach, the framework would allow SEFs to work with the Commission to achieve the objectives of the core principles within the context of the unique construct and practices of modern swaps markets. In the words of a former CFTC Chairman, "What matters in a principles-based approach is not a focus on means, but rather effectiveness in achieving the desired policy outcomes .... In such a rapidly evolving industry, having the option to rely upon a flexible, principles approach provides a useful tool in carrying out our mandate under the CEA to promote responsible innovation and fair competition."[265]

This approach treats SEFs less like DCM SROs, and more like platforms that operate in a competitive, institutional client market. This approach also considers the episodic liquidity of swaps and the multi-polar structure of the swaps market. This flexible approach would promote swaps trading under CFTC regulation as Congress intended.

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[264] *See* SEF Rule at 33,480-483. *See also* CFTC Letter No. 13-81, *Time-Limited No-Action Relief from Required Transaction Execution Methods for Transactions that Result from Basis Risk Mitigation Services* (Dec. 23, 2013), *available at* http://www.cftc.gov/ucm/groups/public/@lrlettergeneral/documents/letter/13-81.pdf (allowing basis risk mitigation services under certain conditions).

[265] Reuben Jeffery III, Chairman, Crafting Regulatory Policy to Meet Today's Challenge, Address by Chairman Reuben Jeffery III, Futures Industry Association, 32nd Annual International Futures Industry Conference, Boca Raton, Florida (Mar. 15, 2007), *available at* http://www.cftc.gov/PressRoom/SpeechesTestimony/opajeffery-16.

D. Professionalism

The fourth tenet of this White Paper's alternative framework is to raise standards of professionalism in the swaps market by setting standards of conduct for swaps market personnel. More than any single event, the 2008 financial crisis confirmed the need for greater CCP clearing of swaps and reporting trades to centralized data repositories. The crisis serves less well, however, as a singular justification for the need to regulate swaps trading and execution. AIG did not fail because of flawed market practices or a lack of pre-trade price transparency.[266] Although many market participants were under-collateralized for their swaps inventories, the markets themselves functioned satisfactorily through the crisis.[267] And, while credit default protection against the failure of even the most "too big to fail" bank became very expensive in September 2008, it remained available in the swaps markets, which continued to provide reasonable liquidity despite the broad market fear and panic.[268]

A stronger justification for regulation of swaps trading and execution is presented by the current scandal over pricing of LIBOR[269] and certain foreign exchange benchmarks.[270] In the LIBOR scandal, traders at some dealer banks and allied brokers at some interdealer brokerage firms falsely manipulated quotations of interest rates they

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[266] AIG held approximately $28 billion of largely unhedged exposure to collateralized debt and mortgage obligations. AIG made a bad investment decision to expose itself to mortgages that went sour. The problem was that AIG made that bad decision, not that AIG paid too much for that bad decision due to pre-trade price opacity. Nor was it likely that any systemic breakdown would have occurred if AIG had been allowed to fail. *See* Wallison 412-416.

[267] Choi and Shachar at 10-17.

[268] *Id.*

[269] *See, e.g.*, Liam Vaughan & Gavin Finch, *Libor Lies Revealed in Rigging of $300 Trillion Benchmark*, Bloomberg, Jan. 28, 2013, *available at* http://www.bloomberg.com/news/2013-01-28/libor-lies-revealed-in-rigging-of-300-trillion-benchmark.html. LIBOR is an average interest rate calculated through submissions of interest rates by major banks in London. LIBOR underpins approximately $350 trillion in derivatives. LIBOR is used as a reference rate in many financial products, including mortgages, student loans, financial derivatives, and other instruments. LIBOR is a common reference rate for interest rate swaps and other derivative instruments traded in U.S. derivatives markets. Any manipulation of LIBOR may constitute an attempt to manipulate U.S. derivatives markets.

[270] *See, e.g.*, Chad Bray, *A Primer on How Currency Manipulation Worked, DealBook*, The New York Times, Nov. 12, 2014, *available at* http://dealbook.nytimes.com/2014/11/12/a-primer-on-how-currency-manipulation-worked/?_r=0; Press Release, *CFTC Orders Five Banks to Pay over $1.4 Billion in Penalties for Attempted Manipulation of Foreign Exchange Benchmark Rates*, CFTC (Nov. 12, 2014), *available at* http://www.cftc.gov/PressRoom/PressReleases/pr7056-14.

were paying or were expecting to pay, to borrow from other major banks.[271] This was done primarily to inflate the bank's creditworthiness and, in many cases, to profit from trading strategies based on movements in LIBOR driven by the inclusion of these false interest rate quotes.[272]

The LIBOR scandal and allegations of similar behavior in setting foreign exchange rates serve as an appropriate basis for regulatory action to enhance professionalism in the swaps markets by ensuring standards of participant conduct. The fraudulent conduct of the traders and brokers implicated in the LIBOR scandal suggests a lack of consistent professionalism and ethical behavior at the trading level. United Kingdom authorities have reorganized their regulatory oversight to focus on failures in appropriate conduct in London financial markets.[273] The new Financial Conduct Authority (FCA) regulates firms under its jurisdiction by proactively setting high conduct standards and exercising supervision and enforcement authority.[274] The FCA has promised "a renewed focus on wholesale conduct" to ensure "trust in the integrity of markets" and prevent "market abuse."[275]

This White Paper proposes like action by the CFTC to increase professionalism by setting standards for participant conduct in regulated swaps trading. It is noteworthy that U.S. individuals who wish to broker or sell equities or debt securities must register

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[271] *See, e.g.*, In the Matter of: Barclays PLC, Barclays Bank PLC and Barclays Capital Inc., Order Instituting Proceedings Pursuant to Sections 6(c) and 6(d) of the Commodity Exchange Act, as Amended, Making Findings and Imposing Remedial Sanctions, CFTC Docket No. 12-25, *available at* http://www.cftc.gov/ucm/groups/public/@lrenforcementactions/documents/legalpleading/enfbarclaysorder062712.pdf.

[272] *Id.*

[273] Kim Durniat, *Goodbye FSA, Hello PRA and FCA*, Barnett Waddingham, Apr. 3, 2014, *available at* http://www.barnett-waddingham.co.uk/comment-insight/blog/2013/04/03/goodbye-fsa-hello-pra-and-fca/.

[274] Financial Conduct Authority (FCA), Regulating, http://www.fca.org.uk/about/what/regulating (last accessed Jan. 9, 2015); FCA, Championing, http://www.fca.org.uk/about/what/championing (last accessed Jan. 9, 2015). *See also* Sam Robinson, *The Financial Conduct Authority - Its Role in the New UK Regulatory Framework*, Bloomberg BNA (Aug. 5, 2014), *available at* http://www.bna.com/the-financial-conduct-authority/.

[275] Bank Governance Leadership Network, *A New Era of Conduct Supervision: Consequences, Challenges, and Opportunities*, ViewPoints, Tapestry Networks, Inc., at 2 (Mar. 21, 2014), *available at* http://www.ey.com/Publication/vwLUAssets/EY_-_Navigating_the_new_era_of_conduct_supervision/$FILE/ey-A-new-era-of-conduct-supervision.pdf.

with the SEC and join an SRO.[276] They must also pass the Series 7 exam, which seeks to measure the knowledge, skills and abilities needed to perform the functions of a registered securities representative.[277] Similarly, in U.S. futures markets persons acting as introducing brokers (IBs), futures commission merchants (FCMs), commodity trading advisors (CTAs), commodity pool operators (CPOs) and retail foreign exchange dealers (RFEDs), or an associated person (AP)[278] of such futures professionals, must register with the CFTC and National Futures Association (NFA). Generally, all applicants for NFA membership must pass the Series 3 exam, which seeks to measure futures markets proficiency.[279] Yet, there is currently no examination that one must pass in the U.S. to broker swaps. There is currently no standardized measurement of one's knowledge and qualification to act with discretion in the world's largest and, arguably, most systemically important financial market – swaps.[280]

Rather than implementing highly prescriptive swaps trading rules that seek to limit intermediaries' (*e.g.,* interdealer brokers, FCMs, IBs) discretion through certain ill-suited execution methods,[281] this alternative framework proposes to establish standards

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[276] *See* SEC, Guide to Broker-Dealer Registration (Apr. 2008), http://www.sec.gov/divisions/marketreg/bdguide.htm#II (last accessed Jan. 9, 2015).

[277] *See* Financial Industry Regulatory Authority (FINRA), General Securities Representative Qualification Examination (Series 7) Content Outline (2014), *available at* http://www.finra.org/web/groups/industry/@ip/@comp/@regis/documents/industry/p124292.pdf.

[278] 17 C.F.R. 1.3(aa).

[279] *See* National Futures Association (NFA), Registration, Who Has to Register, http://www.nfa.futures.org/NFA-registration/index.HTML (last accessed Jan. 9, 2015); NFA, Proficiency Requirements, http://www.nfa.futures.org/NFA-registration/proficiency-requirements.HTML (last accessed Jan. 9, 2015); NFA, Examination Subject Areas National Commodity Futures Exam, *available at* http://www.nfa.futures.org/NFA-registration/study-outlines/SO-Series3.pdf.

[280] The Dodd-Frank Act requires registration of swap dealers (SDs) and major swap participants (MSPs), and directed the Commission to promulgate specific business conduct requirements and "such other standards and requirements as the Commission may determine are appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of this Act." CEA sections 4s(a), 4s(h) and 4s(h)(3)(D); 7 U.S.C. 6s(a), 6s(h) and 6s(h)(3)(D). Pursuant to this direction the Commission issued business conduct standards for SDs and MSPs in Part 23 of its regulations. Those regulations do not require any sort of proficiency testing, however. Moreover, APs of SDs and MSPs are not required to register under the Dodd-Frank Act or the Commission's regulations. *See* Registration of Swap Dealers and Major Swap Participants, 77 FR 2613 (Jan. 19, 2012).

[281] Apparently, an objection of the CFTC staff for Dutch Auction swap execution is that brokers have discretion in finding price points at which to commence an auction. This same concern regarding discretion is present in the conditions that CFTC staff have outlined for basis risk mitigation services. *See* CFTC Letter No. 13-81, *Time-Limited No-Action Relief from Required Transaction Execution Methods for Transactions that Result from Basis Risk Mitigation Services* (Dec. 23, 2013), *available at* http://www.cftc.gov/ucm/groups/public/@lrlettergeneral/documents/letter/13-81.pdf (see condition 7).

that would enhance the knowledge, professionalism and ethics of personnel in the U.S. swaps markets that exercise discretion in facilitating swaps execution, as well as certain supporting compliance and operations personnel.

As explained in Section I., the episodic liquidity and customized nature of swaps transactions often require intermediaries to arrange trades. Intermediaries' discretion cannot be usurped by machines. Just as today's equity IPO markets retain the presence of competent human professionals to exercise judgment and discretion in trade execution to avoid run-away electronic automated trading dynamics, so do global swaps markets require trained and skilled professionals to foster orderly markets with adequate trading liquidity to meet counterparty demand. This proposal seeks to implement an examination regime for interdealer brokers and other personnel to assure they are up to this important task.[282]

This alternative proposal would focus on raising the knowledge, skills, professionalism, ethics and conduct of key personnel at interdealer brokers, FCMs, IBs, swap dealers and major swap participants, among other entities acting in the swaps market. The proposal would look to established precedents, such as the NFA's Series 3 exam and rules for IBs and other members,[283] as well as the Financial Industry Regulatory Authority's (FINRA) Series 7 exam and rules for broker-dealers,[284] as a guide and modify them to apply to swaps trading and markets (*e.g.,* by creating a licensing exam and rules specifically for swaps).[285] Regulators would work with the

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[282] Any examination must be designed to reflect the unique nature of the swaps market, such as the absence of retail participation.

[283] *See* NFA, NFA Manual / Rules, Compliance Rules, *available at* https://www.nfa.futures.org/nfamanual/NFAManualTOC.aspx?Section=4.

[284] *See* FINRA, FINRA Rules, *available at* http://finra.complinet.com/en/display/display.html?rbid=2403&element_id=607.

[285] *E.g.,* The Series 7 exam is for individuals who want to enter the securities industry to sell any type of security. The Series 14 exam is designed to assess the competency of compliance officials. The Series 24 exam is designed to assess the competency of entry-level General Securities Principals. The Series 99 exam is designed to assess the competency of certain operations personnel. *See* FINRA, FINRA Administered Qualifications Examinations, *available at* http://www.finra.org/Industry/Compliance/Registration/QualificationsExams/Qualifications/p011096 (providing further details).

industry to understand the testing, qualifications, trading standards and sanctions that should apply to intermediaries and other personnel.[286]

In the preamble to the final SEF rules, the CFTC already acknowledges that a SEF must establish and enforce rules for its employees, and that a SEF's employees have certain obligations under the CFTC's existing regulations.[287] This alternative framework would create a formal process and rules to implement and expand upon the CFTC's preamble language. This approach would bring the swaps market more in line with the regulation of trading intermediaries in other capital markets, such as equities and futures. If done correctly, this approach would provide an exemplary model for the world to follow.

E. Transparency

The last tenet of this White Paper's alternative framework focuses on promoting swaps trading and market liquidity as a prerequisite to increased transparency. It is certainly true that the right measure of pre- and post-trade transparency can benefit market liquidity. Yet, the history of markets has shown that absolute transparency can harm liquidity and trading.[288] The regulatory objective must be to strike the right balance and do so in a progressive manner.[289] Markets as complex as the swaps markets, where adequate liquidity is already a challenge, require care in the imposition of transparency mandates to ensure that this liquidity is not harmed.

As explained in Section III.A., Congress understood the liquidity challenge in the swaps market and thus set two goals for SEFs, to be balanced against each other: (a)

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[286] To the extent that a person must register as an FCM or IB, Commission and NFA standard of conduct-type rules should be modified to apply to swaps trading.
[287] SEF Rule at 33,506.
[288] There are historical examples of markets that have sought to achieve full market transparency without adequate exemptions. In 1986, the London Stock Exchange (LSE) enacted post-trade reporting rules designed for total transparency with no exceptions for block sizes. What ensued was a sharp drop in trading liquidity as market makers withdrew from the market due to increased trading risk. ISDA/SIFMA Block Trade Study at 8. To bring back trading, the LSE thereafter engaged in a series of amendments to make its block trade rules more flexible and detailed over time. *Id.* at 8-9.
[289] It is worth noting that the trade reporting regime that is often cited positively as a model for swaps trade reporting is the TRACE system for U.S. corporate bonds that was phased in gradually and iteratively over several years.

promoting the trading of swaps on SEFs and (b) promoting pre-trade price transparency in the swaps market.[290] To date, pre-trade price transparency has been greatly emphasized to the detriment of liquidity.[291] SEFs are required to offer an Order Book or an RFQ System to 3 market participants.[292] Other SEF execution methods that do not fit within these narrow rules have been or are in jeopardy of being rejected.[293] Yet, over one year into SEF trading, the Order Book method of execution – the method of execution that is promoted as providing the greatest degree of pre-trade price transparency – has failed to gain traction.[294] Neither SEF goal is being achieved by requiring an Order Book that no one is using. The CFTC's over-engineered and restrictive swaps trading rules have wholly failed to achieve a key objective of meaningful price transparency. It is time to try something different.

A better way to promote price transparency is through a balanced focus on promoting swaps trading and market liquidity as Congress intended. Instead of taking a prescriptive approach to swaps execution that drives away participants, this framework would allow the market to innovate and provide execution through "any means of interstate commerce." That way, participants could choose the execution method that meets their needs based upon a swap's liquidity characteristics, which in turn, promotes trading on SEFs and liquidity. As explained in Section I.D., trading platforms pre-Dodd-Frank Act calibrated their execution methods to the particular liquidity characteristics of the instruments traded and sought to foster the greatest degree of trading liquidity. These execution methodologies, such as hybrid methods, work-up and Dutch Auctions seek to concentrate liquidity by bringing participants together and enabling them to execute orders based on transparent prices. In other words, promoting swaps trading and market liquidity will lead to enhanced price transparency; stifling trading liquidity will degrade it.

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[290] CEA section 5h(e); 7 U.S.C. 5h(e).
[291] *See, e.g.,* Section III.A.
[292] *Id.*
[293] *Id.* and Section IV.E.
[294] *See* Madigan, Anonymity ("The volume so far has been mostly RFQ ... Clients can use the Clobs ... somewhere north of 95% of our client flows are going through our RFQ system," says Lee Olesky, chief executive of Tradeweb in New York.). *See also* Lynn Strongin Dodds, *SEFs: A Slow Start So Far*, DerivSource, Nov. 17, 2014, *available at* http://derivsource.com/articles/sefs-slow-start-so-far.

The pro-reform proposals set forth in this White Paper are a package. They stand together as a comprehensive whole. It would serve little purpose to reassert the broad reach of SEF registration without easing the rigid inflexibility of the CFTC's swap transaction rules. It would make little sense to seek to improve standards of participant conduct without removing the unwarranted restraints on their professional discretion. It would be pointless to seek greater market transparency while continuing to thwart market liquidity. These proposals work together to achieve the aims of Title VII of the Dodd-Frank Act to improve the safety and soundness of the U.S. swaps market. They should not be adopted on a piecemeal basis.

VI. CONCLUSION: Return to Congressional Intent

In September 2014, the largest U.S.-listed IPO of all time occurred on the NYSE when Alibaba, the Chinese e-commerce giant, raised over $25 billion.[295] In fact, the third quarter of 2014 was great for U.S. IPOs with over $40 billion raised as compared with $8.6 billion raised in Europe and $14.3 billion in Asia.[296] During the quarter, U.S. markets overall accounted for 52 percent of cross-border IPO activity.[297] The U.S. is ranked as the top country for new equity fundraisings for the fourth straight year.[298]

Why did Alibaba choose New York to offer its shares rather than major exchanges in Asia and Europe? Certainly, the depth of U.S. equity liquidity necessary for a blockbuster offering drew in Alibaba. Yet, companies big and small from around the world flock to the U.S. IPO market. Is it only trading liquidity, or does it also have to do with the balance of favorable market characteristics and a proven and well-respected U.S. regulatory framework?

According to the head of equity capital markets at Nomura, "[f]lexibility around governance provisions and the reputation for US capital markets as a whole" make the U.S. a premier place to list.[299] Flexibility in corporate governance provisions was important to Alibaba.[300] U.S. listing rules permitted Alibaba's unique board structure, which the Hong Kong Stock Exchange prohibited.[301] Yet, no one can assert that the flexibility afforded Alibaba makes the U.S. a lax and lenient jurisdiction in which to list shares. The SEC's public company disclosure regime and registration process is likely the world's most rigorous. However, it is globally recognized that the U.S. IPO market

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[295] Includes the overallotment exercise.
[296] Leslie Picker, Ruth David and Fox Hu, *IPO Markets Don't Need Alibaba for Best Quarter Since 2010*, Bloomberg, Sep. 30, 2014, *available at* http://www.bloomberg.com/news/2014-09-30/ipo-markets-don-t-need-alibaba-for-best-third-quarter-since-2010.html.
[297] *Id.*
[298] Jackie Kelley, *US Leads The World in 2014 IPOs*, Forbes, Dec. 23, 2014, *available at* http://www.forbes.com/sites/ey/2014/12/23/us-leads-the-world-in-2014-ipos/; Eric Platt and Josh Noble, *New York Widens Global Lead for IPOs*, Financial Times, Sep. 29, 2014 (Platt & Noble), *available at* http://www.ft.com/intl/cms/s/0/821ee226-45c1-11e4-9b71-00144feabdc0.html?siteedition=intl#axzz3IsqLvLYD.
[299] Platt & Noble.
[300] *Id.*
[301] *Id.*

has a highly optimal balance of robust regulation, fulsome corporate disclosure, human discretion and flexible corporate compliance as compared with its peer marketplaces. As a result, the world and its capital seek out the U.S. IPO market, bringing along jobs and economic growth.

As compared with the recently resurgent global interest in the U.S. IPO market, however, the world's response to the CFTC's newly implemented swaps trading regulations has been a stark "No, thank you." As discussed in Section IV.A., the world is voting with its trading book to transact in other markets whenever possible. Non-U.S. person market participants are curtailing transactions with U.S. counterparties to avoid the CFTC's ill-designed and highly prescriptive U.S. swaps trading rules.

In his best-selling book, *The Great Degeneration: How Institutions Decay and Economies Die*, Niall Ferguson describes contemporary financial market regulation that well-characterizes the CFTC's swaps trading rules:

> Today ...the balance of opinion favours complexity over simplicity; rules over discretion; codes of compliance over individual and corporate responsibility. I believe this approach is based on a flawed understanding of how financial markets work. It puts me in mind of the great Viennese satirist Karl Kraus' famous quip about psychoanalysis; that it was the disease of which it pretended to be the cure. I believe excessively complex regulation is the disease of which it pretends to be the cure.[302]

This paper has attempted to explain why the world has shunned the CFTC's swaps trading regime. The fundamental problem is that the CFTC's regime is over-engineered and mismatched to the distinct liquidity, trading and market structure characteristics of the global swaps markets. In crafting a swaps trading regulatory framework disproportionately modeled after the U.S. futures market, and imposing it through complicated and highly prescriptive rules in contravention of congressional intent, the CFTC is driving trading liquidity away from U.S. markets. The current regime is causing global swaps trading to fragment into U.S. person markets and non-U.S. person markets, exacerbating the inherent challenge of swaps trading – adequate

[302] Niall Ferguson, The Great Degeneration: How Institutions Decay and Economies Die 58-59 (Penguin Press 2013).

liquidity. The result will be higher costs and burdens for U.S. risk hedging and slower American economic growth and job creation. Undoubtedly, these added costs will be borne harder on Main Street than on Wall Street.

This paper proposes an alternative, pro-reform agenda. It advocates for a comprehensive, cohesive and flexible alternative swaps trading framework that aligns with swaps market dynamics and is true to congressional intent. The framework is built upon five broad tenets: comprehensiveness, cohesiveness, flexibility, professionalism and transparency. This framework should yield enormous benefits. It would promote healthy global markets by regulating swaps trading in a manner well matched to the underlying market dynamics. It may undo much of the global fragmentation in swaps trading and the resulting increased systemic risk by drawing the global trading community to the CFTC's swaps regime, rather than rejecting it. The framework would relieve much of the developing domestic market fragmentation and promote trading liquidity – an inherent challenge in the swaps market. It would help reduce the enormous legal and compliance costs of registering and operating a CFTC-registered SEF. This framework would encourage technological innovation to better serve market participants and preserve the jobs of U.S.-based support personnel. It would free up CFTC resources and save taxpayer money at a time of federal budget deficits. It would provide the CFTC with another opportunity to coordinate its rules with other jurisdictions that are implementing their own swaps trading rules. It may even reverse the increasing fragility of U.S. swaps markets by allowing their more organic development and growth for the greater benefit of U.S. economic health and prosperity. Most critically, it would fully accord with Title VII of the Dodd-Frank Act.

In releasing this White Paper, I am conscious that it invariably will be drawn into the preconceived storyline that seems to frame all contemporary discussions of the 2008 financial crisis and the Dodd-Frank Act. Depending on one's political persuasion, that set narrative generally features, on one side, either valiant market reformers striving to prevent another financial crisis or faceless bureaucrats stifling legitimate business activity, while on the other side are feckless toadies for Wall Street working to "roll back"

regulatory reform or brave souls speaking "truth to power" to the same faceless bureaucrats.

This false narrative is especially challenging for me as an unwavering supporter of the core swaps reforms of Title VII of the Dodd-Frank Act. Because I come at these reforms from the real world of commerce, I am not satisfied with loudly trumpeted agency rules that work only on paper as academic exercises. Effective regulation must perform efficiently in the reality of everyday global markets or it will produce useless, counterproductive or even harmful consequences.

Fortunately, some of the Dodd-Frank rules put in place by the CFTC have worked well out of the box. Others need to be fine-tuned. Some need to be replaced altogether. The false narrative that all Dodd-Frank rules were perfect at conception and are now sacrosanct is just that – false.[303] The perpetuation of this narrative makes it harder to achieve the purposes that the law seeks to advance: financial market reform and systemic risk reduction. My hope is that coverage of this White Paper and its pro-reform proposals, perhaps fueled by increasing market awareness of the identified regulatory flaws, will reflect less partisan reporting. That will lower the emotional thermostat as the CFTC begins the necessary process of rule repair and replacement.

I urge my fellow Commissioners and CFTC staff to revisit our agency's fundamentally flawed swaps trading rules and replace them with a more coherent framework that follows congressional intent and aligns with the natural commercial workings of the swaps market. Such a framework will achieve Congress's express goals of promoting swaps trading and market transparency in a well-conceived regulatory framework without exacerbating systemic risk and market fragility.

Derivatives are vital to the U.S. economy. Used properly, they enable American companies and the banks from which they borrow to manage changing commodity and energy prices, fluctuating currency and interest rates and credit default exposure. They

[303] The recent TRIA legislation that amended the Dodd-Frank Act to exempt non-financial firms, such as farmers and manufacturers, from having to post collateral in derivatives transactions was passed with overwhelmingly bipartisan political support. *See generally,* Zachary Warmbrodt, *Democrats' Quandary: Which Dodd-Frank Changes Weaken the Law?*, POLITICOPro, Jan. 8, 2015.

allow state and local governments to manage their obligations and pension funds to support healthy retirements. They allow agricultural producers to hedge their prices and costs of production so that Americans enjoy plenty of food on grocery shelves. They allow Americans to rely on enough electricity to run their homes and gasoline to fuel their cars. The health and efficiency of the derivatives markets have a direct impact on the price and availability of the food we eat, the warmth of our homes and the energy needed to power our factories.

The stated purpose of the Dodd-Frank Act was to reform "Wall Street." That task must be completed in a way that does not burden "Main Street" by adding new compliance costs onto our farmers, power utilities and manufacturers. It is the job of market regulators like the CFTC to promote U.S. markets with smart regulations rather than impede them with unwarranted costs and over-engineered complexity. U.S. financial markets have long been the most fair, transparent, efficient and innovative in the world. We must keep them so. Our goal in this new era must be the health of markets and the regeneration of the spirit of American enterprise – a spirit that rekindles some of our lost prosperity and puts everyday people back to work.

A smarter and more flexible swaps regulatory framework would enable the U.S. to take the global lead in smart regulation of swaps trading, just as it does with IPOs. It would allow American businesses to more efficiently hedge commercial risks, promoting economic growth. Such a framework would also stimulate the American jobs market. A smarter swaps regulatory regime would return to the express letter and language of Title VII of the Dodd-Frank Act. It would eschew the artificial slicing and dicing of U.S. trading liquidity and unwarranted restrictions on means of execution that are unsupported by the law. A smarter swaps regulatory framework should be built upon the five tenets discussed herein: comprehensiveness, cohesiveness, flexibility, professionalism and transparency. For decades the CFTC has been a competent and effective regulator of U.S. exchange-traded derivatives. The opportunity is at hand to continue that excellence in regulating swaps markets. It is time to seize that opportunity.

About the Author

J. Christopher Giancarlo was nominated by President Obama on August 1, 2013, and was sworn in as a Commissioner of the U.S. Commodity Futures Trading Commission on June 16, 2014 for a term expiring in April 2019.

Commissioner Giancarlo practiced corporate and securities law for 16 years in New York and London. Thereafter, he served for over a dozen years as a senior executive of a publicly-traded operator and provider of swaps trading platforms and trading software and technology used worldwide. Commissioner Giancarlo helped that firm launch and develop its operations in 16 global financial centers.

Commissioner Giancarlo was also a founding Co-Editor-in-Chief of eSecurities, Trading and Regulation on the Internet (Leader Publications). In addition, Commissioner Giancarlo has testified three times before Congress regarding the implementation of the Dodd-Frank Act, and has written and spoken extensively on public policy, legal and other matters involving technology and the financial markets.

Commissioner Giancarlo believes that vibrant, open and competitive markets are an essential element to a strong U.S. economy. He has been a consistent advocate for practical and effective implementation of the following three pillars of Title VII of the Dodd-Frank Act: enhanced swaps transparency, regulated swaps execution and central counterparty clearing. His support for these reforms is based simply on practical experience. Commissioner Giancarlo believes that balanced and well-drafted regulatory oversight should go hand-in-hand with open and competitive markets, economic growth, and American job creation.

American Prosperity Requires Capital Freedom

J. Christopher Giancarlo

The Cato Institute was named after Cato's Letters, essays first published from 1720 to 1723 under the pseudonym of Cato, commonly known as Cato the Younger, who lived in Rome from 95 to 46 BC and was an implacable foe of Julius Caesar and stubborn champion of (lowercase "R") republican principles.

In our lifetime, the Cato Institute seeks to increase public appreciation for "principles of individual liberty, limited government, free markets and peace." It is the application of those principles to American capital markets and capital formation that we are here to discuss today.

What Happened to American Prosperity?

It is not a matter of opinion but a matter of economic fact that everywhere there are free and competitive markets, combined with free enterprise, personal choice, voluntary exchange, and legal protection of person and property, you will find the underpinnings of broad and sustained prosperity. These elements, wherever and whenever deployed, lift millions of people out of poverty.

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Here at home, these elements are under attack by critics of our financial markets. These critics have lost sight of the fact that global capital markets remain the engines of rising standards of living and prosperity. These critics talk about separating markets from risk, as if they have no idea that risk and prosperity are invariably linked. They say risk can be extracted from the marketplace through centralized economic planning and direction. They say income inequality can be reduced through increased political control over people's economic choices. They say wealth redistribution should be tolerated by passing on to our children and grandchildren additional trillions of dollars in federal debt.

Meanwhile, these critics of free markets hardly ever talk about regaining broad and durable prosperity. Yet, prosperity was the common state of the American experience for us and generations before us.[1] And Americans still want prosperity to be the default state for their children. What we have today is just not good enough.

In fact, what we have today is simply the worst U.S. recovery from any recession since the Great Depression. Last year, the managing director of the International Monetary Fund, Christine Lagarde, dubbed current economic conditions the "new mediocre" (Lagarde 2014). That is a mild description for the state we are in. During the first quarter of this year, the U.S. economy actually shrunk by 0.7 percent. GDP has not grown by more than 2.5 percent for the past half-dozen years—the slowest rate of growth since the United States began compiling reliable economic statistics a century ago. That is less than the average annual U.S. economic growth rate and substantially less than a typical postrecession rate of growth (Lacker 2015, Walker 2013).[2]

The official U.S. unemployment rate has fallen steadily during the past few years. Yet, this recovery has created the fewest jobs

[1]The annual growth rate of gross domestic product (GDP) in the United States averaged 3.24 percent from 1948 until the first quarter of 2015, reaching an all-time high of 13.40 percent in the fourth quarter of 1950 and a record low of −4.10 percent in the second quarter of 2009 (www.tradingeconomics.com/united-states/gdp-growth-annual).

[2]Jeffrey M. Lacker, president of the Federal Reserve Bank of Richmond, noted that in the half century before the 2008 recession began real GDP grew at an average annual rate of approximately 3.5 percent. Dinah Walker noted that the economic expansion following the 2008 recession has been the weakest of the post–World War II era, with GDP rising about half as much as in the average post–World War II era recovery.

relative to the previous employment peak of any recovery (Ferrara 2013). In this year's first quarter, the labor force participation rate hit a 36-year low of 62.5 percent. The number of Americans not in the labor force hit a record high of 93.7 million people. Part-time work and long-term unemployment are still well above levels from before the financial crisis (Kosanovich and Sherman 2015, Timiraos 2014). One in three Americans between the ages of 18 and 31 are living with their parents (Fry 2013), and, in one out of five American families, no one has a job (U.S. Department of Labor 2015).

Worse, middle-class incomes continue to fall during this recovery, losing even more ground than during the recession. Real disposable personal income is well below its projected prerecession levels. The number in poverty has also continued to soar to about 50 million Americans. That is the highest level in the more than 50 years that the census has been tracking poverty (Ferrara 2013). Income inequality has risen more in the past few years, while the prospect of working in a secure full-time job has greatly diminished in this new mediocre economy (Pofeldt 2015).[3]

As a former business executive, I can tell you that the plethora of federal regulations is a major drag on the U.S. economy. Mark and Nicole Crain (2014) report that regulations now cost the U.S. more than 12 percent of GDP, or $2 trillion annually; the average manufacturing firm spends almost $20,000 per employee per year to comply with federal regulations; and for manufacturers with fewer than 50 employees, the per-employee cost rises to almost $35,000. Is it any wonder that the rate of hiring is so abysmal? In a recent survey by PricewaterhouseCoopers (2014: 4), CEOs of American companies overwhelmingly cited overregulation as a barrier to capital investment that would otherwise stimulate job creation and wage growth.

Still, Americans remain an aspirational people despite the economic frustration of the past several years. Yet, they are increasingly worried they may soon fall out of their economic class (Allstate-*National Journal* 2013). I agree with Governor Jack Markell of Delaware, who recently wrote that Americans need jobs, not

[3]Forty percent of the U.S. workforce is now made up of workers not in traditional full-time employment, but in part-time, temporary, contract labor or other contingent work (Pofeldt 2015).

populism (Markell 2015). Americans want robust economic growth, not excuses based on bad winter weather. If we are to meet our obligations to the next generation of Americans, we must address head-on the challenges of the new mediocre and take steps to replace it with broad-based prosperity and full-time job creation.

Importance of Free and Competitive Capital Markets

The answer lies in economic freedom and opportunity: the same combination of ingredients that invariably leads to more prosperity—even for the poor—than does centralized political planning (see Lawson 2008).

Capital markets such as the stock and bond markets play an essential role in economic growth by marshaling resources and deploying them in productive ways. They serve as a link between savers and investors by shifting financial resources from surplus and waste to deficit and production. They allow the rational allocation of goods and resources, spurring expansion of trade and industry. And, yes, regulators have a key role to play in capital markets by making sure they are well ordered and not manipulated by bad actors, misconducted by fraud, or misused for political purposes.

Adequate trading liquidity is the lifeblood of successful financial markets. In essence, liquidity is the degree to which a financial instrument may be easily bought or sold with minimal price disturbance by ready and willing buyers and sellers. The United States has long enjoyed some of the world's deepest and most liquid financial markets for trading U.S. Treasury and other debt, equity, and derivative securities. The health of the U.S. economy is strongly tied to such deep liquidity, which is essential for overseas investors to continue to transact in our markets. If U.S. trading markets become shallower or less liquid, overseas investors may reduce activities in U.S. markets, imperiling American economic health.

Why Financial Derivatives?

The use of risk-hedging instruments, namely commodity futures, swaps, and other derivatives, is one of the key reasons Americans find plenty of food on the shelves. Many of our agricultural producers hedge their prices and costs of production in the futures markets. But such futures and other derivatives markets are not just beneficial for agricultural producers. They impact the price and availability of

the warmth in our homes, the energy used in our factories, the interest rates we pay on our home mortgages, and the returns we earn on our retirement savings. Well-functioning derivatives markets allow users to transfer the risks of variable production costs, such as the price of raw materials, energy, foreign currency, and interest rates, from those who cannot afford them to those who can. In short, derivatives serve society's need to help moderate price, supply, and other commercial risks. Thus, derivatives free up capital for other purposes and boost economic growth, job creation, and prosperity.

It is true that derivatives, like any other engineered product ever known to man, can serve both useful as well as harmful purposes. I concur with the thrust of Gretchen Morgenson and Joshua Rosner's book *Reckless Endangerment* that the 2008 financial crisis arose from an inferno of complex derivative products used for unfettered risk-taking overseen by feckless regulators amidst the government's deliberate degrading of mortgage-lending standards and the creation of a housing and credit bubble (Morgenson and Rosner 2011).

Yet, I also agree with scholar Peter Wallison that the combination of complex derivatives, bank leverage, and unwitting regulators alone would not have caused the depth and scope of the 2008 financial crisis. No, it required the federal government's encouragement of banks and other financial institutions to originate and hold enormous and opaque amounts of nontraditional, subprime, and Alt-A mortgage obligations to further the social goal of increased homeownership.[4] When home values began to fall and lenders anticipated nonpayment of these toxic mortgages, it triggered a crisis of confidence in trading counterparties in securitized mortgage and credit markets and the bursting of a double bubble of housing prices and consumer lending. It led to a full "run on the bank," with rapidly falling asset values preventing U.S. and foreign lenders from meeting their cash obligations. The result was a financial crisis that was devastating for far too many American businesses and families.

[4]In his recent book, *Hidden in Plain Sight: What Really Caused the World's Worst Financial Crisis and Why It Could Happen Again*, Peter J. Wallison extensively documents how the financial crisis was directly caused by U.S. government housing policies, as a result of which over half of all U.S. mortgages were subprime or otherwise low quality—a fact that was grossly undisclosed to market participants and the American public (Wallison 2015).

However, seven years later, the standard press and political narrative has been that the financial crisis was primarily about deregulated banks engaging in excessive trading leverage through derivatives. The role of toxic mortgages has been almost, but not entirely, forgotten.

Uncoordinated Regulations Draining Liquidity from U.S. Financial Markets

Arising from that incomplete narrative of the financial crisis are many new financial-sector regulations that are disproportionately focused on capital adequacy of banks and financial institutions without corresponding attention to housing-finance reform. Most of the new regulations have the effect of reducing the ability of medium and large financial institutions to deploy capital in trading markets. Combined, these disparate regulations are already sapping global markets of enormous amounts of trading liquidity. Many of these new rules were cobbled together in the Dodd-Frank Act, the European Union's European Market Infrastructure Regulation[5] and Markets in Financial Instruments Directive II,[6] the Basel III accords,[7] and the regulations by other overseas authorities. These reforms have ostensible and varied merits, and each has a supporting constituency. Yet, U.S. and overseas regulators continue to promulgate almost all of these rules in an uncoordinated and ad hoc fashion with a paucity of predictive analysis as to their impact on global trading markets.

The Commodity Futures Trading Commission's contribution to this liquidity-depleting mixture includes its flawed swaps-trading rules, about which I have written extensively in a CFTC white

[5]Regulation 648/2012, 2012 O.J. (L. 201) (EU) was intended to enhance the stability of the over-the-counter derivative markets throughout the EU states. The regulation entered into force on August 16, 2012. See http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32012R0648.

[6]Directive 2014/65, 2014 O.J. (L. 173) (EU). Available at http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0065&from=EN.

[7]Basel III (or the Third Basel Accord) is a global, voluntary regulatory framework on bank capital adequacy, stress testing, and market liquidity risk. The members of the Basel Committee on Banking Supervision agreed upon this framework in 2010–11. The third installment of the Basel Accords was developed in response to the deficiencies in financial regulation revealed by the financial crisis of 2007–08. Basel III is intended to strengthen bank capital requirements by increasing bank liquidity and decreasing bank leverage. See Basel III, Basel Committee on Banking Supervision (www.bis.org/bcbs/basel3.htm).

paper (Giancarlo 2015a)[8]; the double-charging of margin on certain types of derivatives trades used to manage risks (Giancarlo 2015b); the likely imposition of strict limits on risk management of energy and commodities (Giancarlo 2015c); and the immensely complicated Volcker Rule, which no other jurisdiction has sought to emulate.[9]

Yet, the Dodd-Frank Act is only one source of leaks in the pool of market liquidity. Other new rules, dictated by U.S. and European central bankers and bank prudential regulators with little practical understanding of trading markets, are tying up billions in capital on the books of global financial institutions. Many of these rules seek to control borrowing and leverage in the financial system. They prioritize capital reserves over investment capital, balance sheet surplus over market-making, and systemic safety over investment opportunity. They include regulator-imposed margin payments on uncleared swaps,[10] enhanced central clearinghouse recovery procedures,[11] capital-retention and leverage-reduction requirements under the Basel III accords,[12] and other rigid leverage ratios and edicts from loosely organized global shadow regulators like the Swiss-based Financial Stability Board. Then there is the financial transaction tax sought by the Obama administration[13] and a systemic risk fee (tax)

[8]The white paper asserts that there is a fundamental mismatch between the distinct liquidity and trading dynamics of the global swaps markets and the CFTC's overengineered, futures-oriented swaps-trading regulatory framework. It identifies the following adverse consequences, among others, of the CFTC's flawed swaps-trading rules: driving global market participants away from transacting with entities subject to CFTC swaps regulation; fragmenting swaps trading into numerous artificial market segments; and increasing market liquidity risk, market fragility, and the systemic risk that the Dodd-Frank regulatory reform was predicated on reducing.

[9]"Prohibition and Restrictions on Proprietary Trading and Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds," 79 FR 5808 (January 31, 2014): www.cftc.gov/ucm/groups/public/@lrfederalregister/documents/file/2013-31476a.pdf.

[10]"Margin and Capital Requirements for Covered Swap Entities," 79 FR 57348 (September 24, 2014): www.gpo.gov/fdsys/pkg/FR-2014-09-24/pdf/2014-22001.pdf.

[11]Financial Stability Board (2015: 3).

[12]See Basel III, Basel Committee on Banking Supervision (www.bis.org/bcbs/basel3.htm).

[13]See *Fiscal Year 2016 Budget of the U.S. Government*, Office of Management and Budget, 33: www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/budget.pdf.

that the Treasury's Office of Financial Research (OFR) recently proposed to charge to members of clearinghouses (Capponi, Cheng, and Rajan 2015).

Worse, different regulatory authorities in the United States and abroad are adopting many of these rules piecemeal with different regulatory standards, requirements, and implementation schedules. It is causing the clear fragmentation of global financial markets, leading to smaller, disconnected liquidity pools that do not efficiently interact with one another. Divided markets are more brittle with shallower liquidity and more volatile pricing, posing a risk of failure in times of economic stress or crisis (Giancarlo 2015a: 48–52).

In response to the deluge of capital constraining regulations, major money-center banks are today building up large balance-sheet reserves instead of putting their capital to work in the markets and the economy. Large banks have dramatically reduced their inventories of Treasury and corporate bonds and other financial instruments. For example, estimates show that in the $4.5 trillion bond market, banks hold just $50 billion of corporate bonds compared with $300 billion before the financial crisis (Nixon 2015). This lack of inventory deprives markets of the "shock absorber" mechanism that dealers traditionally provide. Without it, it is much harder to execute large trades without moving the market, causing greater price volatility.

A recent report by the Office of Financial Research (2014) asserts that changes in financial market structures caused by new regulations are reducing the willingness of some major market participants to smooth out volatility in global financial markets. According to this study, these changes will cause the U.S. financial system to become more vulnerable to debilitating financial market shocks. Federal Reserve Chair Janet Yellen recently acknowledged concerns that market liquidity may deteriorate during stressed conditions due to new regulations, among other factors (Katz 2015).

In trying to stamp out risk, global regulators are instead harming trading liquidity. Capital-constrained banks and other market makers have little choice but to limit their exposure to increasingly fragmented markets, especially in the event of financial turmoil. It has reached such a level that the IMF's 2014 Global Financial Stability Report discussed the need for *more, not less,* economic risk-taking to help global recovery (IMF 2014). The report calls on banks to

revamp their business models to once again become engines of growth. Yet, the IMF neglects to call out regulators for restricting the banks' ability to put their capital to work.

We need to look no further for a "canary in the liquidity coal mine" than the events of October 15, 2014, when yields on U.S. Treasury instruments suddenly plunged the most since 2009 without a discernable catalyst. The mini-crisis revealed a fundamental imbalance in the ratio of liquidity provided to markets by capital-constrained and risk-averse large banks and liquidity demanded from markets by a burgeoning buy-side (Perrotta 2014).[14] JPMorgan CEO Jamie Dimon called it a "warning shot" to investors (Katz 2015). I fear that the next time global financial markets experience a sharp stress or shock—and that time will inevitably come—the cumulative effect of all the various Dodd-Frank Act, European, and Basel III rules may be to drain the market of trading liquidity that will be critical for short-term solvency for many ordinary, everyday American businesses.

Regulators often claim they are acting to avoid a repeat of the last crisis. Today, they may be laying the seeds of the next crisis: disappearance of trading liquidity in U.S. and global capital markets. One veteran industry commentator has aptly noted that "a market in which no one is willing to take a risk is a market that is very risky" (Lofchie 2015). Once again we see that flawed and ad hoc implementation of regulatory reform is increasing the systemic risk that the Dodd-Frank Act promised to reduce.

Where, Oh Where, Is FSOC?

Fortunately, the Dodd-Frank Act created a new super-regulator, known as the Financial Stability Oversight Council (FSOC), charged with coordinating the hundreds of new rules and regulations.[15] Unfortunately, FSOC has been an unmitigated failure as a coordinator of regulatory reform. Rather than moderate the impact of liquidity-draining regulations, FSOC has spent its time designating Wall Street banks and insurance companies as "too big to fail" so that

[14]Some of the largest broker-dealers and proprietary-trading firms appear to have withdrawn from the market to manage heightened risk (FSOC 2015: 110).

[15]See "Purposes and Duties of the FSOC," Section 112 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111–203, 124 Stat. 1376, 1395 (2010).

someday they can be bailed out by taxpayers and regulated by none other than—you guessed it—the Federal Reserve.[16]

Interestingly, FSOC's just-issued Annual Report fully acknowledges that banks and broker-dealers are reducing their securities inventories and in some cases exiting markets (FSOC 2015: 108). It then instructs individual market participants and regulators to monitor these developments, including how regulations impact the provision of market liquidity. Good grief! Monitoring how all these new regulations impact market liquidity and may cause systemic risk is supposed to be FSOC's job!

Just as FSOC requires stress testing of "too big to fail" firms, FSOC should do some stress testing of its own. If U.S. markets are to remain the world's deepest and most liquid, FSOC should conduct a thorough analysis of the full impact of the mass of liquidity-reducing regulations that it is supposed to be coordinating.

One thing is certain: When a liquidity crisis hits, FSOC will be the first to point fingers; blame financial markets, banks, and large market participants; and demand more control over them. FSOC may even use its new powers and taxpayer money to bail out more U.S. and foreign financial institutions. Remember: "Never let a good crisis go to waste" (Seib 2008).[17]

Despite all this, I believe American voters expect the next administration, Democrat or Republican, to take steps to end the new mediocre and return to traditional American middle-class prosperity. That begins with efficient capital markets free from the artificial liquidity constraints emerging from a Pandora's box of competing and disjointed regulatory initiatives. U.S. regulators, not European central bankers, are authorized by Congress to manage U.S. markets. We should not subsume our authority to organizations that are unrecognized by U.S. law. It is time for FSOC to step up to its statutory duty to monitor and analyze the hundreds of new federal and

[16]It is now estimated that approximately $25 trillion or 60 percent of the U.S. financial system's liabilities are backed by explicit or implicit protection from loss by the federal government. See "Special Report, Bailout Barometer: How Large is the Financial Safety Net?" Federal Reserve Bank of Richmond: www.richmondfed.org/safetynet.

[17]Seib recounts that Rahm Emanuel, President Obama's then-chief of staff, told a *Wall Street Journal* conference of top corporate CEOs: "You never want a serious crisis to go to waste."

overseas regulations. It is time for FSOC to measure the cumulative effect of these disparate rules and regulations on U.S. financial markets, looming systemic risk, and the sluggish American economy.

Conclusion

In conclusion, let me return to the Cato Institute's namesake, Cato the Younger. As you may know, Cato also appears as a literary character in the second book of Dante Alighieri's *Divine Comedy*, the timeless medieval poem about the transition from the road to Hell to the path to Heaven. Cato stands on the border of the two. He represents rebirth, renewal and redemption.

So too, we participants and observers of capital markets are at a transition point. We have been through the inferno of the financial crisis. We are told we are on an upward path. Yet, we seem somewhat stuck in a blinding fog obstructing a clear view of the right road ahead. Our fellow men and women are being buffeted by the impact of mediocre economic stewardship, ad hoc regulatory reform, and the failure of those whose duty it is to see through the haze.

Yet, I firmly believe Americans will persevere, in time, to greater prosperity and economic freedom. That is because, like Cato, Americans have always rejected and, I pray, will always reject the false promise of government-provided safety and a riskless future and, instead, hold fast to personal liberty, free markets, and the fruits of their own hard work and ingenuity.

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BROOKINGS

Report

Dwindling numbers in the financial industry

Hester PeirceMonday, May 15, 2017

Editor's Note:

This report is part of the Series on Financial Markets and Regulations and was produced by the Brookings Center on Regulation and Markets.

There has been much focus on the declining numbers of banks. Banks, however, are not unique in their dwindling numbers. This essay looks at the decline in broker-dealers (BDs) and futures commission merchants (FCMs). As with the decline in the number of banks, there are likely many factors behind the falling numbers. This essay calls for analysis of the reasons behind the drop in the number of BDs and FCMs, including the role regulation may be playing in the decline.

Introduction to Broker-Dealers and FCMs

BDs and FCMs play an essential role in enabling customers to participate in the securities and futures markets. In the securities markets, a broker is "any person engaged in the business of effecting transactions in securities for the account of others."[1] A dealer is a person engaged in the business of buying and selling securities for her own account.[2] It is common for a firm to be both a broker and a dealer. BDs are not homogenous; they encompass a wide array of firms that perform a broad range of functions related to helping companies raise capital and ensuring that investors can buy and sell securities when they want to.[3] BDs include independent firms with thousands of salespeople, subsidiaries of larger financial firms, and boutique BDs.

FCMs likewise are heterogeneous in the services they provide and the form they take. FCMs, among other things, enable farmers and companies to hedge their risks and provide customers access to exchanges and clearinghouses. FCMs can be subsidiaries of larger financial firms or smaller, independent firms. An FCM is generally anyone who "solicits or accepts orders to buy or sell futures contracts, options on futures, retail off-exchange forex contracts or swaps and accepts money or other assets from customers to support such orders."[4]

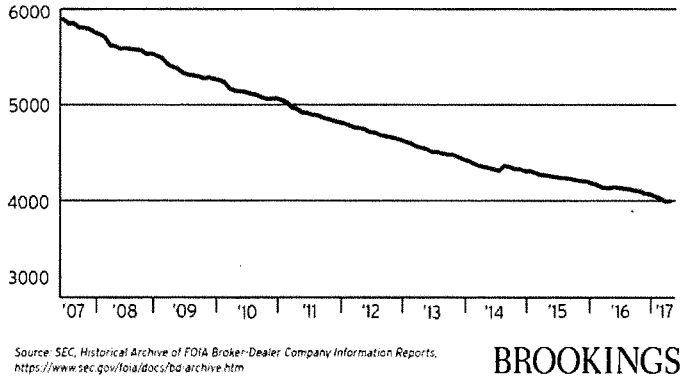
Most BDs must register with and are regulated by the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA). FCMs generally must register with and are regulated by the Commodity Futures Trading Commission (CFTC) and the National Futures Association (NFA). FINRA and NFA are non-governmental regulators that operate under government grants of authority. Exchanges such as the Chicago Mercantile Exchange and New York Stock Exchange, in their capacity as self-regulators, are another source of regulation and supervision for BDs and FCMs.

A look at the numbers

Policymakers have noted with alarm the declining numbers of small banks and have looked at whether and how regulation is contributing to the decline. Less attention has been paid to a similar phenomenon with respect to BDs and FCMs. The numbers are dramatic enough to warrant additional policymaker consideration and analysis of what, if any, role regulation is playing in the downward trend.

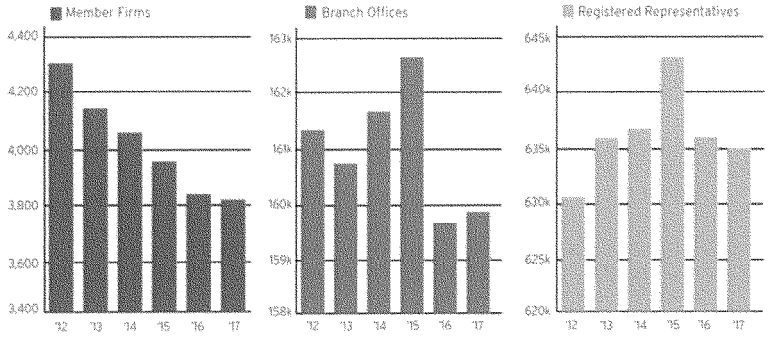
The number of BDs has declined fairly consistently over the last decade. In March 2017, there were 3,989 BDs registered with the SEC compared to 5,892 in March 2007, a more than thirty percent drop. Figure 1 shows how the numbers have changed over the past ten years. The downward trend is not new; the number of BDs fell approximately eight percent between 2001 and 2006.[5]

Figure 1: Number of active broker-dealers registered with the SEC



As Figure 2—which reports FINRA registrants—shows, however, the declines in branch offices[6] and registered representatives—the individuals who sell securities—have not been as consistent or pronounced as the decline in registered firms. In BD consolidations, duplicative branch offices may be shut, but registered representatives are likely to be retained or move to a new firm.[7]

Figure 2: Number of firms, branches, and representatives registered with FINRA

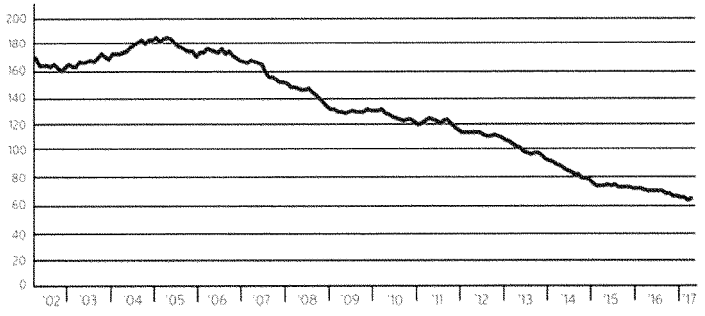


Sources: FINRA, Newsroom: Statistics, https://www.finra.org/newsroom/statistics (last visited May 3, 2017). Note: There are fewer firms registered with FINRA than with the SEC.

BROOKINGS

The FCM industry is much smaller than the BD industry. Figure 3 shows that there were 171 FCMs in March 2007, and only 64 in March of this year, a more than sixty percent decline. These numbers are slightly inflated as some of these firms are not active and others are affiliated with one another.[8]

Figure 3: Number of futures commission merchants registered with the CFTC

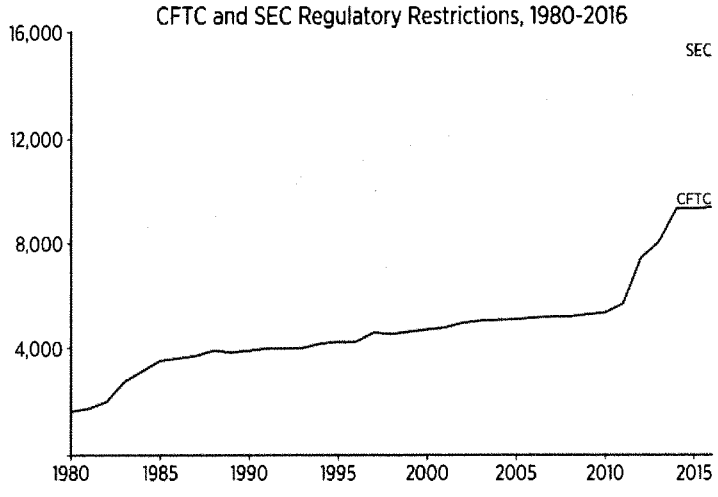


Source: CFTC, Financial Data for FCMs, http://www.cftc.gov/MarketReports/financialfcmdata/index.htm & CFTC, Historical Futures Commissioner Merchants Financial Reports, http://www.cftc.gov/MarketReports/financialfcmdata/HistoricalFCMReports/index.htm

BROOKINGS

Factors motivating the decline

There are many factors at work in the declining numbers of BDs and FCMs. Both industries are highly regulated, so regulation is likely an important factor. Figure 4 shows the amount of regulation—measured by counting regulatory restrictions—emanating from the SEC and CFTC—the regulatory agencies charged with regulating BDs and FCMs. Although not specific to BD and FCM regulation, the graph shows that regulation has increased quite substantially over time. CFTC regulatory restrictions have nearly doubled since 2000, and SEC restrictions have increased by almost thirty percent. By contrast, regulatory restrictions from all agencies have increased by approximately twenty-six percent in the same time period.[19] The post-2010 spike in regulation was driven in large part by Dodd-Frank. Figure 4 does not reflect regulation by the exchange SROs, FINRA, NFA, and the Municipal Securities Rulemaking Board, which are additional important sources of regulatory obligations and costs.



Source: Patrick A. McLaughlin and Oliver P. Sherouse, RegData 3.0, http://regdata.org/ (May 10, 2017).

Note: RegData measures regulation by counting "the number of binding constraints or "restrictions," words that indicate an obligation to comply such as "shall" or "must." Mercatus Center at George Mason University, RegData, http://regdata.org/about/ For more information, see Al-Ubaydli, O. and McLaughlin, P.A. (2015) "RegData: A numerical database on industry-specific regulations for all United States industries and federal regulations, 1997-2012." Regulation & Governance, doi: 10.1111/rego.12107.

It is not surprising that small BDs make up a disproportionate share of the BD decline [10] and that industry observers anticipate further consolidation.[11] It is also not surprising, as Figures 5-7, illustrate, that the FCM business is concentrated in a handful of large firms. Many regulations disproportionately burden small BDs and FCMs that are not subsidiaries of a larger firm with extensive compliance resources. There are more practical challenges for small firms too; large firms are better equipped to monitor regulatory developments, come into compliance with new requirements, and hire people with the necessary technical and compliance expertise. A post-Dodd-Frank survey of small banks, for example, revealed the strain that a set of new regulatory requirements, even when they include special accommodations for small entities, can pose.[12] Mergers allow firms to spread regulatory and compliance costs—a portion of which are fixed—over a larger firm. Large firms also may find it easier to alert regulators and policymakers when rules are not working, although—as community banks have demonstrated—small firms acting collectively may be able to draw attention to unique small-entity challenges.

Regulation is not the only factor at play. Benefits from spreading fixed regulatory and non-regulatory costs across a larger firm drive consolidation.[13] Downturns in the economy and troubled financial markets can also contribute to firm attrition. In addition, technology, which has changed the nature of the markets and the type of competition BDs and FCMs face, likely have a hand in the decline. Customer needs and demands also change over time, which may drive some firms out and draw other firms into the industry. The following sections look at some unique issues in each industry.

Potential factors in the decline of broker-dealers

The decline in the number of BDs is complicated by the wide variety of firms that are registered as BDs. One area in which there is substantial change is the retail BD landscape. More firms are moving away from commissions to an account-based fee model and many registered-representatives are dually registering as investment advisers. The Department of Labor's fiduciary rule has not taken effect and is currently under review by the new administration, but it has already caused BDs to rethink their fee structures and business models. An Investment News survey of 57 independent BDs found "firms posting a 17.1% year-over-year increase [in operating costs] as a result of increased costs related to technology, compliance and training in preparation for the Labor Department's now in-flux fiduciary rule."[14] The rule's ongoing compliance costs and potential revenue implications are likely to play a role in future BD consolidation.

Although the fiduciary rule has been the primary regulatory event for retail BDs in recent years, Dodd-Frank's far-reaching changes have affected the broader BD industry. Among other relevant provisions are the Volcker Rule, the enhanced regulatory framework for derivatives, and Public Company Accounting Oversight Board's mandate to oversee auditors of BDs.

Regulation is not the only relevant factor affecting the entry, exit, and consolidation of BDs. Scale economies also apply to technology costs, and general economic conditions affect BDs along with other types of businesses.[15] Financial market conditions may affect firm profitability and therefore firm survival. Business considerations also play a role in the number of BDs. For example, some banks are choosing to replace in-house BDs with third-party BDs.[16]

The declining numbers likely also reflect the changing nature of the markets in which BDs trade and the competition they face. Technology has given rise to new forms of competition for traditional retail BDs, including robo-advisers and online trading for investors. As low-cost index mutual funds and exchange-traded funds fill retail investors'

portfolios, BDs may play less of a role. Trading has become almost entirely electronic, extremely fast, and driven by algorithms and artificial intelligence; exchanges are no longer owned by their members, but arguably compete with them;[17] and non-exchange trading venues—such as dark pools—have proliferated.

Potential causes for the decline in futures commission merchants

The number of FCMs has more than halved over the past fifteen years. Multiple factors are at work.[18] Acting CFTC Chairman Christopher Giancarlo has likened FCMs to "an endangered species" and has blamed failed government policies—including monetary policy and regulatory policy—and several major FCM management failures.[19] Giancarlo cites regulations related to ownership and control, recordkeeping, and capital and notes that the associated regulatory burdens fall disproportionately on "[s]maller FCMs that traditionally serve agricultural and small manufacturing interests."[20] Former CFTC Chairman Timothy Massad acknowledged that "there has been an increase among the top 10 firms in terms of what they hold," but argued that many factors are at play, including "changes in business models, a low interest rate environment, changes in their profitability for various reasons, customer preferences perhaps, as to what kind of firms they want to deal with."[21]

There have been a number of dramatic departures from the FCM industry in recent years. Refco's FCM failed in 2005 as its parent company collapsed due to financial fraud. Sentinel failed in 2007 due to a failed investment strategy. MF Global failed in 2012, and the misuse of customer funds was central to the failure. Peregrine Financial failed in 2012 due to fraud by the firm's owner.[22] These failures drew renewed regulatory attention to FCMs, which led to new customer fund protections and reporting, disclosure, and risk management requirements. These regulatory changes have likely been especially difficult for small FCMs that are not associated with a larger financial firm. As the CFTC's Giancarlo explains, although some of these rules "were undoubtedly needed," they "have

impacted small FCMs more harshly than large ones."[23] The FCM failures likely also caused the CFTC to take a harder line in enforcing FCM regulations,[24] and may also have caused customers to avoid the markets FCMs serve.[25]

Regulatory developments unrelated to the notorious FCM failures also have added to the burdens faced by FCMs. Relevant Dodd-Frank changes include the law's new swap rules and enhanced enforcement powers for the CFTC. Post-crisis changes in capital affect FCMs that are affiliated with banks. The supplementary leverage ratio, which is scheduled to take full effect in January 2018 but is already in the process of being implemented, supplements risk-based capital requirements by setting a minimum leverage ratio for large banking organizations. It places a particular burden on bank-owned FCMs because of the counterintuitive way it treats client margin.[26] Acting CFTC Chair Giancarlo explains that by "reduc[ing] the already-narrow profit margins of bank-owned FCMs," the supplementary leverage ratio "is causing many of the largest banking institutions to reduce their willingness be in the FCM business."[27] Regulatory burdens on clearing through FCMs has led clearinghouses to offer direct access to FCM clients,[28] an option that could result in additional FCM closures.

Regulation is only one factor affecting profitability. Not only are FCMs "paying increasingly large sums to comply with new regulations, bolster their cyber security systems, and do business with exchanges," but they are also earning less interest income from the investment of client funds and are having to back those funds with more capital.[29] Low interest rates make FCMs less profitable, and the markets in which FCMs operate are becoming faster and demand more technological sophistication to compete. All of these factors likely drive financial firms' decisions to sell some or all of their FCM business.[30] The TABB Group, which has studied the FCM industry, nevertheless contends that the industry's profitability is improving.[31] Perhaps the downward trend will reverse itself—there was one new entrant in March of this year.

Implications of the declining numbers

The decline in BDs and FCMs raises a number of concerns. If industry exit and entry is driven by regulation, rather than by the economics of the marketplace, the industry can become non-competitive. Constrained competition decreases customer choice. Moreover, if regulatory barriers prevent new entrants with new ideas, technologies, and business models from displacing existing firms, customers may be denied higher quality or more affordable service. However, it is important to remember that regulation has sometimes harmed competition and caused there to be *more* firms than would otherwise exist. The fixed-commission rates (which were established through self-regulation) that prevailed in the brokerage industry until 1975 are one example.[32] Historically prevalent branch banking restrictions are another.

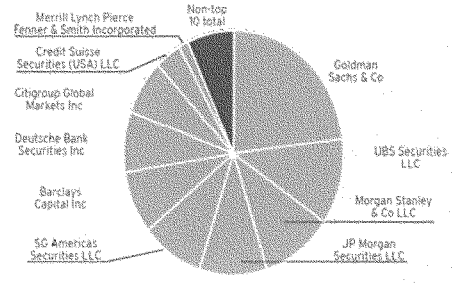
If regulatory barriers prevent new entrants with new ideas, technologies, and business models from displacing existing firms, customers may be denied higher quality or more affordable service.

The impact of the declining numbers of firms may be of particular concern for individuals with small accounts and small companies. If a rural BD closes its doors, clients with small accounts may have trouble finding a convenient alternative. In the client swaps clearing business, the dominance of a small number of FCMs has raised concerns about the cost of and access to clearing for small derivatives users.[33] And, as David Burton of the Heritage Foundation has pointed out, the disappearance of small BDs, who "are more willing to underwrite the offerings of small and start-up businesses," could harm our economy.[34]

If consolidation leads business to concentrate in a handful of large firms, the consequences of one of those firms failing are likely to be worse than in a more dispersed industry. [35] Acting CFTC Chair Giancarlo has pointed to several potential problems associated with concentration in the FCM industry, including "difficulties in transferring customer positions and margin in times of stress or an FCM default," heightened systemic risk, impaired market function, and harm to customers "reliant on the intermediation of an FCM in our mandated clearing world."[36]

Figures 5, 6, and 7 illustrate the concentration in the FCM industry. CFTC rules require FCMs to segregate funds in relation to their customer activity, so each firm's required set-asides are indicative of its share of the customer business. These figures show that relatively few FCMs have most of the customer clearing business in connection with different types of customer activity. In each chart, the grey portion represents the share of the top ten firms.

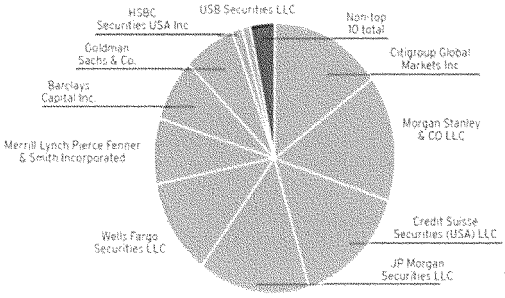
Figure 5: Share of the total amount of funds FCMs are required to set aside for customers who trade on foreign commodity exchanges, May 31, 2017



Source: CFTC, Selected Financial Data as of March 31, 2017 from Reports filed by April 30, 2017, Column N, http://www.cftc.gov/MarketReports/financialfcmdata/ssl_INK/fcmdata0317.

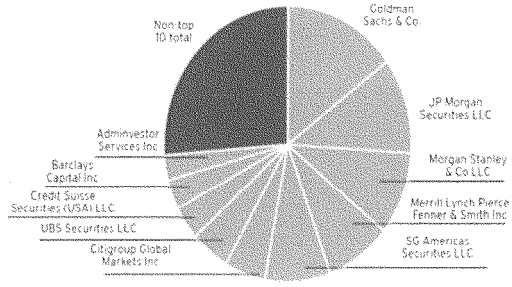
BROOKINGS

Figure 6: Share of the total amount of funds FCMs are required to set aside for customers who trade cleared swaps



Source: CFTC, Selected Financial Data as of March 31, 2017 from Reports filed by April 30, 2017, Column R, http://www.cftc.gov/MarketReports/financialfcmdata/ssLINK/fcmdata0317. BROOKINGS

Figure 7: Share of funds FCMs are required to set aside for customers who trade on designated contract markets and derivative transaction execution facilities



Source: CFTC, Selected Financial Data as of March 31, 2017 from reports filed by April 30, 2017, Column J, http://www.cftc.gov/MarketReports/financialfcmdata/ssLINK/fcmdata0317 BROOKINGS

The dominance of a handful of FCMs in each area may be consistent with a competitive, healthy market. Indeed, observers are not all of one mind about whether the concentration among FCMs is a cause for concern.[37] Nevertheless, as firms leave the industry, there will be fewer to pick up the slack if one of the larger firms has an operational or other failure,

such as already happened in several notorious instances in the futures industry. On the other hand, perhaps the ability of the industry to rebound after the failure of large FCMs illustrates that the markets can absorb even the failure of one of the key firms.

Conclusion

This essay highlights the decline in BDs and FCMs. While identifying some potential contributing factors, the essay primarily seeks to underscore the need for further analysis. Identifying the "right" number of BDs or FCMs is not a job for policymakers, but taking note of the decline in these firms and seeking to understand whether regulation is acting as an unwarranted barrier to entry and inducement to exit is a worthwhile undertaking. Competition generally serves customers well, and too much concentration may make our financial system less resilient in times of stress. To the extent regulation is to blame for some of the decline, regulators should consider whether regulatory objectives could be achieved effectively through less burdensome means.

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Footnotes

1. 1 Securities Exchange Act § 3(a)(4)(A).
2. 2 Securities Exchange Act § 3(a)(5)(A).
3. 3 For a general discussion of BDs, see Daniel M. Gallagher, Broker-Dealer Regulation in Reframing Financial Regulation: Enhancing Stability & Protecting Consumers (Hester Peirce & Benjamin Klutsey, eds. Mercatus Center at George Mason University 2016). For a helpful breakdown of different BD business models, see Andre Cappon and Stephan Mignot, The Brokerage World Is Changing, Who Will Survive? Forbes (April 16, 2014), https://www.forbes.com/sites/advisor/2014/04/16/the-brokerage-world-is-changing-who-will-survive/print/.

4. 4 National Futures Association, Futures Commission Merchant," https://www.nfa.futures.org/nfa-registration/fcm/index.HTML. See also 7 USC § 1a(28).
5. 5 See Angela A. Hung, Noreen Clancy, Jeff Dominitz, Eric Talley, Claude Berrebi, Farrukh Suvankulov, RAND Institute for Civil Justice Study for the SEC, Investor and Industry Perspectives on Investment Advisers and Broker-Dealers (2008), p. 36. The study reported that 5,526 firms filed Financial and Operational Combined Uniform Single (FOCUS) reports in 2001, compared to 5,068 in 2006. BDs with customer assets must file FOCUS reports. This essay's BD numbers from 2007 through 2017 are based on a broader set of firms—"active broker-dealers who are registered with the SEC." SEC, Frequently Requested FOIA Document: Company Information About Active Broker-Dealers, March 2007-May2017, https://www.sec.gov/help/foiadocsbdfoiahtm.html.
6. 6 Changes in how FINRA defines and interprets "branch office" over time may affect the number of branch offices.
7. 7 David R. Burton, Reforming FINRA, Heritage Backgrounder No. 3181 (February 2017), http://www.heritage.org/sites/default/files/2017-02/BG3181.pdf, at 10.
8. 8 J. Christopher Giancarlo, Commissioner, Commodity Futures Trading Commission, Statement for the Market Risk Advisory Committee (June 1, 2015), http://www.cftc.gov/PressRoom/SpeechesTestimony/giancarlostatement060115. Then-Commissioner Giancarlo pointed out that "[o]f the 72 FCMs registered with the CFTC as of March 2015, 15 firms were dormant, leaving only 57 active firms serving customers."
9. 9 Patrick A. McLaughlin and Oliver P. Sherouse, RegData 3.0, http://regdata.org/ (May 10, 2017).
10. 10 See, for example, Jonathan Henschen, The Small Generalist Broker-Dealer: R.I.P? Who Will Survive?, ThinkAdvisor (April 10, 2014), http://www.thinkadvisor.com/2014/04/10/the-small-generalist-broker-dealer-rip-who-will-su?slreturn=1493667538. Henschen explains that "Like community banks, the number of broker-dealers continues to decline, with the lion's share being small broker-dealers that closed or merged."
11. 11 See, for example, Bruce Kelly, Independent Broker-Dealers Suffer Worst Year Since Credit Crisis, Investment News (April 25, 2016, 11:08 a.m.), http://www.investmentnews.com/article/20160425/FREE/160429966/independent-broker-dealers-suffer-worst-year-since-credit-crisis The story quotes Larry Papike, president of Cross-Search: "The growth in the IBD space over the next couple of years will come from the cannibalization of the weaker firms by the big firms . . . ."
12. 12 Hester Peirce, Ian Robinson, and Thomas Stratmann, How Are Small Banks Faring under Dodd-Frank? (Mercatus Center at George Mason University Working Paper No. 14-05 February 2014).
13. 13 See, for example, Subcommittee on Commodity Exchanges, Energy, and Credit of the Committee on Agriculture of the U.S. House of Representatives, Hearing to Review the Impact of Capital and Margin Requirements on End-Users (April 28, 2016),p. 46, https://www.gpo.gov/fdsys/pkg/CHRG-114hhrg20029/pdf/CHRG-114hhrg20029.pdf (testimony of Walter L. Lukken, President and CEO, Futures Industry Association) (explaining that the consolidation in the FCM industry reflects the need to spread fixed costs over a larger volume of transactions: ". . . more volume is necessary to flow through these intermediaries in order to make it a profitable business. And so you have people who are shuttering businesses, people who are merging, so you are seeing that over that period of time where people are deciding to either just get out of the business itself or to offer to try to merge those businesses in order to get more volume to go through those things.").
14. 14 Matt Sirinides, Independent Broker-Dealer Revenue on the Decline: Firms Participating in the Investment News' Annual IBD survey posted their first average year-over-year drop in

revenue since the 2008 credit crisis, Investment News (April 22, 2017, 7:00 a.m.), http://www.investmentnews.com/article/20170422/BLOG18/170429968/independent-broker-dealer-revenue-on-the-decline.

15. 15 Ryan C. Fuhrman, Decline of the Independent Broker-Dealer, Investopedia (undated) (last visited May 1, 2017, 2:25 p.m.), http://www.investopedia.com/articles/professionals/050613/decline-independent-brokerdealer.asp. This analysis points to a number of factors, including: (1) consolidation driven by economic factors, including low interest rates and scale economies; (2) regulation, which larger firms are better able to comply with and influence; (3) regulation-driven technology costs, which large firms can more easily absorb; and (4) acquisition interest from large firms and private equity firms.
16. 16 See, for example, Margarida Correia, Bank-Owned Broker-Dealers Decline, BankInvestmentConsultant (April 2, 2014, 3:41 p.m.), https://www.bankinvestmentconsultant.com/news/bank-owned-broker-dealers-decline.
17. 17 See, for example, Cappon and Mignot, who argue that "[i]n some ways brokers and exchanges now compete with one another."
18. 18 For a variety of views on the future of the FCM industry and forces driving the changes, see LynnStrongin Dodds, Mind the Clearing Gap—What's Next for FCMs, DerivSource (June 18, 2015), https://derivsource.com/2015/06/18/mind-the-clearing-gap-whats-next-for-fcms/.
19. 19 J. Christopher Giancarlo, Commodity Futures Trading Commission, Statement for the Market Risk Advisory Committee (June 1, 2015), http://www.cftc.gov/PressRoom/SpeechesTestimony/giancarlostatement060115.
20. 20 J. Christopher Giancarlo, Commodity Futures Trading Commission, Statement for the Market Risk Advisory Committee (June 1, 2015).
21. 21 CFTC, Transcript of Market Risk Advisory Committee Meeting (June 2, 2015) (statement of Timothy Massad, Chairman, CFTC), http://www.cftc.gov/idc/groups/public/@aboutcftc/documents/file/mrac_060215_transcript.pdf at 172-173.
22. 22 For discussions of these failures and subsequent regulatory responses, see Anita K. Krug, Uncertain Futures in Evolving Financial Markets, Washington University Law Review, Vol. 93, pp. 1209-1269 (2016) and Jerry W. Markham, Custodial Requirements for Customer Funds, Brooklyn Journal of Corporate, Financial & Commercial Law, Vol. 8, pp. 92-133 (2013).
23. 23 J. Christopher Giancarlo, Commissioner, Commodity Futures Trading Commission, Statement for the Market Risk Advisory Committee (June 1, 2015).
24. 24 HLC Consulting LLC, Zero Tolerance for FCM Customer Fund Violations: CFTC Notches another Segregated Accounts Action on Technicalities (May 31, 2014), http://www.hlcconsultingny.com/single-post/2014/05/31/Zero-Tolerance-For-FCM-Customer-Fund-Violations-CFTC-Notches-Another-Segregated-Accounts-Action-on-Technicalities.
25. 25 For a discussion of customer unease following the failures of MFGlobal and Peregrine, see Tatyana Shumsky and Jerry A. DiColo, Futures Clients Ask: 'Where's my Money?', Wall Street Journal (July 16, 2012, 12:21 p.m.), https://www.wsj.com/articles/SB10001424052702303644004577524923316973052.
26. 26 Former CFTC chairman Timothy Massad explained that "Under the SLR and the eSLR, margin for cleared derivatives is treated as an asset of the bank and is not permitted to be counted against the derivative exposure, and many believe this is not appropriate because margin is legally segregated." Keynote Address before the Institute of International Bankers (March 2, 2015), http://www.cftc.gov/PressRoom/SpeechesTestimony/opamassad-13. See also Thomas C. Deas, Chairman, National Association of Corporate Treasurers, Prepared Testimony before the Senate Committee on Banking, Housing, and Urban Affairs, Hearing: Fostering

Economic Growth: The Role of Financial Companies(March 28, 2017), https://www.banking.senate.gov/public/_cache/files/d774abf7-9c42-4698-b907-f2694bfb4ba3/E536A5C845F85021A15BF3D3048628FD.deas-testimony-3-28-17.pdf. Deas explains: The SLR does not permit the clearing member to take credit for the segregated initial margin posted by its customers, including end-users [and] segregated initial margin in the form of cash may be required to be added to a clearing member's balance sheet exposure, requiring additional capital."

27. 27 J. Christopher Giancarlo, Acting Chairman, CFTC, Remarks before the International Swaps and Derivatives Association 32nd Annual Meeting (Lisbon, Portugal May 10, 2017), http://www.cftc.gov/PressRoom/SpeechesTestimony/opagiancarlo-22.
28. 28 See Tom Lehrkinder, Growing Self-Clearing Trend Could Threaten FCMs, TABB Forum (August 29, 2016), http://tabbforum.com/opinions/growing-self-clearing-trend-could-threaten-fcms.
29. 29 John McCrank, Ranks of Commodities Brokers Dwindle as U.S. Futures Industry Evolves, Reuters (July 2, 2015, 4:39 a.m.), http://www.reuters.com/article/cme-landmark-brokers-idUSL1N0ZG14H20150701. See also Christian Berthelson and Tatyana Shumsky, SocGen Deal for Bache Illustrates Commodity-Trading Woe, Wall Street Journal (May 26, 2015, 7:07 p.m.), https://www.wsj.com/articles/socgen-deal-for-bache-illustrates-commodity-trading-woe-1432681628.
30. 30 See, for example, Joe Rennison, Nomura Exits Swaps Clearing for US and European Customers, Financial Times (May 12, 2015). The article explains that Nomura's departure from client clearing of swaps follows the cost-motivated departures of Royal Bank of Scotland, State Street, and BNY Mellon.
31. 31 TABB Group, Press Release: "$4.5 Billion in Revenue Available for U.S. Futures Commission Merchants in 2016, According to TABB Group Study" (November 29, 2016, 8:30 a.m.), https://globenewswire.com/news-release/2016/11/29/893448/0/en/4-5-Billion-in-Revenue-Available-for-U-S-Futures-Commission-Merchants-in-2016-According-to-TABB-Group-Study.html The study's author, Thomas Lehrkinder, explained that "FCMs have been treading water since the end of the financial crisis, but the sense from leaders of the community is that they have weathered the storm and the business will rise over time."
32. 32 Andre Cappon and Stephan Mignot, The Brokerage World Is Changing, Who Will Survive? Forbes (April 16, 2014).
33. 33 The problem of "High clearing-related fees" is discussed in, ISDA, Research Note: Key Trends in Clearing for Small Derivatives Users (October 2016), at p. 6. The potential that FCMs will deny service to small customers is discussed in John McCrank, Ranks of Commodities Brokers Dwindle as U.S. Futures Industry Evolves, Reuters (July 2, 2015, 4:39 a.m.).
34. 34 David R. Burton, Reforming FINRA, Heritage Backgrounder No. 3181 (February 2017), at 10.
35. 35 This problem is discussed in John McCrank, Ranks of Commodities Brokers Dwindle as U.S. Futures Industry Evolves, Reuters (July 2, 2015, 4:39 a.m.).
36. 36 Remarks before the International Swaps and Derivatives Association 32nd Annual Meeting (Lisbon, Portugal May 10, 2017).
37. 37 Compare for example, Tod Skarecky, The Truth about FCM Concentration, Clarus Financial Technology (April 4, 2017), https://www.clarusft.com/the-truth-about-fcm-concentration/ with John P. Needham, 2016 Year-End FCM Financial Data, Needham Consulting blog (February 3, 2017), https://needhamconsulting.net. Skarecky tries to put the concentration of FCMs that clear swaps into perspective and concludes that "There are 19 active FCM's clearing swaps. That seems like plenty." Needham, by contrast, I thinks "that the concentration among just ten

FCMs is a cause for worry" and "that the dwindling number of FCMs is a cause for genuine alarm."

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TESTIMONY

REGULATORY BURDENS: THE IMPACT OF DODD-FRANK ON COMMUNITY BANKING

BY HESTER PEIRCE

House Committee on Oversight and Government Reform
Subcommittee on Economic Growth, Job Creation, and Regulatory Affairs

July 18, 2013

Chairman Jordan, Ranking Member Cartwright, and members of the Subcommittee, thank you for the opportunity to be part of today's hearing on the effect of Dodd-Frank on community banks. Dodd-Frank was the product of desperation in the face of a deeply painful financial crisis and outrage at the big financial institutions that were at the center of the trouble. Not only does Dodd-Frank fail to effectively address the problems that precipitated the crisis, but it also imposes costly burdens on many businesses that were not central causes of the crisis. Among these are community banks.

Determining how Dodd-Frank affects community banks is not easy given the statute's heft, the lengthy rulemaking process, and the many other factors influencing the number, size, and profitability of community banks. Other challenges faced by community banks include poor economic conditions, declining populations in rural areas, the increasing technological sophistication of banking, low interest rates, and difficult capital markets, as well as non-Dodd-Frank regulatory initiatives. To gain deeper insight into how Dodd-Frank is affecting small banks, the Mercatus Center at George Mason University is currently conducting an online survey of small banks. I hope that these results will assist Congress and regulators as they think about ways to achieve their regulatory objectives without unduly burdening small banks, their customers, the financial system, and the economy.

In the meantime, it is possible to identify certain ways in which Dodd-Frank is likely to affect community banks. The aspects of Dodd-Frank that are of immediate or long-term concern to small banks include extensive new mortgage rules, the Consumer Financial Protection Bureau (CFPB), capital requirements, the new municipal advisor registration regime, data collection requirements, new conditions on the use of swaps for managing interest-rate risk, and a deepening of the too-big-to-fail status of large financial institutions. These concerns can be generalized in the following themes, each of which is discussed in more detail below:

- Increased legal and regulatory compliance burden.
- Further tilting of the regulatory playing field to the disadvantage of small banks.
- Regulatory barriers to community banks' ability to continue providing their bread-and-butter products and services.

For more information or to meet with the scholars, contact
Chad Reese, (703) 993-8921, creese@mercatus.gmu.edu
Mercatus Center at George Mason University, 3351 Fairfax Drive, 4th Floor, Arlington, VA 22201

IMPORTANCE OF COMMUNITY BANKS

Community banks are a fixture across the nation.[1] Many have served their communities for decades. They are particularly important in rural areas. The FDIC reported that "more than 1,200 U.S. counties (out of a total of 3,238), encompassing 16.3 million people, who would have limited physical access to mainstream banking services without the presence of community banks."[2] They are also key providers of small business loans. By one measure, "$1 out of every $2 lent to small businesses comes from community banks."[3]

Community banks are known for offering personalized service and meeting the needs of the local residents and businesses in ways that a larger, nonlocal bank, which does not know the unique characteristics of the community, cannot. In the words of Federal Reserve Governor Elizabeth Duke, community banks' "natural advantages" are "deep community ties, daily interaction between senior managers of banks and their customers, and the dexterity to customize financial solutions."[4] Community banks' first-hand knowledge of their customers provides them useful information for sound lending decisions. As a consequence, community banks' loans tend to default at lower rates than loans made by bigger institutions. The rate of loans in default for the first quarter of 2013 on loans secured by one to four family residential properties was 3.47 percent for banks with less than $1 billion and 10.42 percent for banks with more than $1 billion in assets.[5] Community banks that are closest to their borrowers may fare best.[6]

Community banks have declined in numbers and asset share for years. The number of community banks at the end of 2011 was less than half of what it was in 1984.[7] Community banks held only 14 percent of total bank assets in 2011, compared to 20 percent in 1999 and 38 percent in 1984.[8] The number of banks with less than $100 million in assets fell dramatically by more than 80 percent over the time period, but an important part of that change was attributable to small banks' growing bigger rather than failing.[9] The share of assets held by community banks is dwarfed by the top four banking organizations, which collectively held 44 percent of bank assets in 2011.[10]

The downward trend for community banks does not, however, mean that they are a relic of the past. It is not surprising that large banks play an important role in our nation's economy. Nevertheless, community banks remain an essential component of our financial system. Research suggests that well-managed community banks can continue to coexist with their larger rivals.[11] As one study of the rural banking landscape found, "community banks, as

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1. There is not a uniform definition for "community banks." The Office of the Comptroller of the Currency uses a $1 billion threshold. The Federal Deposit Insurance Corporation (FDIC) traditionally considered banks with $1 billion or less to be community banks, but in a recent study, used a multi-factor test that allows for the inclusion of larger entities. *See* FEDERAL DEPOSIT INSURANCE CORPORATION, COMMUNITY BANKING STUDY (2012), at Table 1.1 and accompanying text, *available at* http://www.fdic.gov/regulations/resources/cbi/report/cbi-full.pdf. The Federal Reserve uses a $10 billion threshold. *See* Board of Governors of the Federal Reserve System, *Supervisory Policy and Guidance Topics: Community Banking* (last visited July 15, 2013), *available at* http://www.federalreserve.gov/bankinforeg/topics/community_banking.htm.

2. FDIC COMMUNITY BANKING STUDY, *supra* note 1, at 3-5.

3. TANYA D. MARSH AND JOSEPH W. NORMAN, THE IMPACT OF DODD-FRANK ON COMMUNITY BANKS (American Enterprise Institute), May 2013, at 12.

4. Elizabeth A. Duke, Governor, Board of Governors of the Federal Reserve System, Speech at the Southeastern Bank Management and Directors Conference (Feb. 5, 2013), *available at* http://www.federalreserve.gov/newsevents/speech/duke20130205a.htm#fn7.

5. *See* FDIC STATISTICS ON DEPOSITORY INSTITUTIONS (accessed July 16, 2013), *available at* http://www2.fdic.gov/sdi/main.asp. Loans in default are defined as nonaccrual loans or loans past due 30 or more days.

6. *See, e.g.*, ROBERT DEYOUNG, DENNIS GLENNON, PETER NIGRO, AND KENNETH SPONG, SMALL BUSINESS LENDING AND SOCIAL CAPITAL: ARE RURAL RELATIONSHIPS DIFFERENT? (Center for Banking Excellence Research Paper No. 2012-1, 2012), *available at* http://www.business.ku.edu/sites/businessdev.drupal.ku.edu/files/docs/CBE%20WP%202012-1%20DeYoung%20Glennon%20Nigro%20Spong.pdf. The authors found that small business loans originated by rural community banks defaulted at a lower rate than loans originated by their urban counterparts.

7. FDIC COMMUNITY BANKING STUDY, *supra* note 1, at Table 2.2.

8. *Id.* at Table 2.3

9. *Id.* at 2-3.

10. *Id.* at 2-4.

11. *See, e.g.*, Tim Critchfield, Tyler Davis, Lee Davison, Heather Gratton, George Hanc, and Katherine Samolyk, *The Future of Banking in America; Community Banks: Their Recent Past, Current Performance, and Future Prospects*, 16 FDIC BANKING REVIEW 1 (2004), *available at* http://www.fdic.gov/bank/analytical/banking/2005jan/br16n34full.pdf; Robert DeYoung, William C. Hunter, and Gregory F. Udell, *The Past, Present, and Future for Community Banks*, 25 J. OF FIN. SERVICES RES. 85 (2004); R. Alton Gilbert, Andrew P. Meyer, and James W. Fuchs, *The Future of*

a group, remain competitive with larger banking organizations, at least in markets where informationally opaque borrowers are most prevalent."[12] One recent study identified the following common characteristics of "thriving banks": (1) "had a strong and localized customer service focus with high community visibility," (2) "operated in a thriving (i.e., growing) community," (3) "practiced forward-looking risk management with an eye toward long-term bank performance," (4) "demonstrated balance between growth objectives and risk level," and (5) "had patient and conservative ownership operating with the belief that returns on investment should be attractive but not necessarily spectacular."[13] As this list of healthy bank characteristics indicates, the manner in which the bank is managed is very important.

When confronted with too many regulations, managers can lose their ability to focus on serving customers in a profitable and sustainable manner. Regulatory burdens and worries divert time and resources away from the bank's day-to-day business. If the distraction is severe enough, there will be an increased likelihood of bank failures, which is a matter of concern to bank shareholders, employees, and customers, and to American taxpayers, who may ultimately be asked to pick up the tab for failed banks. As will be discussed next, Dodd-Frank's regulatory burdens are a significant source of distraction.

INCREASED REGULATORY BURDEN

One of the key ways in which Dodd-Frank affects community banks is increased regulatory burden. Regulatory compliance was already a major cost to all banks before Dodd-Frank. As one community banker recently explained to Congress, "Regulations have accreted steadily over past decades, but are rarely removed or modernized, resulting in a redundant and sometimes conflicting burden."[14] Regulatory costs "tend to be proportionately heavier for small banks."[15] The disproportionate burden on small banks can change the bank landscape. As a Federal Reserve staff study of the costs of bank regulation explains, "Higher average regulatory costs at low levels of output may inhibit the entry of new firms into banking or may stimulate consolidation of the industry into fewer, large banks."[16] A more recent effort by the Federal Reserve Bank of Minneapolis at quantifying the cost of financial regulation demonstrates the disproportionate effect of regulation on small banks by showing how the costs of hiring just two additional compliance personnel could reverse the profitability of one third of the smallest banks.[17]

Chairman Bernanke takes the position that "the vast majority of the provisions of the Dodd-Frank Act do not apply to community banks at all. The Dodd-Frank Act was enacted largely in response to the 'too-big-to-fail' problem, and most of its provisions apply only, or principally, to the largest, most complex, and internationally active banks."[18] Even though small banks were not the focus of Dodd-Frank, many provisions affect them directly

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Community Banks: Lessons from Banks that Thrived During the Recent Financial Crisis, FEDERAL RESERVE BANK OF ST. LOUIS REVIEW, Mar./Apr. 2013, at 115, *available at* http://research.stlouisfed.org/publications/review/13/02/gilbert.pdf; Ray Brastow, Bob Carpenter, Susan Maxey, and Mike Riddle, *Weathering the Storm: A Case Study of Healthy Fifth District State Member Banks Over the Recent Downturn*, FEDERAL RESERVE BANK OF RICHMOND NEWSLETTER, Summer 2012, *available at* http://www.richmondfed.org/banking/supervision_and_regulation/newsletter/2012/summer/article3.cfm?WT.si_n=Search&WT.si_x=3.

12. R. Alton Gilbert and David C. Wheelock, *Big Banks in Small Places: Are Community Banks Being Driven Out of Rural Markets*, FEDERAL RESERVE BANK OF ST. LOUIS REVIEW, May/June 2013, at 216, *available at* http://research.stlouisfed.org/publications/review/article/9723.

13. Gilbert et al., *supra* note 12, at 125.

14. William A. Loving, President and CEO, Pendleton Community Bank, Testimony on Behalf of the Independent Community Bankers of America Before the Subcommittee of Financial Institutions and Consumer Credit of the House Committee on Financial Services (Apr. 16, 2013), at 2.

15. Critchfield, et al., *supra* note 11, at 27.

16. GREGORY ELLIEHAUSEN, THE COST OF BANKING REGULATION: A REVIEW OF THE EVIDENCE (Federal Reserve Board Staff Studies No. 171, 1998), at 29, *available at* http://www.federalreserve.gov/pubs/staffstudies/1990-99/ss171.pdf. Elliehausen provides a helpful overview of research on regulatory costs.

17. RON FELDMAN, KEN HEINECKE, AND JASON SCHMIDT, QUANTIFYING THE COSTS OF ADDITIONAL REGULATION ON COMMUNITY BANKS (Federal Reserve Bank of Minneapolis Economic Policy Paper No. 13-3, 2013), *available at* http://www.minneapolisfed.org/publications_papers/pub_display.cfm?id=5102. It is important to note, that he authors point out that their "goal is to advance quantification of additional regulatory costs rather than arguing for a specific cost estimate."

18. *The Importance of Community Banking: A Conversation with Chairman Bernanke*, COMMUNITY BANKING CONNECTIONS (2012), *available at* http://www.communitybankingconnections.org/articles/2012/Q3/conversation-with-Bernanke.cfm.

or indirectly. Among the provisions in Dodd-Frank that directly affect small banks are new mortgage rules, rules governing municipal advisors, changes in capital requirements, new rules from the CFPB, and the transfer of regulatory responsibilities for savings and loans from the now extinct Office of Thrift Supervision to the Office of the Comptroller of the Currency.

The mere task of determining which pieces of Dodd-Frank apply is a daunting one given that the statute is nearly a thousand pages long and many implementing rules are equally long. The complex interactions among the many statutory and regulatory mandates make the analysis even more difficult. Moreover, because only about forty percent of Dodd-Frank rules have been completed,[19] many questions remain about how the statute will change the financial landscape. The uncertainty is particularly pronounced because of the degree to which critical decisions were left to the implementing regulators. Even if the statute includes or regulators create exemptions specifically for small banks, banks may find that determining how to comply with the conditions for exemption is a time-consuming and—because of the legal consequences of getting it wrong—stressful process. Even something like the Volcker Rule, which is aimed at larger, more complex financial institutions, depending on how it is ultimately implemented, could engender compliance costs for small banks trying to avoid running afoul of it.

Banks are citing increased regulatory costs as a concern. As one community banker recently warned, "the business of banking can't just be an exercise in meeting regulatory requirements."[20] In a 2012 survey of Florida community bankers and credit unions, for example, "respondents cited the confusion, complexity, and inconsistencies of the Dodd-Frank Act" as sources of "significant collateral damage on their core operations."[21] The survey found that 56 percent of community banks and credit unions planned to devote an additional one to three full-time employees to compliance over the next three years.[22] In addition to hiring compliance staff, small banks seek compliance advice from outside consultants. Community bankers with whom the FDIC spoke in connection with its recent study explain that "their increasing reliance on consultants is driven by their inability to understand and implement regulatory changes within required timeframes and their concern that their method of compliance may not pass regulatory scrutiny."[23] Compliance costs may already be causing some banks to stop offering certain products and services or to decide to not expand their businesses.[24]

In addition to the costs of hiring new compliance personnel and buying new software, compliance costs include less easily quantifiable costs. These include "psychological costs" and "dynamic changes in the risk-taking of banks" to compensate for "higher fixed costs."[25] They could also include the legal costs associated with regulatory enforcement actions, actions brought by state attorneys general or consumer lawsuits facilitated by Dodd-Frank and its implementing regulations.

With respect to compliance, community banks are at a disadvantage because they do not have their larger competitors' sophisticated legal and compliance staffs to interpret the new rules and regulations and look for effective

19. Davis-Polk, *Dodd-Frank Progress Report* , July 2013, at 2, *available at* http://www.davispolk.com/files/Publication/093bb6dd-6d24-4efb-a9fb-58b92085e252/Presentation/PublicationAttachment/974c57ea-eac4-4cc6-ae90-5d50991ca308/Jul2013_Dodd.Frank.Progress.Report.pdf.

20. Preston Pinket III, President and CEO, City National Bancshares, Testimony Before the Financial Institutions and Consumer Credit Subcommittee of the House Financial Services Committee (Apr. 16, 2013), at 4, *available at* http://financialservices.house.gov/uploadedfiles/hhrg-113-ba15-wstate-ppreston-20130416.pdf.

21. FLORIDA CHAMBER FOUNDATION, 2012 SMALL BUSINESS LENDING SURVEY 6 (2012).

22. *Id.* at 10.

23. FDIC COMMUNITY BANK STUDY, *supra* note 1, at B-2.

24. *See, e.g.*, Kenneth L. Burgess, Jr., Chairman, FirstCapital Bank of Texas, Testimony on Behalf of the American Bankers Association Before the Subcommittee on Financial Institutions and Consumer Credit of the Committee on Financial Services (Apr. 16, 2003), at 7. Mr. Burgess reported the results of an American Bankers Association survey, which found that 45 percent of banks had stopped "offering loan or deposit accounts" and 43 percent had chosen not to "launch a new product, delivery channel, or enter a geographic market because of the expected compliance cost or risk." *Id.* at 7.

25. *See* Federal Reserve Bank of Minnesota Economic Policy Paper 13-3, *supra* note 17, at 3. The authors also point out that regulations can increase profitability. *Id.* at 3. One way that regulation can do this is to act as a barrier to entry, something that will be discussed below.

ways to comply with those regulations without compromising their ability to serve customers and earn profits. Regulators have made some attempts to ease the burden by, for example, organizing dialogues with community banks and preparing compliance guides for community banks.[26]

Regardless of these efforts, regulatory costs are likely to work against smaller financial institutions as they attempt to compete with larger banks. Many of the community bankers participating in a survey in the early 2000s "voiced strong concerns that the rules of competition worked against them—namely, that state and federal regulation placed them at a disadvantage relative to their large bank and nonbank rivals."[27] As will be discussed next, there are other features of Dodd-Frank that tilt the competitive landscape in favor of larger competitors.

UNBALANCED COMPETITIVE LANDSCAPE

Community banks face competition from many sides. Large interstate banks compete for their customers. In addition, community banks face competition from credit unions, which do not pay taxes. Competition also comes from other financial services providers, such as securities firms, and other investment options, such as money market funds. Community banks also compete with larger rivals that Dodd-Frank deems systemically important—banks with $50 billion or more in assets and other nonbank financial firms designated by the Financial Stability Oversight Council.

The implicit seal of government approval that the systemic designation conveys on large banks gives them a competitive edge. These financial institutions are often not direct competitors of community banks in the capital markets, because community banks tend to fund themselves very differently than larger firms.[28] Nevertheless, when community banks decide to go to the capital markets, not having the government designation will make it harder for them to raise capital. Particularly in a time of crisis, when banks are most likely to need to raise money to survive, the large bank with government backing will find it a lot easier to do so than the community bank that the government has not deemed to be systemic. Large banks with a systemic designation are also likely to find it easier to obtain and retain customers, who will perceive the systemically important status as a guarantee of the financial institution's longevity.

Community banks have not been active users of derivatives to hedge their interest-rate risk.[29] To the extent Dodd-Frank's clearing and execution requirements make the use of derivatives more costly, it is possible that Dodd-Frank will further limit their hedging activity. As a result, small banks could be more vulnerable to interest-rate changes than their larger competitors, who routinely use derivatives to hedge interest-rate risk.

Large banks offer products and services that smaller financial institutions cannot. The system as a whole is better served by a variety of institutions offering a variety of products and services.[30] Dodd-Frank, however, enforces homogeneity.

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26. See, e.g., Board of Governors of the Federal Reserve System, Final Rule on enhanced Regulatory Capital Standards—Implications for Community Banking Organizations (2013), available at http://www.federalreserve.gov/commbankguide20130702.pdf.
27. Robert DeYoung and Denise Duffy, *The Challenges Facing Community Banks: In Their Own Words*, (Federal Reserve Bank of Chicago Economic Perspectives 2002), at 12–13.
28. For a discussion of community bank capital-raising practices, *see* FDIC COMMUNITY BANK STUDY, *supra* note 1, at Chapter VI.
29. *See, e.g.*, DeYoung and Duffy, *supra* note 27, at 10.
30. For a discussion of how to achieve a Talebian "antifragile" banking system by letting "a thousand flowers bloom, but [not letting] even one of them be artificially preserved," *see* Lawrence H. White, *Antifragile Banking and Monetary Systems* (paper presented at Cato Institute's 30th Annual Monetary Conference, Nov. 30, 2012).

REGULATORY BARRIERS TO THE PROVISION OF TRADITIONAL COMMUNITY BANK PRODUCTS AND SERVICES

One of Dodd-Frank's main features was the creation of the CFPB, which is charged with protecting consumers. Underlying Dodd-Frank's approach to consumer financial protection is a reliance on regulators to define safe products for consumers. This model works better for large banks than it does for small banks. Wake Forest law professor Tanya Marsh and American Enterprise Institute scholar Joseph Norman explain:

> A recurring theme in Dodd-Frank . . . is that the standardization of financial products and forms will protect consumers. This is implicitly a reaction to the narrative that one of the causes of the financial crisis was the inability of parties to understand and appreciate the risks of innovative financial products. But the focus one standardization of consumer financial products, like home loans and checking accounts, fails to recognize the value to consumers of the community banking model, which emphasizes relationship banking, personalized underwriting, and customization of financial products to meet the specific needs of customers and communities.[31]

The needs of homogenous consumers can be met with homogenous products, but the assumption that consumers are homogenous is wrong. Community banks' practice of getting to know their customers and tailoring products to their needs is at odds with the Dodd-Frank version of customer protection.

Community banks have profited from using "soft information" not available to their larger counterparts. As Marsh and Norman explain, "In contrast to the complex financial modeling large banks use, community bankers' specialized knowledge of the customer and their local market presence allows underwriting decisions to be based on nonstandard soft data like the customer's character and ability to manage in the local economy."[32] Rules adopted by the CFPB under Dodd-Frank do not leave much room for the consideration of such soft information. As George Mason University economics professor Todd Zywicki explains, the CFPB's "one-size-fits-all regulatory approach tends to thus disadvantage those banks that compete on margins such as customer service while favoring those with the lowest costs, big banks that offer economies of scale and lower capital market costs."[33]

As one example, the new qualified mortgage rules specify parameters for mortgages that satisfy Dodd-Frank's ability-to-repay requirement. Nonqualified mortgages can be offered, but the associated legal risk is high. The CFPB defined qualified mortgages so that they could not include features the CFPB believes to be inherently risky. Some of those features are standard in commonly offered community bank loans. Although the CFPB accommodations for certain community bank loans, the qualified mortgage rules will still constrain community banks' ability to lend. The qualified residential mortgage rule, which is now being drafted by regulators, exempts mortgages that fit within its parameters from Dodd-Frank's risk retention requirement. Along with the qualified mortgage rule, the qualified residential mortgage rule will interfere with customer-specific underwriting.

If community banks are unduly constrained in their ability to offer traditional products and services, they may feel pushed to go into business lines with which they are not familiar. This could pose a risk to the viability of the banks and ultimately to the FDIC's Deposit Insurance Fund. The FDIC, in its recent report on community banking, concluded that the banks that stuck to traditional lending strategies fared much better than their counterparts that "abandoned those lending specialties for the small bit of extra yield."[34] Likewise, the Government Accountability Office found that failed small banks "had often pursued aggressive growth strategies using nontraditional, riskier funding sources and exhibited weak underwriting and credit administration practices."[35] It

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31. Tanya D. Marsh and Joseph W. Norman, THE IMPACT OF DODD-FRANK ON COMMUNITY BANKS 39 (American Enterprise Institute 2013).
32. Tanya D. Marsh and Joseph W. Norman, THE IMPACT OF DODD-FRANK ON COMMUNITY BANKS 11 (American Enterprise Institute 2013).
33. Todd J. Zywicki, The Consumer Financial Protection Bureau: Savior or Menace (Mercatus Center Working Paper No. 12-25, 2012), at 31-32, *available at* http://mercatus.org/sites/default/files/CFPB_Zywicki_v1-0_0_1.pdf.
34. FDIC COMMUNITY BANKING STUDY, *supra* note 1, at 5-22.
35. Lawrence L. Evans, Director, Financial Markets and Community Investment, Government Accountability Office, Statement Before the Subcommittee on Financial Institutions and Consumer Credit of the House Committee on Financial Services, at ii (Mar. 20, 2013).

would be unfortunate if government regulations encouraged community banks to abandon what they are good at in favor of riskier lines of business.

CONCLUSION

It is difficult to understand with precision the degree to which Dodd-Frank affects community banks and their potential to survive and thrive, but it is clear that the regulatory burden is weighing heavily on small banks. Some might argue that regulatory costs could be offset with subsidies for community banks, which could be used, for example, to make loans to small businesses. A better approach is to take steps to relieve the regulatory burden so that community bankers can make loans that will serve their customers and earn profits for bank owners. Certain problematic provisions of Dodd-Frank—such as the risk retention requirement—could simply be eliminated. Others—such as the unaccountable structure of the CFPB—could be reformed. Opportunities for creating new appropriate exemptions for small banks or expanding existing ones should be explored and implementation deadlines could be extended. More generally, a requirement that all rulemaking by the financial regulators be informed by economic analysis could assist the regulators in designing better regulations and identifying instances in which additional regulation is not necessary.

As mentioned above, the Mercatus Center is conducting a survey of small bankers to better understand the nature of the challenges they are facing and opportunities they are seeing as Dodd-Frank implementation progresses. I encourage community bankers to take the survey. The results will help policymakers to better understand how they can ensure that the American banking sector remains vibrant, competitive, efficient, and customer-focused.

Thank you again for inviting me here today. I would be happy to answer any questions.

ABOUT THE AUTHOR

Hester Peirce is a senior research fellow at the Mercatus Center at George Mason University. She was on the staff of the Senate Banking Committee during the drafting of the Dodd-Frank Act. Prior to that, she spent eight years at the Securities and Exchange Commission.

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The Mercatus Center at George Mason University is the world's premier university source for market-oriented ideas—bridging the gap between academic ideas and real-world problems.

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THE DODD-FRANK ACT FIVE YEARS LATER: ARE WE MORE PROSPEROUS?

HEARING

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

JULY 28, 2015

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CONTENTS

WITNESSES

TUESDAY, JULY 28, 2015

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

THE DODD-FRANK ACT FIVE YEARS LATER: ARE WE MORE PROSPEROUS?

Tuesday, July 28, 2015

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The committee met, pursuant to notice, at 10:06 a.m., in room 2128, Rayburn House Office Building, Hon. Jeb Hensarling [chairman of the committee] presiding.

Members present: Representatives Hensarling, Garrett, McHenry, Pearce, Posey, Fitzpatrick, Luetkemeyer, Huizenga, Duffy, Hurt, Stivers, Fincher, Stutzman, Mulvaney, Hultgren, Ross, Pittenger, Barr, Rothfus, Messer, Schweikert, Guinta, Tipton, Williams, Poliquin, Love, Hill, Emmer; Waters, Maloney, Sherman, Hinojosa, Clay, Lynch, Scott, Himes, Carney, Delaney, Sinema, Beatty, and Heck.

Chairman HENSARLING. The Financial Services Committee will come to order. Without objection, the Chair is authorized to declare a recess of the committee at any time.

Today's hearing is entitled, "The Dodd-Frank Act Five Years Later: Are We More Prosperous?" This is the second of three hearings examining the impact of the Dodd-Frank Act. The first was entitled, "The Dodd-Frank Act Five Years Later: Are We More Stable?" and the third hearing will be entitled, "The Dodd-Frank Act Five Years Later: Are We More Free?"

The Chair wishes to alert all Members that the Chair intends to close the hearing and adjourn at 1 p.m.

The Chair now recognizes himself for 3 minutes to give an opening statement.

Under the Obama economic strategy, of which Dodd-Frank is a central pillar, our economic—our anemic recovery, rather—has created 12.1 million fewer jobs than the average recovery since World War II. For more than a year now, the share of able-bodied Americans in the labor force has hovered at the lowest level in nearly 40 years. Small business startups are at the lowest level of a generation.

Had this recovery simply been as strong as average previous ones, middle-income families would have nearly $12,000 more in annual income, and 1.6 million more of our fellow Americans would have escaped poverty. This is simply unacceptable.

But more than the numbers, my constituents' angst tells me all I need to know. One wrote me not long ago, "There are part-time jobs around my area, but always jobs with no benefits and less

than 40 hours. My son is a disabled Iraqi Freedom combat veteran who has lost hope of finding a decent full-time job."

I suspect most Members of Congress unfortunately still receive letters just like these. The painful truth is that Dodd-Frank and the hyper-regulated Obama economy are failing low- and moderate-income Americans who simply want their fair shot at economic opportunity and financial security.

As we know, a recent Federal Reserve report stated that within a few years, roughly one-third of all Black and Hispanic borrowers may find themselves disqualified from obtaining a mortgage to buy a home because of Dodd-Frank's qualified mortgage rule, which is based solely on a rigid debt-to-income requirement.

Because of Dodd-Frank, free checking at banks has been cut in half. Furthermore, according to the FDIC, more than 9 million households don't have a checking or a savings account principally because account fees are too high or unpredictable, another consequence of Dodd-Frank.

Dodd-Frank's 2,300 pages launched a salvo of consequences that have crippled growth. It was advertised to target Wall Street, but instead it has hit Main Street. It has had pernicious effects on small businesses and community financial institutions, which are the lifeblood of the Main Street economy.

Community banks and credit unions supply the bulk of small business and agricultural loans. The combined weight of Dodd-Frank's 400 regulations is dragging them down. We are losing one community financial institution a day.

But Dodd-Frank goes far beyond banks and credit unions. Its corporate governance provisions hit every public company in America including grocery chains, cable TV servers, and bowling alley chains.

They didn't cause the financial meltdown but still must comply with regulations imposing wage controls, salary ratios, and private compensation disclosures made for big Wall Street firms. Every dollar these businesses are forced to spend on hiring lawyers and accountants to help explain this gibberish is taken out of working people's wages and capital expansion.

No wonder the economy limps along at 2 percent GDP growth—far below its historic norm. And no wonder low- and moderate-income Americans lose sleep at night worrying about their stagnant wages, smaller bank accounts, and childrens' future.

Hardworking Americans deserve better than Dodd-Frank.

The Chair now recognizes the ranking member for 5 minutes for an opening statement.

Ms. WATERS. Thank you, Mr. Chairman.

And welcome, witnesses.

I would like to acknowledge two distinguished former Members of Congress who are with us today: Congressman Brad Miller, our long-time colleague on the Financial Services Committee; and former Banking Committee Chairman, Senator Phil Gramm.

Today's hearing is focused on whether or not we are more prosperous 5 years after Dodd-Frank, which was enacted after our Nation suffered the greatest destruction of wealth in 80 years. Just as the Sarbanes-Oxley Act was enacted in reaction to several corporate and accounting scandals—most notably Enron—so, too, was

Dodd-Frank enacted as a reaction to years of deregulation, lax enforcement, and zero accountability for the Nation's financial institutions.

Even the legendary champion of the free market, Alan Greenspan, has now acknowledged that he made a mistake and that the market did not and cannot police itself. The crisis left an indelible mark on our financial system, our housing market, and our way of life.

We all know the numbers: 9 million Americans lost their jobs; 5 million homeowners lost their homes to foreclosure; and $16 trillion in household wealth was destroyed.

We have come a long way since those dark days. A new staff report released by committee Democrats shows unequivocally that Dodd-Frank has made our financial system more transparent, more stable, and more accountable.

The Consumer Financial Protection Bureau (CFPB) has returned $10.8 billion to 17 million defrauded consumers. Over-the-counter derivatives, once traded in the shadows, are now more transparent, and regulators are getting tougher on banks to ensure that their failure doesn't endanger the wider economy.

The stability created by Dodd-Frank has allowed us and our Nation to once again prosper. The housing market is improving, the economy has added nearly 13 million private sector jobs over 64 consecutive months of job growth, and the unemployment rate has plunged down to 5.3 percent. Moreover, the average 401(k) balance reached a record high last year, and the S&P 500 has risen by more than 250 percent since February 2009.

So we are more prosperous, but there is much more work to be done.

The crisis exacerbated what was already an unacceptably large wealth gap between white and minority households. The current wealth gap between African-Americans and whites has reached its highest point since 1989. The current white-to-Hispanic wealth ratio has reached a level not seen since 2001.

We need to make sure that it is not just Wall Street bankers who are becoming more prosperous, but also the millions of Americans who are worried about a roof over their head, worried about getting a job that pays a living wage, and worried about being able to afford the high cost of college.

Let me be clear: Recent history demonstrates that deregulation of our largest financial institutions, coupled with systemic disinvestment from low-income, middle-class, and minority neighborhoods is no way to ensure that prosperity is widely shared.

In fact, later today we will mark up 14 proposals which, in many cases, loosen the rules for large banks whose prosperity doesn't need any more assistance from this committee. Instead, we should be focusing on the residents of public housing, the cities and towns still devastated from the foreclosure crisis, and the community banks and credit unions that need relief.

Finally, Senator Gramm, you are the namesake of the so-called Gramm-Leach-Bliley Act, which you don't mention in your testimony, but which turned our Nation's biggest banks into megabanks and dramatically intensified the effects of the crisis. Opposing that measure is among the proudest votes I have taken as a Member

of Congress. And in the aftermath of the crisis, some of that law's most fervent supporters very publicly reconsidered their support.

So I am very interested in hearing you discuss, after watching the harm and heartache of the 2008 crisis, if your views have at all changed.

I thank you, and I yield back the balance of my time.

Chairman HENSARLING. The gentlelady yields back.

The Chair now recognizes the gentleman from Michigan, Mr. Huizenga, chairman of our Monetary Policy and Trade Subcommittee.

Mr. HUIZENGA. I am very pleased to have this conversation. As a former licensed REALTOR®, I have seen firsthand the effects of Dodd-Frank in a lot of areas where frankly, people kind of said, "Wait a minute. How did this Wall Street collapse come about through our community banks, our insurance companies, our small local lenders, our local REALTORS® when we are dealing with some of the mortgages?"

But I want to touch on a couple of things today.

First and foremost, as I sort of dub them, the window-dressing provisions of Dodd-Frank, and things like pay ratio. The Wall Street Journal had an article today stating that the SEC looks like it is imminent in its execution of one of its duties that had been foisted—a priority foisted upon them by Dodd-Frank, which was to come out with rules regarding pay ratio.

And as we look at this—I have a bill to try to address that—we wonder, who does it cover, how is it calculated, why is it even in there, does it tell us why the collapse happened, and is it going to keep us from—keep it from happening again? Nobody has been more critical of the shortsightedness of business when it comes to dealing with their stock price being more of a focus than their long-term health, but it seems to me and so many others that this absolutely does nothing to get us further down that path.

Another one of those window-dressing provisions would be conflict minerals. I chair our Monetary Policy and Trade Subcommittee, where we deal with the conflict minerals. And I think the question is, is it working, and is it workable, especially as we look at things like gold that are affecting our manufacturers? And maybe more importantly, is it helping those whom it was intended to help?

And we have had continued testimony that, no, it is not. It is not actually helping those folks in those conflict areas throughout the world.

So I look forward to having those conversations today, talking about qualified mortgages and what is or isn't happening there. And as we look into this, I think many of us are convinced that Dodd-Frank was more of an agenda waiting for a crisis than an actual solution to a problem.

With that, Mr. Chairman, I yield back.

Chairman HENSARLING. The gentleman yields back.

I ask unanimous consent that the gentleman from Missouri be yielded 1 minute. Without objection, the gentleman is recognized for recognition.

Mr. CLAY. Thank you, Chairman Hensarling, and Ranking Member Waters.

Today, I am in a different kind of role. I am playing tour guide today and I brought a group of St. Louisians here—young ladies between the ages of 14 and 15 years old who are part of the St. Louis Eagles Basketball Club, and are here this week for a tournament. I understand they did pretty well.

But they come from the St. Louis region and I will be taking them on a tour. I wanted them to get some exposure to what we do on a day-to-day basis in this committee, and if the committee could welcome them, I would appreciate it. Thank you.

[applause]

Thank you, Mr. Chairman. I yield back.

Chairman HENSARLING. The gentleman yields back.

Today, we welcome the testimony of three distinguished panelists.

I am especially happy to recognize and introduce the Honorable Phil Gramm, who is a senior partner at U.S. Policy Metrics. He served with distinction in the House for 3 terms, and in the United States Senate for 3 terms, where he authored such landmark laws as Gramm-Latta, Gramm-Rudman, and Gramm-Leach-Bliley.

Previous to his public service career, he taught economics for 12 years to Texas Aggies, including yours truly. He holds a Ph.D. in economics from the University of Georgia.

Next, the Honorable Brad Miller, who is Of Counsel at Grais & Ellsworth, LLP.

We welcome you back, sir.

Brad Miller served in this committee room as a Member of the House for 10 years, including as a member of our committee. He is a former chairman of the House Science Committee's Investigations and Oversight Subcommittee.

Prior to his election to Congress, Congressman Miller practiced law for more than 20 years. He holds a J.D. from Columbia, a master's degree from the London School of Economics, and a B.A. from the University of North Carolina at Chapel Hill.

Last but not least, Peter Wallison is the Arthur Burns Fellow in Financial Policy Studies at the American Enterprise Institute (AEI). He is the author of many scholarly works, including his latest book, "Hidden in Plain Sight," which I believe to be the definitive work on the cause of the 2008 financial crisis.

Prior to joining AEI, Mr. Wallison practiced banking and corporate and financial law at Gibson, Dunn, and Crutcher. And from June 1981 to January 1985, he was General Counsel at the U.S. Treasury Department.

He received his undergraduate degree from Harvard and his law degree from Harvard Law School.

For you two former Members of Congress, just in case you are a little rusty on the lighting system: green means go; yellow means you have a minute to go; and red means the Chair would really prefer for you to stop.

Mr. Wallison, we know that you have been a frequent witness before us.

So at this time, Senator Gramm, welcome once again. You are recognized for 5 minutes to summarize your testimony.

STATEMENT OF THE HONORABLE PHIL GRAMM, SENIOR PARTNER, U.S. POLICY METRICS; AND FORMER UNITED STATES SENATOR

Mr. GRAMM. Chairman Hensarling, Ranking Member Waters, it is quite an honor for me to be here today.

I had the distinct pleasure of having a long and rich relationship with your chairman. Long ago and far away at Texas A&M I taught him money and banking. And as any old teacher would, I have taken great pride in what he has accomplished and the man he has become.

Let me begin by answering the question about the economy. By any measure, we are experiencing the poorest recovery in the post-war history of America. If we had simply equaled the average of the 10 previous recoveries in the post-war period, 14.4 million more Americans would be working today, and the average income of every man, woman, and child in the country would be over $6,000 higher.

Five years after the enactment of Dodd-Frank, the cause and effects of the failed recovery can be seen throughout the banking system. Monetary easing by the Fed has, in fact, inflated bank reserves, but it has hardly had any impact on bank lending.

Remarkably, today banks hold $29 of reserves for every $1 they are required by law to hold. I don't know of a single instant in American history when we have remotely approached this situation.

According to the FDIC, there are 1,341 fewer commercial banks today than there were when Dodd-Frank became law. Remarkably, only 2 new bank charters have been granted in the last 5 years. By comparison, even in the depths of the Great Depression, 19 bank charters a year, on average, were issued.

As regulatory burden has exploded under Dodd-Frank, community banks have hired 50 percent more compliance officers while total employment in the industry has grown by only 5 percent and, in fact, is still below the pre-crisis level.

According to a study by the American Bankers Association that was issued last week, increasing regulatory burden has led almost half of all commercial banks in America to reduce their offering of financial products and services.

In the Securities Exchange Act of 1934, and most subsequent banking law prior to Dodd-Frank, the powers granted to regulators by Congress were fairly limited, and were generally exercised by bipartisan commissions where major decisions were debated and voted on in the clear light of day. Precedents and formal rules were known by the people who were regulated, and regulators were generally responsive to Congress, which, after all, still controlled their appropriations.

These checks and balances weren't perfect, but they produced a general consistency and predictability in Federal regulations.

All of that changed under Dodd-Frank.

The Consumer Financial Protection Bureau (CFPB) was structured with no bipartisan commission. It had automatic funding as an entitlement, which virtually eliminated any real ability for lawmakers to have any check on its actions. In the process, consistency and predictability were replaced by uncertainty and fear.

Since the Financial Stability Oversight Council (FSOC) meets in private and is made up exclusively of the sitting President's appointed allies, bipartisanship and sunshine, the historic checks on regulatory abuse, have been lost.

What constitutes a systemically important firm or what is a passing grade on a living will are not defined in law and, in fact, the regulators have almost total discretion in deciding what "systemically important" means and what is a passing grade on a living will.

What does the stress test test? Not only does no one know, but regulators see the fact that no one knows as a virtue.

You probably saw the statement that was made by the Vice Chair of the Fed that if you gave people a roadmap as to what was being tested, it would be easier to game the test. Does nobody realize that the fact that compliance is easier when you know what the law is, is why we have laws in the first place?

To limit the abuse of rulers, the Romans long ago instituted the revolutionary practice of writing the law down so that people could go and read the law. Under Dodd-Frank today, the conditions of Roman law no longer exist in the United States of America.

The rules are now whatever regulators say they are. This is not the rule of law; this is the rule of government. It is shackling economic growth. And what is even more important is that it is threatening our freedom.

Thank you, Mr. Chairman.

Oh, by the way, I still have a minute and 43 seconds.

Chairman HENSARLING. No, you are a minute and 43 seconds over.

Mr. GRAMM. Darn. I'm sorry.

[laughter]

Mr. GRAMM. All right. Well, it was a good effort.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Gramm can be found on page 54 of the appendix.]

Chairman HENSARLING. But as far as this chairman is concerned, you were on a roll.

Congressman Miller, again, welcome back to your home. It is good to see you again. You are now recognized for your testimony.

STATEMENT OF THE HONORABLE R. BRADLEY MILLER, OF COUNSEL, GRAIS & ELLSWORTH LLP; AND FORMER MEMBER OF CONGRESS

Mr. MILLER. Thank you, Mr. Chairman. I never quite regarded this as my home.

But as the chairman said, I did serve for an eventful decade as a member of this committee. I introduced legislation in 2004 to prohibit predatory subprime mortgage lending.

According to the industry and their many allies on this committee, I probably meant well, but dreary rules like those I proposed were relics from a distant time when the financial industry did not perfectly understand and manage risk, and would deny low-income and minority borrowers the dream of home ownership.

Subprime mortgages, they said, and many of you said, were the triumph of the innovation that comes from unfettered capitalism. I have not heard that argument since the financial crisis.

But since then, I have heard another argument that I never heard before, that liberals bullied innocent banks into giving foolish mortgages to low-income and minority borrowers. It was government, they said, that caused the crisis.

Scholars have repeatedly demolished that argument, but I did not believe it the first time I heard it because of what I know about the law of evidence. When a witness' statement is self-serving, the witness made prior inconsistent statements, and the witness cannot or will not explain the inconsistency, you can decide not to believe a word the witness said.

The Dodd-Frank Act is the response to the worst financial crisis and the worst economic downturn since the Great Depression. The Act includes a version of the home mortgage rules that I first introduced in 2004. The Act created the Consumer Financial Protection Bureau to protect against other abusive practices and to skeptically examine industry arguments that new lending practices that may appear predatory are really marvels of innovation.

The Act requires banks to have more capital and gives regulators authority to require large financial institutions to show that they won't bring the entire financial system down if they get in trouble—if they fail, and to make changes if they can't. Trading in derivatives is more transparent than it was before, although that is a pitifully low standard.

Dodd-Frank was a compromise and probably the most that was possible at the time, given the industry's continued enormous clout in Washington, even while the industry stood in complete disrepute among the American people. We are better off and more prosperous than we would have been without it.

But we have a financial system that still needs reform. The industry is too crooked, too large, and takes too much of the economy at the expense of people trying to make an honest living. Instead of a smooth flow of money from savers to people who can put money to productive use, far too much money coagulates on Wall Street.

First, there has been no end to scandals: pervasive misrepresentation of the mortgages that backed mortgage-backed securities; manipulation of LIBOR and the other BORs; manipulation of electricity and other markets; rigging foreign exchange markets, and on and on.

According to a recent survey, almost half of financial industry professionals said they thought their competitors were cheating, and 22 percent said they had personal firsthand knowledge of misconduct in the workplace.

According to a 2012 poll, 68 percent of Americans disagreed with the statement, "In general, people on Wall Street are as honest and moral as other people."

William Dudley, the head of the New York Fed and a Goldman Sachs alum, said last year that the repeated scandals were not the work of a few bad apples but the product of the culture of Wall Street, and were a threat to financial stability.

And some, to quote the Republican frontrunner, I assume are good people.

Second, the financial sector has more than doubled in size as a percentage of the economy since 1980. Largely because of the desperate mergers during the crisis, on top of the deregulation of the 1990s, including Gramm-Leach-Bliley, the biggest banks are even bigger.

Some on this committee have pointed to that consolidation as evidence that Dodd-Frank has made the system less stable, but have not supported any legislation to break up the biggest banks. I introduced legislation to break up the 6 biggest banks into at least 30 banks by capping the overall size.

I do not recall any support for that proposal among critics of the banks. Instead, Congress repealed the provision of Dodd-Frank that required the riskiest swaps to be traded in a separately capitalized subsidiary to protect taxpayer-insured deposits and our economy's payment system.

Most of the debate on the size of the financial system have been about what would happen if things go wrong, like the London Whale trades. What happens when things go right is just as big a problem. When things go right, there is a harm that often goes undetected, like a patient with a parasite who does not understand why he is always tired.

The Whale trades were in JPMorgan Chase's synthetic credit portfolio. Synthetic credit is a bet whether a borrower defaults on a debt to someone else. The contribution to the economy of synthetic credit appears to be approximately the same as the nutritional value of plastic fruit.

After the financial reforms enacted in the New Deal, the economy grew by 8 percent a year for the first 4 years of the Roosevelt Administration before the recession of 1937 and 1938. That will be hard to replicate.

But the reforms ended frequent financial crises, and America had a steady growing economy that lasted for well more than a generation and created widely spread prosperity. The prosperity extended to many Americans who had been left out before.

Yes, I want to avoid another financial crisis, but I also want an economy that grows and creates more prosperity for more Americans. To accomplish that, we still have work to do.

[The prepared statement of Mr. Miller can be found on page 60 of the appendix.]

Chairman HENSARLING. Mr. Wallison, you are now recognized for a summary of your testimony.

STATEMENT OF PETER J. WALLISON, ARTHUR F. BURNS FELLOW IN FINANCIAL POLICY STUDIES, AMERICAN ENTERPRISE INSTITUTE

Mr. WALLISON. Thank you, Chairman Hensarling, Ranking Member Waters, and members of the committee.

As Senator Gramm noted, the recovery of the U.S. economy since the financial crisis has been by far the slowest since the mid-1960s. The slide now on the screen shows how the recovery since 2009—that is the red line—lags the average of all recoveries since the mid-1960s.

We can find the reason for this slow growth in the excessive regulation that the Dodd-Frank Act imposed on the banking system beginning in 2010. One example is the requirement that banks with more than $50 billion in assets be treated as systemically important financial institutions (SIFIs). SIFIs not only receive stringent regulation by the Fed but are also required to file living wills and participate in stress testing.

These add substantial costs, particularly by requiring these banks to hire more compliance officers and fewer lending officers. The result is less credit and more expensive credit for business firms that borrow from banks.

The reason for requiring $50 billion banks to absorb these costs was the fear that if such a bank failed, it would cause another financial crisis. This seems highly implausible.

The U.S. banking system has assets of $17 trillion. A $50 billion bank has 0.3 of 1 percent of all U.S. banking assets, which is a tiny amount. Indeed, a $200 billion bank has only 1.2 percent of all banking assets, and a $500 billion bank has only a little more than 3 percent.

It is absurd, I think, to believe that the failure of an institution or institutions of this size will cause instability in the U.S. financial system, which itself has $85 trillion in assets.

In enacting Dodd-Frank, Congress sought to create stability through additional regulation, but they seriously overshot. The cost-benefit calculation was wrong.

Very little benefit in the form of stability was gained by forcing more costly regulation on banks between $50 billion and $500 billion in size, but a lot of economic growth has been lost.

The same is true for banks smaller than $50 billion and for community banks. They have also been hit with new and costly regulations under Dodd-Frank, and that has caused them to reduce their lending and to charge more for what they do lend.

How did this additional regulation reduce economic growth? The reason is the cost of reduced bank credit fell disproportionately on small business. Smaller firms need bank credit.

Larger firms have access to the capital markets. They are able to register their shares with the SEC and file regular financial reports. They can obtain the financing they need by issuing bonds, notes, and short-term credit instruments in the capital markets.

In fact, about two-thirds of all credit—I have another slide there—for businesses in the United States comes through the capital markets. This slide shows that only about one-third comes through the banking system, and that percentage is declining relative to the capital markets.

Because smaller firms can't access the capital markets, they are dependent on bank credit. The result has been what we might call a bifurcated economy. Larger firms are growing at a pace consistent with past recoveries, but smaller firms are not growing much at all.

The combination of the two has created this very slow recovery.

In my prepared testimony, I reported on a recent Goldman Sachs study. This showed that firms with $50 billion or more in revenues have been growing at a compound rate of about 8 percent, well in

line with past recoveries, but firms with less than $50 billion in revenues were growing at about 2 percent a year.

Also, all firms with more than 500 employees added an average of about 42,000 jobs a month between 2010 and 2012, while firms with fewer than 500 employees declined by about 700 employees a month during the same period.

Since we know that it is small business and business startups that provide most of the growth in our economy and most of the new employment, the inability of smaller firms to get sufficient credit from banks has had a disproportionate effect on overall economic growth.

To change this situation and restore economic growth, Congress should make sure that Dodd-Frank's excessive regulatory burden applies only to the very largest banks.

Thanks very much. I look forward to your questions.

[The prepared statement of Mr. Wallison can be found on page 63 of the appendix.]

Chairman HENSARLING. The Chair now recognizes himself for 5 minutes.

Senator Gramm, you are the coauthor of the budget that helped ignite the Reagan recovery, and I know that you have written on the subject of the Reagan recovery versus the Obama recovery.

If we could go back to Mr. Wallison's first slide, we know that during the recession of 1982 we had deeper unemployment, we had an even greater recession, as far as negative GDP was concerned. And yet, we know that the Reagan recovery came back quicker and stronger.

What is the difference? What is the tale of the two recoveries?

Mr. GRAMM. Mr. Chairman, first of all, the difficulties went beyond unemployment and the depth of the recovery because we had very tight monetary policy trying to break the inflation of the 1970s, so interest rates peaked at 21.5 percent. Inflation was 13.5 percent. Those were the headwinds faced by the Reagan recovery.

Reagan's basic approach was that the problem was government. That was his diagnosis. And his solution to the problem was to have less of it.

He reduced government spending except to defense. We were at that point losing the Cold War, which changed. He cut taxes. There was strong bipartisan support for his budget and his tax cut.

He reduced the regulatory burden. And, as they say in the history books, the rest was history.

If the Obama recovery had matched the Reagan recovery during the same period of time—that is, over a 7-year period—we would have produced 19.9 million more jobs than the Obama recovery created, and per capita GDP would be $9,100 higher. That is $9,100 a year for every man, woman, and child in America in the Reagan recovery, as compared to the Obama recovery.

In the Obama recovery, not only did the poor, working, middle-income Americans, including women and minorities, lose in the recession, but they have lost in the recovery as well, something that has no precedent in the post-war period. The Reagan recovery, on the other hand, caused a decline in poverty and every one of those groups benefitted.

So, I guess the difference was I think Reagan had the prescription right that the problem in the 1970s was the government was too big, too powerful, too expensive, and exerted too much control over the economy.

I think the problem in the Obama recovery has been that the diagnosis was false. Sure, there is greed on Wall Street and everywhere else.

But what caused the financial crisis was the pressure on banks to make subprime loans through CRA, and the fact that there were HUD housing quotas on Freddie Mac and Fannie Mae requiring that they hold subprime loans starting out at 25 percent of their portfolio and going up to 57 cents of every dollar they held. When the bubble finally broke, what happened was described accurately in President Obama's economic analysis in each of his budgets in 2010, 2011, 2012, and 2013, and I quote: "In August of 2007 the United States subprime market became the focal point of a worldwide crisis. Subprime mortgages are provided to borrowers who do not meet the standard criteria for borrowing at the lowest prevailing interest rate because of low income, poor credit, lack of downpayment, and other reasons. In the spring of 2007 there was $1 trillion dollars of such outstanding mortgages and, because of falling home prices, many of these mortgages were on the brink of default."

Now if you were counting, and of course I was, he mentions mortgages six times, subprime twice, but he never mentions deregulation, Glass-Steagall, Gramm-Leach-Bliley, credit default swaps, or Wall Street greed. And this is not a campaign document. This is the budget of President Obama.

So I think the diagnosis was wrong and it produced this massive increase in regulation, which choked the recovery.

Chairman HENSARLING. The time of the Chair has expired.

The Chair now recognizes the ranking member for 5 minutes.

Ms. WATERS. Brad Miller, back in 2005, joining with former Congressman and now Federal Housing Financial Agency Director Mel Watt, and former Chairman Barney Frank, you attempted to end predatory mortgage lending by putting forth a bill modeled on North Carolina law that would have curtailed abuses in the subprime mortgage market.

At the same time, Republicans opposed that bill with members like my chairman, Chairman Hensarling, noting, and I quote, "With the advent of subprime lending, countless families now have their first opportunity to buy a home or perhaps be given a second chance."

How did Republicans feel about subprime lending back in the first half of the last decade when they were in control of the House? Did any Republicans help you to advance your bill? Were any Republicans worried about the growing abuses in the subprime mortgage market?

Can you discuss the tremendous amounts of lobbying that took place in opposition to your bill at the time? Specifically, how and why did companies like Bear Stearns, shortly before the collapse, lobby in opposition to your bill? Help us understand what was going on.

Mr. MILLER. Yes. There was a great deal of lobbying against it. There were not many Republicans who favored it. I did have some discussions with Spencer Bachus that appeared to make progress for a while, which kind of fell apart.

But the arguments that we have heard since then, we never heard at the time. And what we heard at the time was also not true. What we have heard since then is not true, but what we heard at the time was not true either.

Subprime mortgage lending was never about home ownership. The subprime mortgage model was to lend to people who already owned their own homes—70 percent were refinances and had a lot of equity in their home—and the mortgages were designed to catch them in a cycle of borrowing and borrowing again with tricky little things buried in the legalese to strip their equity in their home.

It also was not about helping people who otherwise could not have gotten a prime loan. Every study of subprime mortgages during that period shows that people who got subprime mortgages qualified for prime mortgages but got talked into subprime mortgages.

That is why the foreclosure crisis has been so much worse on the African-American community and on the Latino community. It has almost been an extinction event of the African-American and Latino middle classes because of the extent to which they were targeted by subprime mortgages.

The typical terms would be a 2/28 or 3/27. There would be a teaser rate at the beginning, which was probably the only thing that the home owner understood when they walked out of the closing or settlement, as it is called in a lot of States. They walked out knowing what their monthly payment would be. Well, 2 years later or 3 years later it jumped by 40 percent.

And then to get out of it—which they couldn't begin to do because they couldn't afford to pay a 40 percent increase in their mortgage—they had to pay a prepayment penalty, which was 3 percent.

And it all worked fine for the lenders and for all the mortgage establishments, including Wall Street, including Bear Stearns, including all the banks that brought that stuff and put them in mortgage-backed securities and sold them to guileless investors in the United States and all over the world.

The explanation at the time was not true. The explanation since then is not true.

Yes, this was caused by greed. This was caused by the lack of regulation. This was caused by the lack of agility of the Federal Government in responding to new practices.

Congress did pass legislation designed to get at predatory mortgage lending in 1994, the Home Ownership and Equity Protection Act (HOEPA). And sure enough, the industry stopped those particular practices, but the requirement of that statute that the Federal Reserve issue new regulations to address new practices never happened.

Yes, it was the result of greed. It was equity-stripping. As the bubble inflated, as when the bubble collapsed, home owners could not begin to pay their mortgages, could not sell their houses because they owed more than the houses were worth. And then it

started a continuous spiral that has still not been completely broken.

Ms. WATERS. Mr. Miller, you described some of what was going on. The no-doc loans, the interest-only loans, all of these exotic products were part of the predatory lending scheme, isn't that right?

Mr. MILLER. Yes. They were all part of predatory lending.

There were some non-prime loans that were not so unwholesome that really did seem to be designed to address differences in borrowers' creditworthiness, but those got into a lot of trouble too when the entire—when home values collapsed.

Ms. WATERS. Thank you.

Chairman HENSARLING. The time of the gentlelady has expired.

The Chair now recognizes the gentleman from Michigan, Mr. Huizenga, chairman of our Monetary Policy and Trade Subcommittee.

Mr. HUIZENGA. Thank you, Mr. Chairman.

And I would love to continue the housing discussion but I need to hit on a couple of things. I want to talk a little bit about pay ratio and conflict minerals and what I would describe as these window-dressing provisions of Dodd-Frank.

I want to start off with a quote from SEC Chair Mary Jo White, where she was talking about conflict minerals and about how the Commission's mandatory disclosure powers seemed more directed at exerting societal pressure on companies to change behavior rather than to disclose financial information that primarily informs investment decisions.

After she said she may, as a private citizen, wholeheartedly agree with some of these objectives, she added, "But as Chair of the SEC, I must question as a policy matter using the Federal securities laws and the SEC's power of mandatory disclosure to accomplish these goals."

She is talking specifically about conflict minerals, which I want to touch on, but it seems to me that also applies to the pay ratio situation and the requirement that, as was mentioned earlier, The Wall Street Journal said was imminently coming out of the SEC.

And Dr. Gramm was talking about those who have been left behind—minorities and women and so many others. And in that Wall Street Journal article, the AFL-CIO's study is quoted: "In 1980, 42 times was the ratio of, typically, the average worker to the CEO; it is now in 2014, 373 times."

Let's assume that those numbers are right. Some of that has been what I have been very critical of, performance based on stock price versus a long-term view, oftentimes is it, or maybe the options have grown that ratio.

I think we have agreed that there are maybe some things out of balance, but isn't this more of a symptom rather than the root cause of this? And if it is not the root cause, why in the world are we having the SEC go through all the machinations of this?

Mr. Wallison, I am going to give you first crack at this, specifically in these two areas.

Mr. WALLISON. I think one of the problems that we face here is that enormous costs were placed on the financial system by the Dodd-Frank Act, and these two you mentioned, the pay ratio issue

and also conflict minerals, are examples of costs that are added to the financial system and added to the economy in general.

And every time you add these additional costs, you reduce the amount of credit that is going to be available for businesses to—or you are requiring businesses to respond to costs which mean that they cannot then produce the kinds of goods and services that they are supposed to be producing.

Mr. HUIZENGA. It strikes me that the question we really need to have is, "To what end and to what benefit? And who is this benefitting?"

And it seems to me that we are just surely generating paperwork to generate paperwork. We know that the costs of this—the SEC itself has estimated that the pay ratio rule would impose 545,000 annual hours of paperwork, and that this could add up to annual costs on the private sector of $710 million with an annual compliance time of 3.6 million hours.

Dr. Gramm, would you care to comment on this?

Mr. GRAMM. Look, it goes way beyond paperwork. What all this is about is demagoguery. It is the one form of bigotry that is still allowed in America, and that is bigotry against the successful.

Why do people pay executives a lot of money? Why do CEOs make these huge salaries? Because they add value.

If somebody takes over a company and it succeeds, they get rewarded. If it fails, they get fired.

It is not the government's business. As a shareholder, I own the company, not the government. It is my money, not the government's money.

So if I just want to give it away, then I ought to be free to do so. Now, maybe the government should assess a gift tax. I don't want to suggest that to anybody.

But the point is, people pay for performance. And there are some people who are able to add tremendous value.

Joe Namath did as quarterback for the New York Jets. He is the most exploited football player in history even though he made the highest salary, because he added more value than he got.

My friend Ed Whitacre at AT&T, if there has ever been an exploited worker—even though they made a big deal about him getting $75 million when he retired, the man added billions of dollars of value. He was exploited. It was an outrage.

But nobody is raising hell about it. They are raising hell about the fact that he made a lot of money and other people would like to have the money. And even if they don't want it, they don't want him to have it. I don't get it.

Mr. HUIZENGA. Mr. Chairman, I think most of us have concluded that Dodd-Frank—or the SEC needs to deal with much more important issues than some of these window-dressing items. So with that, I yield back.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentlelady from New York, Mrs. Maloney, ranking member of our Capital Markets Subcommittee.

Mrs. MALONEY. Thank you so much, Mr. Chairman, for calling this hearing.

And I welcome our distinguished panelists. It is good to see two former Members here.

Welcome back.

Dodd-Frank was a landmark bill that overhauled the regulation of financial services in this country. But it was not written in a vacuum.

It was a response to a devastating crisis which cost this economy $16 trillion in household wealth. Unemployment reached 10 percent, the highest level in 25 years, 9 million people lost their jobs, and 4 million Americans lost their homes.

And while there were many factors that led to the financial crisis, it had its roots in predatory subprime mortgages. And these were loans that never should have been made and that ended up harming the consumers and the lenders and the overall economy.

Because so many of these toxic mortgage loans were made, and so many of them were packaged into securities and sold to investors all around the world, the implosion of the subprime mortgage market had ripple effects throughout the global economy.

Now, 5 years after Dodd-Frank was passed, those kinds of toxic predatory mortgage loans are prohibited, and it is hard for me to see or understand how this is anything other than a benefit for consumers, banks, and the overall economy. So I, for one, think that the fifth anniversary of Dodd-Frank is a reason for celebration.

There was a chart up here earlier which showed what I call the deep red valley, where we were losing 750,000 jobs a month when President Obama took office. And Christina Romer, the former head of the Council of Economic Advisors for the President, testified before this body and others that the economic shocks from the economic downturn were at least 3 times worse than the Great Depression.

This particular chart—I wish they would put it up there again—shows that when Dodd-Frank was put in place, the blue starts growing, which is jobs and a growing economy.

So I would like to ask my former colleague, Brad Miller, who was very active in this subprime battle, and had his own legislation, and took leadership in all the debates, Congressman Miller, as you know, many of our colleagues on the other side of the aisle like to say that the sole cause of the 2008 crisis was the fact that far too much credit was extended to low-income people. And yet, they also opposed the CFPB's rule that requires lenders to verify a borrower's ability to repay a mortgage loan before they extend credit—the so-called qualified mortgage.

Shouldn't they support such a commonsense proposal? If this proposal had been in effect prior to the crisis, would so many toxic mortgage loans have been made?

Mr. MILLER. Pointing out hypocrisy by politicians is too easy. It is almost not fair.

But yes, if we had had sensible regulations in place to prevent subprime mortgage lending, and particularly the kind that we had which created an unsustainable mortgage that people could not get out of when property values declined, we would not have had the bubble, we would not have had the burst of the bubble, we would not have had so many—liquidity is frequently praised but liquidity just means the ability to borrow money freely. And when you borrow money freely to buy an asset that goes down in value, a lot

of liquidity proves to be a problem a little bit later on. And that is essentially the problem we had.

It was the same problem. The bubble in the Great Depression, or that led to the Great Depression was the bubble in the stock market.

Liquidity is a really good thing to have until it isn't.

Mrs. MALONEY. We also heard many testimonies from economists who said this was the first economic downturn in our history that could have been prevented because it was created by the mismanagement of the financial system. I, for one, believe markets run more on trust than on capital. And Dodd-Frank imposed regulation that put more trust back into our markets, which is one of many reasons why our economy is improving.

My time has expired. Thank you.

Chairman HENSARLING. The time of the gentlelady has expired.

The Chair now recognizes the gentleman from New Jersey, Mr. Garrett, chairman of our Capital Markets Subcommittee.

Mr. GARRETT. I thank the chairman.

I will start with Mr. Wallison.

Would you agree with this premise or statement that it is intolerable when any class of people—minorities or the poor—are intentionally discriminated against, when they are unfairly targeted in the financial markets, in the housing markets, by illegal, unconscionable, unfair practices in that marketplace? Do you agree—

Mr. WALLISON. Yes. Of course, I agree with that.

Mr. GARRETT. And is it for that reason that this committee meets regularly to make sure that we do have adequate laws both on the Federal level and also on the State level to target those bad actors—and you agree that there are bad actors in this marketplace?

Mr. WALLISON. Absolutely.

Mr. GARRETT. And that is why we meet to target—have legislation to target those bad actors, and to address those unfair practices. Do you agree with that?

Mr. WALLISON. Yes, I do.

Mr. GARRETT. All right.

Now, Mr. Miller, I am bad at quotes, but there is a quote by Winston Churchill that goes something like, "History is going to be kind to me because I intend to write it." I don't know what history you are writing, but you wrote today's statement so it would be kind to past practices of the Obama Administration in this area.

One of your comments was that scholars have said that there was no problem with forced regulation—or regulation forcing the banking industry to commit these or execute these subprime loans. That may be what scholars wrote from their ivory towers, as far as whether regulation was a cause of this or not, but I can tell you this committee had numerous hearings where we didn't listen to scholars but we listened to the actual people in the field—the actual bankers—who told us repeatedly that regulation was a driving force behind their writing of subprime loans, that regulation told them how to do the underwriting, starting way back whether it was the Boston Fed describing what income and assets would be considered, to the actions of the Fannie Mae and Freddie Mac, all the way along the line, and the other regulators as well.

I think the actual people on the front line best describe what effect a regulation had on a marketplace.

So we know that—well, I will close on this, Mr. Wallison—you admitted—or you say that there were some bad actors in the marketplace, but you also in your testimony, and also your report after the last crisis indicated that regulation was a factor, as well, if you would like to comment on that briefly?

Mr. WALLISON. Yes, I would. If I have the time, I would like to say a number of things about this subject, but you are questioning it, so go ahead.

Mr. GARRETT. Your report indicated that regulation played a role. That is history. Now we have to look to see what effect our current laws will have going forward, both on the minority and the poor populations, as well.

So let me just ask this: The E.U. commissioner for financial services, Jonathan Hill, said that he would look at the combined effect of all the laws that have been passed to make sure we have the balance right between reducing risk and fostering growth, and where we haven't got it right, we should have the self-confidence to make changes.

Has anyone in this Administration, to the best of your knowledge—or Senator Gramm, you can comment on this, as well—said that this Administration is going to do a review of all the laws on the books to see that there will not be a negative impact upon the minority population or the poor population, to see the cumulative effect that it may be degrading their ability to get a loan and get a mortgage?

Both gentleman may respond.

Mr. GRAMM. Let me respond in the following way: There was one provision of Dodd-Frank related to mortgages that I thought was a very good provision, and it was what I would call the skin-in-the-game provision. It basically said if you make a mortgage, you have to hold a certain percentage of that mortgage, and you had to take the first loss, generally discussed at the 5 percent level.

What happened to it? What happened to it is that this Administration would not enforce that law.

Now, I thought it was a good law—that provision—because it basically said if you make a bad loan and it goes bad, even though it is securitized and some retirement fund has borrowed it—bought the security, you are going to take the first 5 percent of the loan.

I don't see any evidence that this Administration has taken the lessons of the subprime crisis seriously. They are pushing CRA again and requiring banks to make loans. They are lowering downpayments.

It seems to me they are determined to go back to the same system that created the problem. And forgive me for—there were bad actors. There were predatory loans. But there were 100 predatory borrowers for every one predatory lender.

The law required the loans to be made. It required people to make subprime loans. It required Freddie and Fannie to hold subprime loans. If these loans were so good, why did you have to make them make them?

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Texas, Mr. Hinojosa.

Mr. HINOJOSA. Thank you, Chairman Hensarling and Ranking Member Waters, for holding this important hearing.

And thank you to my former and distinguished colleagues and the other panel member for your testimony and appearance here today.

In the wake of the worst financial crisis since the Great Depression, the whole of our financial banking system teetered on the brink of collapse. To prevent such a calamity from happening again, we enacted the Dodd-Frank Act.

This Act has strengthened oversight of Wall Street, given regulators the tools to end too-big-to-fail banks, and brought much-needed transparency to markets by eliminating loopholes that allowed risky and unfair and abusive practices to go unnoticed and unregulated.

Importantly, Dodd-Frank restored confidence in our markets and has brought our economy back from the depth of the deep recession. In the longest-running job creation streak in our history, we have added millions of jobs, lowered the unemployment rate, and added back $30 trillion to our Nation's wealth.

My first question goes to my good friend, Congressman Bradley Miller. It is undisputed that the widespread use of predatory and subprime mortgage products like adjustable rates, coupled with lax underwriting, caused a mortgage crisis when borrowers began defaulting in mass. However, many contenders like to ignore the fact that the mortgage crisis became a financial and economic crisis of epic proportion only because of a completely unregulated and opaque world of derivatives, such as credit default swaps.

How did the Commodity Futures Modernization Act of 2000 create a situation which fueled that financial crisis of 2008, and what rationale was used to pass said law?

Mr. MILLER. I wasn't around when that was enacted; I was in the State legislation of North Carolina dealing with entirely different issues. But the Commodity Futures Modernization Act prohibited any regulation of derivatives either at the Federal or State level, and in the first 6, 7 years I was a member of this committee, there was never a hearing that talked about derivatives at all.

According to the testimony in the recent trial about the AIG bailout, if AIG had not been bailed out, if they had not paid 100 cents on the dollar without getting anything for it on credit default swaps, which galled me at the time, and I said so, as a member of this committee, that Morgan Stanley would have gone down immediately, and Goldman Sachs would not have been long behind. It would have brought the entire financial system down.

And then Morgan Stanley and Goldman owed a lot of people money, and if they couldn't pay that a lot of people were going to be—a lot of financial participants—industry participants would have been out of business.

Derivatives also create both a motive and a mechanism for a great deal of gamesmanship in the economy that is entirely useless, that really—I have yet to hear a remotely persuasive explanation of the benefit that they bring—that the physical markets for the referenced data assets are like this; the paper markets, the deriva-

tive markets are like this, and there is a huge amount of gamesmanship.

There is now in the bankruptcy—

Mr. HINOJOSA. Time is running out on me.

Mr. MILLER. All right.

Mr. HINOJOSA. I like what I hear from you. I agree with you.

Tell me, how has the Dodd-Frank Act addressed these two issues of proper underwriting of the mortgages and the transparency and safety in the derivatives market?

Mr. MILLER. On the underwriting of mortgages, there are now rules that require that mortgages be—that there is an ability to repay not just in the first 2 years, not just in the first little bit, but across the life of the mortgage. That will prohibit a lot of the worst practices of the last decade. And there are other provisions that are real reforms in the kind of practices we have.

With respect to derivatives, there is now more of a requirement of transparency. They are traded mostly on exchanges.

That means that you can—someone who wants to buy a derivative—God only knows why anybody would want to, but if you want to buy a derivative you can call up on your computer screen and see what the yields—what the spread is. And there is a great deal more transparency about it and real market forces.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Missouri, Mr. Luetkemeyer, chairman of our Housing and Insurance Subcommittee.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

Mr. Wallison, I am in the process of reading your latest book, and it is quite informative and I certainly enjoy it. It makes the long hours back to Missouri on a plane more bearable.

But a quick question for you with regards to the GSE situation that you discuss and the history of it there. It looks to me like Dodd-Frank is steering the mortgage lending away from banks and private lenders back into the GSEs, which we have tried to get away from, but it looks like we are going the other direction.

And so, I would like for you to comment on what effect you think Dodd-Frank has had with regards to that, and is that a good thing or a bad thing?

Mr. WALLISON. First of all, there has been so much myth recited here. I would like to just go back and say one thing about the financial crisis so that we understand a little bit more about it.

Now, predatory lending now doubt occurred, but the Financial Crisis Inquiry Commission was unable to find enough data to show that it was significant. What we learned from the financial crisis is that in 2008, more than half of all mortgages in the United States were subprime. And of those, 76 percent were on the books of government agencies—primarily Fannie Mae and Freddie Mac, FHA too.

The point is that the government had required certain quotas to—of mortgages to be made to people below median income. Now, there was no reason why that was a bad idea except for the fact that if you make those quotas too high, then the GSEs had to reduce their underwriting standards, which they did. That is why 81

percent of all of the losses that Fannie suffered, they reported as coming from subprime and other low-quality mortgages.

So in any event, the important point here is that we have to keep our underwriting standards high, and what we have done recently was to reduce those underwriting standards again, because it is always in the interest of the government to reduce underwriting standards. It increases home purchases and that improves the market. But in the end, we ultimately always have a crash.

Mr. LUETKEMEYER. Thank you.

Senator Gramm, you, in your testimony a while ago, talked about SIFIs and living wills. You made the comment that they are not defined in law, and I thought that was an interesting comment from the standpoint that we had Barney Frank in here a little over a year ago, and he was the author of Dodd-Frank, and the problem with SIFIs, in his own words, was an unintended consequence. He believed he wanted the biggest banks to be regulated, but it seems the regulators are allowing these regulations to flow downhill now to the mid-sized and regional banks, and even to the community banks, in a very negative way.

And so I was wondering if you would comment—it seems like the regulators are creating law instead of enforcing existing law, and trying to make stuff up here, and your—and the effects that it is having on the banking system.

Mr. GRAMM. Let me first say, you asked about Dodd-Frank, was it a good law. The biggest problem with Dodd-Frank is it didn't write the law. The biggest problem with Dodd-Frank is the same problem with Obamacare. When the speaker said, "We need to pass it so we can find out what is in it," she misspoke. She really should have said, "We should pass it so we can decide what is in it."

Dodd-Frank grants broad powers. It doesn't define its terms. And so as a result, the regulators decide.

Now, our system works that you write the law and then the regulators implement the law through a process, generally bipartisan, in sunshine, where there is debate, where people know what the rules are in general, and they basically implement them. What happened here was the law was never written in the first place. It granted huge powers to the regulators who make all of these decisions, and so you have become a bit player in the process.

How many people thought that they were giving the regulators power to implement international regulatory standards that were written in Basel in the United States without Congress ever approving them? I don't believe Democrats thought that. But they are doing it today because they do whatever they want to do.

And in the case of the good provision of Dodd-Frank about the 5 percent skin in the game, they just decided not to implement the law.

The Constitution says that the President should faithfully execute the laws, but in this case and many other cases, this President does not execute the law.

Mr. LUETKEMEYER. Thank you. And we now seem to have a regulatory system instead of a shadow banking system. I thank you, Senator.

I yield back.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now declares a 5-minute recess.

[recess]

Chairman HENSARLING. The committee will come to order.

The Chair now recognizes the gentlelady from Ohio, Mrs. Beatty, for 5 minutes.

Mrs. BEATTY. Thank you, Chairman Hensarling, and Ranking Member Waters.

And thank you, to our witnesses today. I was getting ready to say I am a freshman member, but now that I am a sophomore member of this committee, I certainly appreciate the varied history that we have had here, and especially from the two witnesses who have served here.

We have talked a lot about history, and in some of the opening remarks from my ranking member, she gave us a history. So let me fast-forward to where we are today, hearing that history on housing, and certainly, we have heard many people talk about that crisis and what happened in the 2008 financial crisis.

But as we talk about housing now, just this past week Bloomberg News reported that America's housing market recovery is in full swing; there are sources across the Internet saying that housing ownership has dropped to a 48-year low.

So my question to the three of you is, when we look at housing today, either in full swing or in the last 24 hours dropping, my concern is, what do we do as it relates to communities that are represented by minorities or those who are living in poverty? We know what happens to the communities that many of our constituents or that we live in, but what do you think we should be looking at to help the recovery of this lagging market for minorities?

Mr. WALLISON. I think the data that you cited can be consistent, and that is there is a return of the market. There are many more sales going on right now, and the reason for that, unfortunately, is that the government is continuing to reduce underwriting standards.

This is not good for minority buyers. It is not good for non-minority buyers. Because in the end, what happens when you are selling homes to people who cannot afford to carry those homes over an extended period is that we are going to have the same kind of crash we had in 2008.

My solution for solving this problem is to get the government out of the housing market because it has an incentive to reduce underwriting standards, and as long as the government is in control of the market, that is what it will do.

Mrs. BEATTY. Mr. Miller?

Mr. MILLER. I have been critical of the efforts at addressing the housing market. Perhaps the Republicans on this committee don't know that, but the RNC does. When I wrote an article in Salon in 2012 that criticized the lack of real policy urgency about the collapse of home values and the foreclosure crisis, the RNC trumpeted excerpts from my article all over their website. State Republican parties trumpeted it also on their websites, as if Mitt Romney would have done anything different.

This recovery was going to be hard. It was going to be hard for a number of reasons.

One is it was a balance sheet recovery. Americans—households and businesses, but especially households, were deeply in debt and had to get out of it and were going to consume less until they were in better shape.

We had a bubble in the housing market, which led to a great deal of overbuilding, and so when we have had recessions in the past, usually housing—residential real estate, residential construction—dips, there is enough demand, and then that sort of gives extra juice to the recovery. That was not going to happen in this recovery.

The natural demand for new housing during that period was probably about 1.4 million units. Instead we had a couple of years when we built 2 million. So that wasn't going to happen.

Protecting against the kind of predation we saw will help a lot. It will help preserve the wealth, because that is one of the ways that middle-class families have built wealth is by faithfully paying off a mortgage—getting a mortgage on a home, buying a home, paying off a mortgage over time, and not allowing the kind of predation that we saw in the last decade.

Mrs. BEATTY. Okay.

And I don't have enough time, Senator Gramm, to ask you to comment.

Chairman HENSARLING. The time of the gentlelady has expired.

The Chair now recognizes the gentleman from Wisconsin, Mr. Duffy, chairman of our Oversight and Investigations Subcommittee.

Mr. DUFFY. Thank you, Mr. Chairman.

I am going to take a stab at Mrs. Beatty's question. I think the way we help out lower-income and minority communities is by growing the economy, and making sure that they can access opportunity and access jobs.

In my community, two of the biggest employers—one is regional and one is nationwide, and they started their businesses in the late 1960s and early 1970s—have separately said, "If I wanted to start my business today, I couldn't do it because of all the rules and all the regulation. I couldn't get a bank to partner with me in our community to give me a loan to start the business that now employs tens of thousands of people with good-paying jobs."

And so, when we have a debate today, where is the next Menards? Where is the next Ashley Furniture? Where is the next Google, if you can't start your business and employ people in Mrs. Beatty's community and in my community?

There was a graph that we had at the Joint Economic Committee—I used to serve on that committee—and it compared the historic declines, and then the historic recoveries.

So if you had a slow-sloping decline, you would have a slow-sloping recovery. The decline would match the recovery. And if you had a steep recession, you would have a steep recovery. They would mirror each other.

But if you look at this decline—which was very steep—and you look at this recovery, they don't match the prior examples of recoveries.

To the panel, have you noticed that this has been a lackluster recovery compared to others? Shouldn't we have had, with a steep

decline, a steep economic recovery, but we haven't experienced that?

Dr. Gramm?

Mr. GRAMM. We have had a bad recovery because we had a dramatic change in policy, and the policy was one of more taxes and more government control. You saw the graph that they had at—the chart they had at the Joint Economic Committee about new business starts. It is a perfect example.

And let me say on the home ownership question, I think one of the things we could do that could help home ownership is to let banks make character loans again. Everything now is so rule-based that we don't give the banker the ability to figure out who will pay this money back and who won't.

My mama didn't graduate from high school. She was a widow. And she got a subprime loan, and no government guaranteed it. But by the time she died, any banker in Columbus, Georgia, would lend her money. Anybody.

Why? Because she paid the money back.

And I think we go too far now on these formulas. We don't help people when we lend them money that they can't pay back or they won't pay back, but there are a lot of people who would work and struggle to make sure they paid the loan back, and I think getting back to some character lending would be a good idea and it would help deal with the problem that the Congresswoman from Ohio raised.

Mr. DUFFY. We have now gone to check-the-box banking.

Mr. GRAMM. We have not had a good recovery because we have implemented policies that have stifled the system which created the prosperity we have known.

Mr. DUFFY. I would just note that—I am going to go to Mr. Wallison in a second—means we have 14.4 million less jobs and $6,000 less per family, Mr. Gramm.

But Mr. Wallison, you—

Mr. WALLISON. Yes. I would like to put up the chart that I had, my first chart. If you can find that again and put that up on the screen, because I think it tells us something very important.

While we are waiting for it, it shows the recovery that we have had since 2010—actually, since 2009, and in comparison to all recoveries we have had since the mid-1960s. The important thing about it is that for the first three-quarters of the recovery from 2009, it was in line with the usual recoveries, as you can see. When the Dodd-Frank Act was passed in 2010, you can see what happens to the red line, which is the line that shows the current recovery.

So the market was recovering in the usual pattern after 2009, but once the Act was passed, everything stopped. And that is the point that I think you were trying to make and what I think is important for the committee to understand.

Mr. DUFFY. That is a very good point, and I thank you. And I just want to point out that my friends across the aisle have been wearing pins in celebration of Dodd-Frank, and I would just note that is a celebration of a racist and sexist CFPB, a CFPB that is now setting rates in the auto industry. It is collecting data against the knowledge of consumers.

Lack of oversight for this—I am getting gaveled down so I am going to yield back, Mr. Chairman.

Chairman HENSARLING. He was regrettably gaveled down.

The Chair now recognizes the gentleman from Washington, Mr. Heck, for 5 minutes.

Mr. HECK. That is quite an act to follow.

Thank you, Mr. Chairman.

I guess I want to begin by just registering my heresy here. I, frankly, as a relative newcomer here, have grown unbelievably tired of the finger-pointing. We seem to have points of view that suggest it is all the government's fault—for incenting, cajoling, and strong-arming those poor, weak-kneed bankers into making loans they didn't want to make.

At the same time—here comes the heresy from my side of the aisle—we seem to be suggesting that every consumer was somehow duped into doing this and had no capacity whatsoever to make a well-informed decision for themselves.

So it is all the government's fault, or all the consumer's fault, or all the banker's fault. And I don't know why it is so hard around here just to acknowledge that there is plenty of guilt to go around.

The fact of the matter is there were consumers who were getting loans, who should have known better, did know better, but bet that the real estate increase in values would continue. The fact is that there were some bankers applying the can-you-fog-a-mirror rule to making loans. And the fact is that the government was compliant in some fashion with this big run-up and this big crash.

I don't know why that is so hard for us to acknowledge. And I don't know what the proportion of that culpability is, but I am convinced that there is some to go around to everyone.

Now, with that preface, I want to ask a question of all of you and ask Congressman Miller to begin. There are two people here who don't like Dodd-Frank and one person who largely does, all right?

I am not from Missouri, but show me. Can you cite another country in the world that during the midst of the Great Recession took actions, and adopted policies that better benefitted their economic growth curve than the United States did with the adoption of Dodd-Frank? If Dodd-Frank wasn't perfect—and even you, Congressman Miller, suggest it wasn't perfect—who did it better? What country did it better?

Mr. MILLER. Actually, we did better. I have been critical of the policies that made the priority protecting banks from the consequences of their own conduct, of allowing them to privatize profits and socialize risk, of not taking them through receivership when they were, in fact, insolvent, which has been the standard playbook for dealing with a financial crisis.

And none of the recessions since the Second World War began with a financial crisis. This is the only one.

Around the world usually crises that, again, in the financial sector are a lot harder to get out of, and the standard playbook since the late 19th Century is take insolvent banks through insolvency and get them back operating with a new set of owners so they are not really being bailed out, and a clean set of books so they can actually do sensible things and not pretend to be solvent until—

Mr. HECK. So you don't know of another country that had a better response which helped their economy?

Mr. MILLER. Most of the developed world, certainly Europe, has done less well than we have.

Mr. HECK. Senator Gramm, do you know of another country whose policy response—

Mr. GRAMM. Yes, I know several. Poland was instituting a major move toward private property and a market-based system. Their economy was growing so strongly that they actually did not have a recession, and their growth has been strong since.

If you compare growth prior to the recession to growth after the recession, I think you could make a case that both Germany and Britain did a better job than the United States.

Mr. HECK. But their growth after the beginning than the recession was no better than ours.

Mr. GRAMM. But their growth before was a lot worse. So if you are going to look at the impact of the financial crisis, I think you have to look at what they were doing before and what they did after. The hallmark of our disappointing recovery has been that it was so different than our previous recoveries, and I do think that policies which were implemented had a lot to do with it.

Now, look, there are two sides of every story. As Jefferson said, good men with the same facts are prone to disagree.

But my basic view in looking at this is that we instituted a bunch of policies which affected investor confidence, and we did not get the good recovery that we should have. First of all, the recession came on very slowly—I'm sorry.

Mr. HECK. I have the same trouble with my mentor too, Mr. Chairman. I understand.

I would just conclude by saying if we want to go where there is no government regulation, that country exists. It is Somalia, and I am not trading places with them for anything.

Chairman HENSARLING. The time of the gentleman has expired.

Mr. GRAMM. I shouldn't have cut him off all those years in the classroom.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from New Mexico, Mr. Pearce.

Mr. PEARCE. Thank you, Mr. Chairman.

Just a little bit of housekeeping here. We heard the statement earlier in an answer to a question that derivatives are entirely useless and Mr. Miller could see no reason to have them.

Senator Gramm, do you see positive reasons for any derivatives?

Mr. GRAMM. Yes, I see lots of positive reasons for derivatives. I think it is a way that people can hedge, for example, if you are an airline and have to buy jet fuel, it is a way of protecting yourself. If you are in the insurance business, you can partially protect yourself by buying derivatives which have value based on what happens with the weather.

It is a vehicle whereby you can get risk in the hands of people who are capable of bearing it and they get a profit for bearing it. So I think there is a reason for it.

And if I could, let me just straighten something out. A lot of people point to the Commodity Futures Modernization Act as being

some terrible law that deregulated derivatives. Nothing could be further from the truth.

You had a Commodity Futures Trading Commission (CFTC) Chair who got it in her head that derivatives were futures, and by raising the question, since it is illegal to trade futures off an exchange, she created legal uncertainty in all of these markets. President Clinton and every financial regulator in the government begged the Congress to pass a law making it clear that derivatives were not futures.

Derivatives were never regulated, so this idea that somehow we deregulated derivatives in the Commodity Futures Modernization Act is just totally wrong.

Mr. PEARCE. Thank you.

Mr. GRAMM. And it got 300 votes in the House and only 60 people voted against it.

So the point is that we never regulated derivatives before. We now regulate them. It will be interesting to see what the net result will be. My guess is it will not be good.

Mr. PEARCE. Okay.

Mr. Wallison, you had mentioned that one of the great problems was the—and the move toward 2008 was the relaxing of the underwriting standards, and you said that we are doing it again. Can you flesh that out just a bit? I have another question, so if you could—so we are doing exactly the same thing that put us in position—

Mr. WALLISON. Two things, Congressman, that I would mention, and that is a few months ago the regulator of Fannie Mae and Freddie Mac, which is the Federal Housing Finance Agency, told them that they weren't taking enough risk on mortgages, so he wanted them to reduce their downpayment standards from 5 percent, which is already too low, to 3 percent. That substantially increases the risk.

The second thing is that the President himself said he was going to reduce FHA's mortgage insurance premium by half a point, about 50 basis points. What that does is put more of the taxpayers at risk and allows much riskier mortgages to enter our financial system.

So in both cases, the government has been going back to exactly the same policies that preceded the financial crisis.

Mr. PEARCE. Okay. Now, the basic narrative that we get from our friends on the other side of the aisle is that the system was teetering on collapse and that we have strengthened the oversight. And yet, the people who reduced the underwriting standards, Fannie and Freddie, it is my understanding that they are not touched at all by Dodd-Frank. Is that more or less correct, Mr. Wallison?

Mr. WALLISON. That is exactly right.

Mr. PEARCE. So this narrative that comes from our friends on the other side is probably completely bypassing the lynchpin of the entire problem, and yet we never hear that.

Lastly, the effect on the community banks. Community banks, in my opinion, were not greatly responsible for any of the problems—the subprime, the predatory practices—and yet they get the bulk

of the regulation under Dodd-Frank. Again, Mr. Wallison, I would like your comment on that.

Mr. WALLISON. Exactly. They are suffering much greater regulation than they need, and as a result of that additional regulation, they are not making the loans that local communities need and small businesses need.

Mr. PEARCE. Okay. I yield back.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from California, Mr. Sherman.

Mr. SHERMAN. Thank you. Mr. Chairman, the topic of this hearing is, are we more prosperous. I would point out that Dodd-Frank is just one of many things that have happened in the last few years.

The harm to our prosperity done by our current trade policy swamps any benefit that Dodd-Frank was intended to provide. And I don't think we will be as prosperous as we should be until we eliminate a trade policy which has given us the largest trade deficit in history.

Dodd-Frank gave an awful lot of power to the regulators, which they are not using. First, we had the Franken-Sherman amendment which dealt with credit rating agencies.

It continues to be the fact that if you are issuing a major debt instrument, you can decide which credit rating agency rates you, you can pay them a million bucks, and they have every reason to give you a good rating because you will be back to them with another issue or someone else will be back to them with a similar issue the next week.

So as long as credit rating agencies are rating dead issuances, we will have the same result that we would have in the American League if the home team got to select and pay the umpire.

We also were trying to pass a law that said we shouldn't have too-big-to-fail. We still have too-big-to-fail. The reason for that is the regulators under Dodd-Frank were given the authority but were not required to break up those that are too-big-to-fail. So the only way you don't have too-big-to-fail is if you are too-big-to-fail, you are too-big-to-exist.

But I only have one House cosponsor on that bill. Maybe we will pick up some more if any of my colleagues are listening to this. And of course, Bernie Sanders is, I believe, the only person on that bill in the Senate.

So to ask us whether we are more prosperous when we still have the debt instruments rated by a credit rating agency selected and paid by the issuer, while we still have too-big-to-fail and, in fact, they are bigger, the one thing that saves us from a meltdown this year is that we remember 2008, and nobody plays with matches for the first few years after they burn down their house.

So I think investors are going to be careful for a while. Maybe for another year or 2 years. And after that, if we give AAA to Alt-A, we will have this kind of meltdown.

Finally, on the CFPB, we on the Democratic side passed a bill which creates a single regulator. We may rue the day. I do not know who is going to win the next Presidential election, and we have a panel here who could advise us but they don't know either.

If a Democrat wins, Mr. Cordray may continue to be there. I know some Republican candidates who would appoint somebody to that position whose first act would be to repeal everything Mr. Cordray has done.

And if we have a panel of three or five, we—some of us are very sure that we will not lose the Presidential election, and Donald Trump is doing everything possible to help us.

But we could still lose the next Presidential election, so I think the CFPB got a good start because we guaranteed a Democrat would be in complete control. And now, having enjoyed that for a while and until we know who is winning the next election, it might be good to get a board in there that will reduce the swings to the left and the swings to the right that you would expect if there was just one person from one party appointed by one President.

Mr. Miller, do you have any comments for us?

Mr. MILLER. I commented on that at the last hearing. That is one of the potential downsides of having a single commissioner is that presumably that will change—a more dramatic change. But if you have a five-member commission, that can change pretty quickly too. The SEC and the CFTC are pretty much three-to-two all the time. You swap out one commissioner and you have it three-to-two the other way.

Mr. SHERMAN. Yes. But I have never seen the SEC change where they repeal all their existing regulations, or a big chunk of them, when a new Administration takes office. I hope I don't see that because we will win the Presidency.

And I yield back.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Virginia, Mr. Hurt.

Mr. HURT. Thank you, Mr. Chairman.

Mr. Chairman, I want to thank you for continuing to focus on this important issue 5 years post-Dodd-Frank.

I want to thank each of the witnesses for appearing and participating in today's hearing.

I represent Virginia's 5th District. It is a very rural district, mostly agricultural in nature. There is a lot of history—Jefferson's home and Madison's home are in the 5th District.

Main Street Virginia 5th District is a long way from Wall Street, and I think about this in the context of the big picture, which is that since the founding of our country, I think that all Americans, whether you live in the big city or you live in the rural areas, have benefitted from this marriage between free market principles, a robust free market, and a democratic republic as a political system.

And I think we have all benefitted from that across the country, and it has built the greatest economy—I think that we would all agree—the world has ever seen.

My question is really for all three of you. I would like to start with Mr. Miller, and then go to Mr. Wallison, and then finish up with Mr. Gramm.

But 5 years after Dodd-Frank we see the Federal Reserve Bank of Richmond reports now that 60 percent of all liabilities in our financial markets are either explicitly or implicitly backed by the

U.S. Government, backed by the U.S. taxpayer. And I guess my question for you all is, is that a good thing?

What is the current effect of that? What is the current effect of that in today's economy? And more important, what does it portend for the future of the American economy? And if you have time, how do we fix it?

That is a whole lot for just a couple of minutes, but maybe we could start with you, Mr. Miller.

Mr. MILLER. I have not seen that statistic or that study. I would certainly be interested in analyzing it. It is kind of hard for me to imagine that is the case, but I have heard a lot of statistics thrown around in the time that I was in Congress and since that, upon closer examination, there were asterisks that explained them.

Obviously, I don't think that 60 percent of assets should be guaranteed by the government. I said just a moment ago that I think the great mistake in responding to the financial crisis was not to take the financial institutions that were insolvent through an orderly receivership, come out of that—continue to maintain this—the economy's payment system, prevent disruption, which is possible to do, offload their suspicious—their suspect assets into something like the Resolution Trust Corporation, deal with those in a sensible way, which often would mean reducing the principal to try to make them payable rather than forcing people into foreclosure.

No. I think that the sensible thing during the financial crisis would have been, again, what has been the standard playbook of dealing with financial crises around the world—and they happen with surprising frequency—is to take banks through receivership.

Mr. HURT. Thank you, Mr. Miller.

Mr. Wallison?

Mr. WALLISON. Yes. Government does guarantee much of our financial market today, and I suppose the worst example of all is the Government-Sponsored Enterprises, which are not only regulated now by the government but also backed by the government. The result of that is that they can take much more risk.

And this is true of any institution that is backed by the government. It can take much more risk because people assume that they will not suffer any losses if they make loans to such an institution. And as long as that is happening, as long as we have institutions like that, we are going to have much more risk and much more failure in the economy.

Mr. HURT. Excellent. Thank you.

Mr. Gramm?

Mr. GRAMM. First of all, I don't doubt your number is right. The Federal Government backs loans to preempt the capital market. And I object to it not just because it puts the taxpayer at risk, but because it changes the order of the credit line and puts people at the front of the line who have low-priority uses for capital and pushes further down in the line people who have high-valued uses that would create jobs and growth and opportunity.

And if you look at the preemptions that are occurring with these Federal guarantees, they are in areas where the rate of return is low. Not to pick on wind power, but it is such a beautiful example. With the Federal guarantees and the subsidies, you can make

money generating electricity with wind by giving the power away practically for free.

Now, clearly that kind of incentive creates waste, inefficiency, and misallocation of capital, and you see it all through the capital market. So we go around the world advising all these underdeveloped countries, "Let the market system allocate capital," and yet we are not doing it.

Mr. HURT. Right.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from North Carolina, Mr. Pittenger.

Mr. PITTENGER. Thank you, Mr. Chairman.

And I thank each of you for being with us today.

In 1983, I started a business. I had an idea, and went to a banker in Dallas, Texas, at Mercantile Bank, and asked if he would loan me $150,000. And for some reason, he loaned me the money. He thought I had a good idea, and I think he thought I would pay it back.

It turned out to be a good idea. We had about 300 employees. It was a very successful company.

He got paid back ahead of schedule. The people we hired were a broad spectrum of America who came and enjoyed that business. I later sold it to my partner.

In later years, I started another company, a real estate investment business that I no longer own, and those raw land properties, undeveloped properties, are now being purchased by developers, and those developers have to go to private equity to find money because they can't go to the market. They can't go to the commercial lenders. They don't have access to that capital again.

What do you see, Senator Gramm, as the long-term implications? America became the great economic power we are today not because of the great government but because of real opportunity that people had to take an idea and build on that idea.

And that access to capital, as I had in 1983, isn't there today. I was on a bank board. We knew who to loan money to. We knew who was creditworthy, as you said, by character alone. And yet, you can't borrow money on that basis anymore.

If we are a country which was built because of those entrepreneurs, what is going to happen to the future of this country?

Mr. GRAMM. Basically, growth is not some kind of formula where you get a multiplier based on the government spending money. Growth comes from somebody who has a new idea, a new vision, a better product, a better way of doing things, and then they go to the capital market and the capital market is where these ideas, these dreams, get translated into reality.

I always said when I went to the old New York Stock Exchange that I thought I was standing on holy ground. When you look at what that institution and the capital market have done for mankind, you look at what it has done in the last 20 years in terms of people who were living on less than $1 a day, and when capitalism and markets started to grow, people started to prosper.

If we think we can remain the greatest country in the history of the world by giving up the system that made us the greatest country in the history of the world, I think we are fundamentally

wrong. And I think one of the reasons this recovery has failed so miserably is because of the expansion and the preemption of capital in these areas where we are subsidizing people to do things that would never be done on an economic basis. This increasing capital cost falls squarely on small business and the entrepreneur, and finally, we have a regulatory system that is now stifling the very functioning of the capital market—where you had a banker who had a good sense of what a good idea was, a good sense of people's character, and his job was to make good loans.

I never have understood how you make money by making loans that people don't pay back. I have never been able to do it. I have never worked at any place that could do it.

So I think we are in danger of getting away from the thing that made us great.

Finally, let me say that Britain is no longer a great country in terms of its ability to produce goods and services. I think it is below Belgium in the export of goods and services. But Britain is still a great country because it has a great banking system.

We let New York and Chicago, the hubs of our financial system, deteriorate at our own peril. We need to dominate the world in banking and finance. It is something we do well. It is a source of power. It ultimately is a source of military power. And I think we ought to be very concerned about it.

And this idea that all these people on Wall Street are a bunch of crooks—I worked for a big investment bank for 9 years, and I think I have about as good a sense for when people are proposing something as anybody else. I never heard anybody propose to do anything illegal. I never saw anybody set out to violate the law.

Now—

Chairman HENSARLING. The time of the gentleman—

Mr. GRAMM. Maybe they did and I didn't see it, but—

Mr. PITTENGER. Thank you, Mr. Chairman.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Kentucky, Mr. Barr, for 5 minutes.

Mr. BARR. Thank you, Mr. Chairman.

And thank you, to our witnesses here today.

I wanted to talk to you all a little bit about what I think everybody acknowledges was the core cause of the financial crisis: mortgages. You talked about that today.

Dodd-Frank has a number of titles that deal with issues extraneous to the core cause of the financial crisis, so let's get at what I think there is general consensus about the subprime mortgage crisis, which precipitated the economic collapse in 2008. Obviously, two of our panelists here make the case that government policy produced the subprime meltdown. One of the panelists here disagrees and says it was greed that caused subprime.

Can you elaborate a little bit on your differing positions on that? And let's start with Mr. Gramm.

Mr. GRAMM. Look, we set out in a law that in order to open a teller machine, much less acquire another bank or merge with another bank, you had to meet a test called CRA. And that basically boiled down to, as Alan Greenspan said in testimony before this

committee, "If you want to know the source of subprime lending, you need to go back and look at CRA." That is a direct quote.

And as bank mergers occurred, as bank growth occurred, the pressure to make CRA loans got bigger and bigger and bigger. We set out in law that Freddie and Fannie had to hold 25 percent of their whole portfolio in subprime loans, and then we increased it until when the wheels came off it was 57 cents out of every dollar.

We know now from the records of Freddie and Fannie that they knew they were taking huge risk in making these loans and guaranteeing these loans and holding this paper. We know that they told their superiors that they were taking big risks. And we know they struggled to meet their goals.

And what was the net result? As Peter has told the world in the most convincing terms, the net result was a huge volume of loans that had been made to people who either couldn't or wouldn't pay them back.

Mr. BARR. And just to follow up on your observation that the skin-in-the-game concept is actually a potential remedy to this—in other words, portfolio loans, risk retention—at least partial risk retention from mortgage originators. Contrast a policy like that to what the Administration is doing now to continue to incent taxpayers to bear that risk, and what is the difference between the originate-to-distribute model, where there is not an alignment of incentives between the mortgage originator and the borrower, where they sell to the government, versus a system in which mortgage originators retain the risk and the risk is on shareholders as opposed to taxpayers. Which is the better system?

Mr. GRAMM. Look, if mortgage lenders have to retain risk, they are not going to make a lot of the loans that were made. It wouldn't have happened.

Secondly, we are going back to exactly the same system that existed before. We are lowering downpayments; we are pushing CRA again; I don't doubt that we are going to move back to some kind of quota at Freddie and Fannie.

And look, I understand wanting loans to be made, wanting houses to be built, but if there is anything we know, it is that if you foresaw housing you are going to end up lowering home ownership, not raising it. That is what the financial crisis proves.

Mr. BARR. So to conclude, Senator—my time is expiring—what is the cause of subprime lending? Is it portfolio loans, where there is risk retention, or is it government policy that encourages originate-to-distribute, where the taxpayer is on the hook?

Mr. GRAMM. Look, some subprime lending would occur because people figure out that somebody would be a good risk. I am not against subprime lending, but I don't think the Federal Government ought to guarantee it. I think we ought to take a hard look at securitizing subprime loans with very low downpayments because of the inherent risk that it injects into the system.

Chairman HENSARLING. The time of the—

Mr. GRAMM. Why did we get where we were? There is no plausible explanation for it other than government mandates that mandated a bunch of loans that couldn't or wouldn't be paid—

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from—

Mr. GRAMM. I'm sorry. I took the whole time.

Chairman HENSARLING. The Chair now recognizes the gentleman from Connecticut, Mr. Himes.

Mr. HIMES. Thank you, Mr. Chairman.

And thank you all for being here. It is terrific to have the opportunity to chat with some people who have been so important to the last 15 years on this issue.

Reflecting on the title of the hearing, "Are We More Prosperous?" at some level that is a no-brainer. There is simply no question or no point of fact to suggest that we are not dramatically more prosperous as a country, in the aggregate, than we were 5 years ago—certainly than we were 7 years ago.

And by the way, this is not what we were promised. I was there when we started writing Dodd-Frank, and just as we started writing Dodd-Frank we were promised that, like the Affordable Care Act, this would be job-killing legislation. Frankly, everything we did was going to be job-killing.

Twelve million new jobs later and a fairly reasonable recovery, of course, we don't hear job-killing much. Now we hear the criticism that the recovery is not what it might have been, and Mr. Wallison and Senator Gramm are making that case fairly strongly here. It is not what it might have been.

They are arguing a hypothetical. They are arguing a counterfactual, which is always challenging to do, and not the strongest platform on which to criticize some work that was done.

We were also promised, of course, that credit markets would seize up and stop the critical function of providing credit to American households and businesses.

I did a little work. I am not going to go through it, but what you see up on the screen there is commercial and industrial loans up fairly dramatically in the last 5 year; venture capital investment up really quite dramatically in the last 5 years; total consumer credit up—actually concerningly up in the last 5 years; and, of course, the stock market there in the lower left is not exactly availability of credit but it is certainly a proxy for the confidence that our—that people have in our capital markets.

So we are left with the idea—and this is where I have some questions—that the recovery is not what it might have been.

Mr. Wallison, you say, "I believe all the new regulation added by Dodd-Frank is the primary reason for the slow growth that this country has experienced." And you open your testimony with a chart which shows that this recovery has been less strong than the average of the other 10 recoveries.

With all due respect, the economic analysis there—there was absolutely nothing even near average with the meltdown that we suffered in 2008, 2009. Fourth quarter 2008 GDP growth was at negative 8 percent annualized. We had not seen the kind of asset destruction that we saw.

Is there any reason, Mr. Wallison or Senator Gramm, why we should expect that the recovery from what we have come to call the Great Recession, acknowledging that it is probably the second-biggest economic dislocation we have seen in 100 years—is there any reason to believe that just basic analysis would suggest that maybe

it would be very much at the low end of the kinds of the recovery? Is there anything average about what happened in 2008 and 2009?

Mr. WALLISON. Yes. Actually, in my prepared statement you will see a study that was done of the 27 recoveries that we have had since the late 1800s done by 2 scholars, and what they showed was that in almost every case, the recovery is as fast as the decline that preceded it.

In three cases, that was not true. One was in the Great Depression. The second was in 1989 to 1991. And the third is this current recovery we have today.

The reason that I think you might assign to this is that when the government gets involved in trying to improve the economy in some way, creates more regulation, as they did during the Great Depression, as we did in 1989 to 1991, and as we have just done, we interfere with the natural return of the economy which usually occurs after a severe recession. So yes, there is a lot of history that is behind exactly what Senator Gramm and I have said.

Mr. HIMES. I have to respectfully disagree, and I think you yourself point out that actually in the Great Depression, which of course led to regulation which tamped down the cycle of boom and bust that we had seen prior to the 1930s—it was the 1933 and 1934 Acts and associated regulation that fairly dramatically changed the volatility in the business cycles in our economy—that I think also stands as counterpoint to this idea that it is government interference that causes this stuff.

But I am really taken by your statement: All the new regulation in Dodd-Frank is the primary reason for the slow growth this country has experienced.

I have asked the Fed that every time they have been there. They have pretty good economists. I have certainly read the economic literature.

Do you really believe—because no one else does, that I am aware of anyway—that Dodd-Frank is the primary reason, and it is not reduced aggregate demand, it is not uncertainty in Europe, it is not continued dislocation in the housing market? Dodd-Frank is the primary reason?

Mr. WALLISON. Here we have a Q.E. by the Fed, we have the ACA, the Affordable Care Act—

Mr. HIMES. Which is different than Dodd-Frank, right?

Mr. WALLISON. I am just talking about the three things in the last 5 years that are really significant activities by the government. Q.E. by the Fed hasn't substantially improved growth; Obamacare, the ACA, hasn't substantially improved growth. But if anything, both of those should have been stimulative.

The third is Dodd-Frank. And in that case, of course, we see what we have seen, which is very slow growth—historically slow growth.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Illinois, Mr. Hultgren.

Mr. HULTGREN. Thank you all so much for being here, especially Senator Gramm.

It is good to see you. As a 1996 Gramm-for-President delegate from Illinois, I appreciate your work and—

Mr. GRAMM. You were in a distinct group.

Mr. HULTGREN. And I'm very proud of that.

Five years after the passage of the Dodd-Frank Act, a cornerstone of President Obama's liberal economic agenda, this overreaching law has unquestionably made Americans worse off. We are now less financially independent and we are now increasingly subject to the demands of bureaucrats in Washington.

Dodd-Frank has nearly 400 rulemaking requirements. Only 235 of these rulemakings have been finalized.

At the same time, we are seeing community banks, the drivers of economic growth, continue to struggle under this crushing regulatory onslaught. We have 500 fewer community banks since the passage of Dodd-Frank. And with no end to regulations in sight I am fearful we will continue to see the big banks get bigger and the community banks be fewer.

At the same time, American workers are facing stagnant wages and reduced economic opportunities because of the failed economic policies and regulatory overreach of this Administration. No one should be celebrating an economy where growth is so weak, feeble, and slow that more than 17 million Americans are still unemployed or underemployed 6 years after the recession ended.

The Dodd-Frank Act has done nothing to create jobs in my home State of Illinois, where the unemployment rate stands at 5.9 percent.

Senator Gramm, I think everybody agrees that our Nation's community banks were not the cause of the financial crisis. However, I noticed in your testimony that community banks have hired 50 percent more compliance officers, while overall industry employment has expanded by only 5 percent, and I quote you there.

Are compliance costs such as these one of the reasons why we are continuing to see fewer and fewer community banks? And for the industry as a whole, what does this mean for financial services, innovation, and the ability of companies to focus on the evolving needs of their customers?

Mr. GRAMM. I don't think you can dispute the fact that a growing regulatory burden has induced banks to terminate their activity in various kinds of businesses. Consumer credit, commercial credit, and housing credit have fled the banking system.

New innovations still occur in finance but they occur outside the banking system. And so we have a huge banking system with all of its capital and with all of its talent that is basically being thwarted and is not being put to work, putting America's money to work, and putting America to work.

I think that is part of it, but I think it goes beyond that. I think that Dodd-Frank, by creating all of this regulatory power, has created uncertainty and fear in the business community which has induced people not to take risks that would have been productively undertaken in the absence of the situation.

It is not just that Dodd-Frank did bad things. Not everything in Dodd-Frank was bad.

But the problem is it gave so much discretionary power to regulators that now we are ruled by regulation. It is not you writing the law and them implementing it. For all practical purposes, they are the law.

And this is not the system that created the American miracle. And it is a dangerous system. I know it is your next hearing, but it is dangerous for freedom and democracy.

And I would just like to say to our Democrat colleagues, someday Republicans are going to win an election for President, I hope soon. And all of these things that were done by regulation can be undone. There is nothing permanent about this.

This Consumer Product Safety Commission has so much power that the new Director could in essence eliminate it by his own power and order. So it is just a bad way to make law.

We need to define what laws mean. We need to control regulators within the constraint of what you say.

And I think that is where Dodd-Frank got way off track. Part of it was community banks, for example, they weren't part of the problem, but the desire had always been there to have the government play a greater role, and so community banks that had nothing to do with the problem, hedge funds that had nothing to do with the problem, insurance companies that were in traditional lines of insurance that had nothing to do with the problem, money managers that were simply caught in a bankruptcy were not the cause of the problem, and yet they have all been brought under the grasp of the government. And in doing so, you have created tremendous inefficiency in the marketplace, in my opinion.

Chairman HENSARLING. The time of the gentleman has expired.

Mr. HULTGREN. I yield back.

Chairman HENSARLING. The Chair now recognizes the gentleman from Florida, Mr. Ross.

Mr. ROSS. Thank you, Mr. Chairman.

Yesterday, I endured something that I think many consumers in this country have endured as a result of Dodd-Frank, and that was going through a closing after I refinanced my house. I had done this years ago, had gone from a 15-year to a 30-year mortgage in an effort to fund my children's education—a cash loan, if you will. And I did. The oldest has graduated; the youngest is just about done.

So I decided to take advantage of the rates, as low as they have been. And before the Truth in Lending changes come about now in October, I wanted to get this done.

It was a grueling 2-month process. I met with my community banker, and the community bank has been in existence in my community since 1920. It has endured a lot.

But I was told that this has been probably one of the least expansive—in fact, they have shrunk their mortgage business significantly. One community bank will only write their own paper, and they will do so only on their terms, which is usually a balloon note that may be adjustable but it is outside Freddie and Fannie.

And for 2 months, we went through a process of disclosure, and disclosure, and ultimately did close. But it was an experience that I can't imagine that the general public can not only not endure but may not qualify.

And my banker told me, "The qualified mortgage rule is killing us. What did we do wrong to cause the proscriptive regulatory burden that we have on community banks?"

And so, Senator Gramm, I would just ask you, what did the community banks do wrong that led to this restrictive policy on them that I think has been an unintended consequence, to the detriment of the consumers out there who desperately need their capital not only for their businesses but for their children's educations and for their own livelihoods?

Mr. GRAMM. I think we all know that in any society, people have a political agenda.

Mr. ROSS. Right.

Mr. GRAMM. And since the turn of the century, the progressive political agenda has been to have government basically control the commanding heights of the economy. And when the financial crisis occurred and the people who had had this agenda for 100 years were in control of the government—

Mr. ROSS. They imposed it.

Mr. GRAMM. —they decided this was a crisis that shouldn't be wasted, and even if community banks had nothing to do with it, they could be improved by having government as a partner.

And so now, if you are unlucky enough to be designated one of the systemically important banks you have government bureaucrats embedded in your executive offices to report and advise. And it reminds me of the old Soviet system where you had political officers in every military unit and in every factory.

Mr. ROSS. Which we do. We now have more compliance officers than we have ever had.

Mr. GRAMM. So I don't know. Some people this doesn't bother, but it bothers me.

Mr. ROSS. And it bothers me, too. Let's take, for example, the payday lending industry. The CFPB has just come back down with some extensive regulations that are going to essentially put the payday lending business out of business. Now, banks don't want this. But we are not going to eliminate the demand for payday lending.

And in fact, what would be the consequences? Would they not have to go to Lenny the loan shark? There is still going to be a demand. Just because government thinks they can control the supply of capital doesn't mean they are going to be able to control the demand. Is that correct?

Mr. GRAMM. What has happened, of course, is that the regulatory burden and the uncertainty have basically caused bankers and other people in the financial sector and other parts of the economy that are affected to basically become very cautious.

Mr. ROSS. Yes.

Mr. GRAMM. And as a result of being very cautious, they don't want to make a mistake.

Mr. ROSS. And they are being very—

Mr. GRAMM. And to do something, you have to take action. And I think that is a big factor in this failed recovery.

Mr. ROSS. I agree.

Mr. GRAMM. And it is going to be difficult to fix. But I think a good starting point is to go back and look and see, what did we learn from the financial crisis, and try to fix the things that we learned were a problem and know after the fact, and the things that weren't part of it, let them operate.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Pennsylvania, Mr. Rothfus.

Mr. ROTHFUS. Thank you, Mr. Chairman.

I would like to talk a little bit about the concentration we see going on in the financial services industry.

Mr. Wallison, Senator Gramm testified that according to the FDIC, 1,341 banks have disappeared since 2010, and only 2 new banks have been chartered in the last 5 years. There seems to be no doubt that assets in the financial sector are becoming more concentrated in the Dodd-Frank era.

I am seeing it in Western Pennsylvania as institutions merge, and I also recall a conversation I had with a community bank where they had to have an individual, or a group of individuals, spend a cumulative 2,000 hours going through some CFPB regulations. Mind you, it wasn't this community bank that was responsible for the financial crisis.

The big banks are getting bigger and the small banks are becoming fewer. What does this mean for families and small businesses on Main Streets across America?

Mr. WALLISON. This is a very serious problem because these small businesses depend entirely on banks in order to find financing. And as we know, it is small businesses that provide most of the growth and most of the employment in our economy.

These small businesses cannot go to the capital markets, as larger businesses can, so they—their dependence on banks means that if we put more burdens on the banks and as a result of those burdens—these are small banks I am talking about—as a result of those burdens they cannot make as many loans as they could before, that means there will be less growth in our economy. It is as simple as that.

Mr. ROTHFUS. So you think there is a direct correlation between the regulatory burdens on our community banks and the ability of small businesses to receive capital and credit from community financial institutions?

Mr. WALLISON. Yes. That is the entire burden of my prepared testimony today. There is a relationship there.

Mr. ROTHFUS. I also wonder about the concentration of liabilities and what that means for systemic risk. Does industry consolidation as a result of what I call trickle-down government's higher relative regulatory burden on smaller institutions make the system more or less risky?

Mr. WALLISON. Yes. First, let me step back and say I have grave doubts about systemic risk coming from any single institution. The very, very largest banks—the $1 trillion banks—perhaps. But any bank smaller than that, the failure of such a bank would not, I think, cause systemic risk.

But is perfectly true that as these institutions get larger and larger, the losses that they would cause—not necessarily systemic, but the losses they would cause would be much more substantial if they were to fail. And so we are always better off—as any system is, including our own gene pool—if we have much more diversity in the gene pool.

Mr. ROTHFUS. And if we keep going down this road over the next 10, 20, 30 years, could we get to a point where we have far fewer banks in the country, far fewer community banks, and what does that mean for Main Street?

Mr. WALLISON. It is going to be disastrous if we have far fewer because it will be very hard for local businesses to get credit. And—

Mr. ROTHFUS. I just want to—

Mr. WALLISON. —under those circumstances, we would have much slower growth, as we have.

Mr. ROTHFUS. Senator Gramm, during consideration of the Dodd-Frank Act, there was a lot of talk about moving toward government-mandated plain vanilla credit products. Congress expressly rejected this approach in the final version of the bill, yet I am concerned that actions by regulators, particularly the CFPB, are instituting a plain vanilla approach in contravention of congressional intent.

What regulations do you think are moving us toward homogenized, plain vanilla credit allocation?

Mr. GRAMM. I am against credit allocation of any kind. I think it is very harmful to the economic system.

And at its root, many of the reforms of Dodd-Frank are about credit allocation, about getting government involved in determining who gets loans and who doesn't, who gets access to capital and who doesn't. And I think that is a very dangerous thing for government to be doing because it promotes inefficiency and it lowers the growth capacity in the economy.

Mr. ROTHFUS. If I could just quickly go to Mr. Miller, were you on this committee in 2003?

Mr. MILLER. I was.

Mr. ROTHFUS. Do you have any recollection of Barney Frank suggesting that the Federal Government was doing too little rather than too much in pushing Fannie and Freddie to meet affordable housing goals?

Mr. MILLER. He may have said the same thing that Mr. Wallison said. There was a great deal of criticism of Fannie and Freddie during that period that they were—

Mr. ROTHFUS. Do you remember Barney Frank, during the fall of 2003, saying he wanted to roll the dice?

Mr. MILLER. I do not recall that he said that. I do remember Mr. Wallison's column in American Banker that said the same thing.

Mr. ROTHFUS. Thank you.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Arizona, Mr. Schweikert.

Mr. SCHWEIKERT. Thank you, Mr. Chairman.

And, gentleman, I want to see if I can distill down part of this conversation. If we look back to late 2007–2008, ultimately do we all agree that as home prices moved against the markets, the securitized products had impairments, MBS began to turn negative in its value, and that created the cascade?

When we look at something like Dodd-Frank, was it floor plan, was it credit card securitization, automobile securitization? We have a bill that regulated huge portions of our financial sector, but

we constantly circle back here saying, "Okay, it was this portion of our mortgage market."

Have we done something, allowed something that is absolutely irrational on saying, "Here is the problem. Here is what we wanted to deal with. Here is what we wanted to improve. Oh, by the way, there is a grab-bag of desires that have been around this place for decades. There is a crisis. Let's load them in. Let's burden the financial markets up and down."

Was there a dramatically more elegant, simple solution to actually what went wrong? This is half statement and half question.

And the second side is you just said diversity in markets. Are we actually seeing a creativity, a diversity because of Dodd-Frank being forced to, we will say, alternative sectors. When I am reading article after article that Silicon Valley is now much of the future of financial markets, whether it be peer-to-peer type lending platforms, is that where the velocity of markets are going to come from?

Mr. Wallison, is diversity away from the traditional banking sector now?

Mr. WALLISON. That could actually be happening because I happen to think that banks intermediation is much more expensive than agency intermediation that is in the securities markets, and maybe more expensive than the intermediation that is occurring in the V-to-B kind of market. So, it is entirely possible that is true.

The cure for that is to, of course, allow banking organizations—not the banks themselves, which are insured; much of that is bank holding companies—to get into much more financial activities rather than freezing them, as current law does.

Mr. SCHWEIKERT. That would be a situation of my community bank could act as an aggregator, collect investors and put them out on a loan product, therefore there is no cascade threat to the rest of the banking system. If something goes wrong, it is those investors, not even that institution.

Mr. WALLISON. Yes.

Mr. SCHWEIKERT. Is that an easy way to phrase it?

Mr. WALLISON. That would be a good way to phrase it, yes.

Mr. SCHWEIKERT. Senator, if I were to look at a solution—let's live in a pretend world where Dodd-Frank did not exist. I am fixated on the concept that information would have been a much grander regulator of good practices.

In a previous life, I bought billions and billions and billions of dollars of agencies, some MBS, and my risk officer was someone who picked up the phone, called over to Moody's and said, "What was the rating on this?" instead of having flow of information from that securitization saying, "Hey, here is our impairment; here is our geographic distribution; here is"—is information ultimately a much more efficient solution to ever avoid such a event again?

Mr. GRAMM. I think the answer is "yes." I think the government helped promote the idea that a rating agency rating was all you needed; it protected you.

I don't think it should. I think a lender ought to be liable for their decisions no matter what a rating agency does.

Much of subprime credit and almost all subprime securitized paper was AAA rated. I don't think bankers should have been let off the hook for that.

I don't like the idea of banks settling and taking stockholder money. If somebody violated the law, convict them. Take them to court. Send them to jail.

I don't like the idea of taking out of somebody's pension fund because somebody did something wrong. I have never understood that.

Mr. SCHWEIKERT. In the last few seconds, because I know you are sort of a price theory allocation economist—Dodd-Frank, is it creating a massive distortion of where capital gets allocated and intense inefficiencies?

Mr. GRAMM. The net result was it did, and it was agenda-laden because it was not bipartisan. The advantage of bipartisan legislating is that both sides are forced to throw out their agenda.

Chairman HENSARLING. Tht time of the gentleman has expired.

The Chair now recognizes the gentleman from Colorado, Mr. Tipton.

Mr. TIPTON. Thank you, Mr. Chairman.

And I thank the panel for taking the time to be here.

This is an interesting conversation. I am just a small business guy, and I like to be able to look at actual outcomes.

Right now, we have a real unemployment rate—our colleagues have been putting up charts about the recovery of the American economy—real unemployment rate now of 10.6 percent. We are seeing $2 trillion in regulatory costs. We are seeing the lowest labor participation rate in 4 decades. And coming out of the rural part of America, we are seeing real challenges economically because it is access to capital issues.

And, Mr. Wallison, you were speaking to some of the challenges we are seeing with our community banks, and as we are seeing that pool of banks, that access to capital, shrink up, labeled that as "disastrous."

Would it be a good idea—and because I haven't heard anyone say no regulations, and I don't think that is coming from our side of the aisle; just sensible regulations—would it be a good idea really to be looking at cost-benefit analysis when we are looking at rules and regulations moving forward?

Mr. WALLISON. Sure. And there is a difference between the largest banks and the smallest banks in that, because the largest banks can handle a large amount of regulation because they have the staffs to do it; the smallest banks cannot. So if you are going to make regulations, you ought to taper them to the ability of the institution to handle the regulations.

Mr. TIPTON. When we are talking about having that tailored to actually the institutions, we just introduced out of our office the TAILOR Act for small community banks, and for credit unions, as well, to be able to have regulations that actually meet the risk portfolio, the size of the bank, to be able to have a sensible policy, to be able to create opportunity for the banks to be able to prosper, and still to make sure that they are secure. Does that sound like a good step in the right direction?

Mr. WALLISON. I think that is an excellent idea. I have some questions about whether the FDIC or the Comptroller of the Currency is going to be able to implement it, but we ought to get them to try to implement it.

These are agencies, especially the FDIC, which have never been able to come up with a truly risk-based insurance system, even though Congress has asked for it. You are asking them to make even more kinds of distinctions. Maybe if you push them, they will do it, but it is a great idea.

Mr. TIPTON. I appreciate that.

I would just like you to comment, maybe, as well—we continue to see and we have heard the comments that only 60 percent of Dodd-Frank has currently been implemented, and 40 percent is yet to come.

I think the chairman has probably adequately labeled this as a kind of mission creep, or stealth regulatory actions that are moving forward. Not knowing, as Senator Gramm had spoken to as well—creating that uncertainty in the marketplace, are we really actually helping to cripple the American economy in this recovery that is impacting our ability to be able to prosper?

Mr. WALLISON. Sure. There are two things that are operating here.

One is uncertainty. And at the very beginning when Dodd-Frank came down, uncertainty was the principal problem. But as the regulations started to come out, there were actual real costs that were imposed on institutions, keeping them from making financing available to the real economy, to the business economy, and reducing growth. It's as simple as that.

Mr. TIPTON. And is there a problem—and, Senator Gramm, you may want to speak to this as well—having unaccountability? The Federal Government wants to be able to have all financial institutions have accountability. I think that we have the empathy, certainly, with that.

But now we have a lot of institutions that are being established which are accountable to whom?

Mr. GRAMM. They are not accountable to anybody. In fact, the intention of the Consumer Financial Protection Bureau was to put it in the Fed so it had enshrined funding, and to deny the Fed any oversight ability over it whatsoever. They are the most isolated and protected government agency that I am aware of that has ever been created. If there has ever been a law that violated the separation of powers, that is it.

But that is not all of it. That is true in all of these other areas where regulators have in essence become little kings. They decide what the law says, and when it says it, and it creates tremendous uncertainty.

And when people are uncertain, they don't act. That is basically what is happening here.

And your point about the recovery or argument about the recovery—when is the last time you heard a candidate campaigning on "Happy days are here again?" Ronald Reagan did in 1984, "Morning in America." I don't hear anybody doing it today.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Texas, Mr. Williams.

Mr. WILLIAMS. Thank you, Chairman Hensarling.

And thanks to all the witnesses today, and to my good friend and our good friend from Texas, Senator Gramm. Thank you for being here.

I am a small business owner. I have been a small business owner for 44 years—a car dealer. And I can tell you, Main Street America is hurting.

I go back to $1 gasoline, I go back to 20 percent interest, I go back to 1988, go back to 9/11, and I have never seen the inability to get a quick recovery like I have with the inability to come back from this Obama economy. Small business is hurting.

And when you look at that, 400 new regulations, billions of dollars in crushing compliance costs, massive consolidation for smaller community financial institutions, and I could go on and on about the real effects of the disastrous laws we have talked about today.

In addition, we have an economy that, as we have talked about also, has created 12 million fewer jobs in the last 6½ years, the lowest labor participation rate in nearly 4 decades, and a national debt that stands over $18 trillion. Main Street America, again, I repeat, is not back.

Senator Gramm also mentioned the lack of new banks being created in the wake of the financial crisis. It has been long documented that in my home State of Texas, banks large and small are struggling just as much as anywhere in the country and we have the best economy in the country.

So my first question would be to you, Senator. You note in your testimony that Dodd-Frank was enacted 5 years ago. Only two new banks have been chartered in the United States. Later in your testimony you state that Dodd-Frank has undermined a vital condition required to put money in America back to work: legal and regulatory certainty.

Would I be correct in assuming that you would view these two phenomena—the almost total absence of new bank charters since Dodd-Frank became law, and the climate of legal and regulatory uncertainty created by Dodd-Frank—as closely related?

Mr. GRAMM. I don't think there is any doubt about the fact that we have a financial system now that is very much bogged down with uncertainty and overregulation. It is not uncommon for a small bank in a small town that is not part of any chain, that makes virtually no bad loans, that had nothing to do with the subprime crisis—it is not unusual for them to be audited five different times in a year.

So you figure they spend 2 weeks getting ready for the audit, and then they spend 2 weeks responding to the audit. And so all of a sudden you have 10 weeks—did I multiply that correctly? No. You have 20 weeks that are taken away from the job that they are supposed to do.

And they have a CRA audit, they have all of these audits, and it seems to me that first of all, they ought to be audited by one audit and it ought to go for everything. We are making life hard for these people and they are making life hard for America by not

making the loans we need to grow the economy. And it is just that simple. This is not a complicated problem.

Mr. WILLIAMS. And in the end, small business hurts. And I don't know how you would start a business today, with Dodd-Frank, with CFPB, with taxes. I don't know how you would get a loan. I don't know how a young person would get a loan to start a business.

So what about those considering chartering a new bank and the considerable efforts necessary to raise capital? To do so, isn't the regulatory apparatus constructed by Dodd-Frank a huge impediment?

Mr. GRAMM. I probably should not say this because I can't verify that it is true, but somebody sent me a memo this morning that the second bank which has been chartered under Dodd-Frank has opened this week. I think the name of it is the Bird in the Hand Bank. It is worth two in the bush.

And supposedly they have 10 employees, and they show up to open their business and they have 10 government bureaucrats who show up to tell them how to do their business.

Now look—it makes for a nice joke, but the plain truth is when a bank charter has no value, it tells you something is going on. We have vast parts of the American community, many minority communities, that are grossly underserved financially, that are underbanked, that don't have bank accounts. And we need more banks to open, but banks are not going—people are not going to invest capital if they can't earn profits and if they don't have certainty.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Maine, Mr. Poliquin.

Mr. POLIQUIN. Thank you, Mr. Chairman. I appreciate it very much.

And thank you, gentlemen, for being here. I appreciate it.

Now, all of us who have run or owned small businesses or family budgets know that we can't spend more money than we take in for long periods of time and borrow to make up the difference and survive. As a business owner myself, and as a former State treasurer up in Maine, I have also learned that high levels of public debt can be very damaging to an economy and job creation for a couple of reasons that we all know: It discourages business investment when the government can't get its fiscal house in order; and also the debt service payments—the interest payments on that rising debt chokes off the government's ability to fund roads and bridge repair, educate our kids, protect our environment, or defend our country.

Now, here in Washington—I am a freshman; I have been here for 7 months—I have learned that the folks here have been doing this for a very, very long period of time, and it has accelerated over the past 6½ years. So now, we have this $18 trillion national debt.

The interest payments—1 year on that debt is about $230 billion. That is almost twice what we spend in a year on veterans' benefits. And the CBO projects that in 10 years the interest on that debt will be $26 billion or thereabouts. We will exceed what we spend to defend our country.

We have folks who come before us, like Treasury Secretary Lew, say, "Well, that is no big deal because it only represents 3 percent of GDP." Now, on the second day I was here, the House of Rep-

resentatives passed H.R. 1, which requires the Federal Government to balance its books by way of a constitutional amendment requiring such.

So I would like to ask you, Dr. Gramm, what do you think of H.R. 1, about requiring a discipline here in Washington to balance our books and to start paying off our debt, and what advice would you give to the Senate?

Mr. GRAMM. First of all, let me say that what I worry about in the debt—of course, the debt held by the public has doubled in the last 7 years—is that we are paying $230 billion a year to service that debt when interest rates are practically zero. Some day in God's good time, we are going to have ordinary interest rates.

And when you go back and look at what ordinary interest rates have been in the post-war period, they have been about 5 percent on a 5-year Treasury note. If we were paying that interest cost today, the cost of servicing the debt would skyrocket and we would be spending as much money servicing the debt as we spend on Social Security.

So the problem with debt is that it is forever if you don't pay it off.

Mr. POLIQUIN. I assume, therefore—

Mr. GRAMM. So I think it is a very real problem and I think that we are going to end up in the not-too-distant future paying the price of this debt, and it is going to crowd out spending, and it is going to deny people services, and people are going to be unhappy about it.

Mr. POLIQUIN. Do you believe, therefore, Dr. Gramm, that it is a good idea for Washington to have an institutional discipline coded in our Constitution to balance the books every year?

Mr. GRAMM. If I could make one change in American government, I would want to require a balanced budget—

Mr. POLIQUIN. Thank you—

Mr. GRAMM. —the reason being then you have to choose. We could have—look, the two parties—people have different values and they put a different weight on different things, but if we really had to choose and we didn't have a choice except to pay our way, we would have a lot of bipartisanship because we would end up compromising and we would have democracy at its best. Now we don't have to choose.

Mr. POLIQUIN. Thank you, sir.

Mr. Miller, do you think that a balanced budget amendment to our Constitution is a good idea?

Mr. MILLER. I think Congress should do its job. The chairman, in his introduction of me, mentioned that I was the chairman of the Oversight Subcommittee for the Science Committee. We had a great many hearings designed to get at—

Mr. POLIQUIN. Do you think—

Mr. MILLER. Excuse me—designed to get at programs that were badly run and were spending too much money, and reducing 2 percent across-the-board is lazy, slovenly work on the part of Congress.

Mr. POLIQUIN. Do you think Washington, sir—

Mr. MILLER. Figure out—

Mr. POLIQUIN. Sir, do you—

Mr. MILLER. —what the government is spending money on. I know that is hard work, but it is really your job.

Mr. POLIQUIN. I am assuming, sir, that you do not think an institutional discipline to balance the budget in our Constitution is a good idea. Is that correct, sir?

Mr. MILLER. Why don't you do your job? Why don't you figure out what the government does—spends—

Chairman HENSARLING. The time of the gentleman has expired.

Mr. POLIQUIN. Thank you.

Chairman HENSARLING. The Chair now recognizes the gentlelady from Utah, Mrs. Love.

Mrs. LOVE. Thank you very much.

I just want you to know first of all, Senator Gramm, I have listened to your testimony and I have had to smile because I think that you have articulated so well the problems that we have had with Dodd-Frank.

I don't think anyone in this body is saying that we didn't have to address a financial crisis, but sometimes too much medicine is really bad also, and can actually hurt.

The one portion that I want to point out to you that I really appreciate was when you talked about people of value and rewarding people of value. And I want you to know, these are the people who took all the risks; these are the people who have been able to come in and been able to fix companies and do several things.

And although we know that there are always some bad players, I believe we need to do everything we can to make sure we give people as many opportunities as possible.

My parents—my father came here with very little money, just $10 in his pocket. And I want you to know that those are the people who actually gave him a chance.

Those people gave him three jobs, sometimes all at once, to make sure that they made ends meet, to the point where my dad was actually able to be a manager without having the education that he needed. He gathered the experience that he needed to become a manager and put three kids through school. And that is the American Dream.

So I thank you very much for bringing that up.

I would like to actually focus on the Volcker Rule and its impact. In your testimony you said that despite years of delay and hundreds of pages of new rules, no one knows what the Volcker Rule actually requires.

Mr. GRAMM. Not even Mr. Volcker.

Mrs. LOVE. As a matter of fact, as articulated by Paul Volcker himself, it was to stop large banks with large trading and derivative operations from gambling with taxpayer-backed deposits.

Given the enormous regulatory burdens being carried by small community banks, and the much-discussed impacts on credit availability, shouldn't banks with less than $10 billion in total assets, in your opinion, be explicitly exempt from the Volcker Rule?

Mr. GRAMM. Let me tell you what happened as observed it: Paul Volcker was the Chairman of the President's Economic Recovery Advisory Committee. They had never had a meeting.

Months, years were going by. Mr. Volcker was becoming unhappy. He started telling people he was unhappy.

And then he had this idea about proprietary trading and banks. Nobody was for it. The Democrats in Congress weren't for it.

But suddenly it became the be-all proposal even though nobody knew what it meant. And so now we have a proposal such that, despite years of study, and thousands of pages of regulations, nobody knows what it means.

And so what is happening is as we are really starting to implement it, at some point somebody is going to figure out what they think it means and then banks are going to have to comply with it. And I think it is going to have a very negative effect in terms of the ability of people to manage their capital.

And every time you limit a bank's ability to be efficient in using its capital, you are hurting the bank and you are hurting the bank's customers. And that is what I think is going to happen.

Mrs. LOVE. Okay. Do you have—I'm sorry—

Mr. GRAMM. I am not sure I have answered your question.

Mrs. LOVE. It is just that I am thinking about the Volcker Rule and the $10 billion in total assets, and also the implement that they have on the ILCs, the issues that the—that they have to deal with with the affiliates of the ILC.

I am looking at this Volcker Rule and I am looking at the unintended consequences and wondering what needs to be done so that we can provide some regulatory relief to the small banking agencies and also to the small bankers—sorry—and also to our ILCs, who are—pretty much can't do business with other companies because of the affiliates language in there.

Mr. GRAMM. Let me just quickly respond. I think a nice proposal would be to have the regulators write what they think is required by it, have it submitted to Congress, and if Congress didn't approve it, then that part of the law would be repealed.

Mrs. LOVE. Great idea.

I want to finish with this note: We are not talking about banks here, really. We are not even really talking about big banks—large banks, ILC.

We are talking about the American people and their ability to be able to get some credit so that they can achieve their dreams, and what we are doing to actually help that or stop that. And let's make sure that we are on the side of the American people.

Thank you.

Chairman HENSARLING. The time of the gentlelady has expired.

The Chair wishes to advise Members that the Chair intends to recognize two more Members and then we will adjourn. Currently, that will be Mr. Hill and Mr. Emmer.

The gentleman from Arkansas, Mr. Hill, is now recognized.

Mr. HILL. Thank you, Mr. Chairman.

It is certainly good to see you, Senator Gramm.

And my old friend, Peter Wallison, glad to have you back.

And, Congressman Miller, thank you for coming back to the committee.

I want to tell you that for certainly the past 17 years as an entrepreneur, prior to coming to Congress in January, I was one of those banks that Senator Gramm was referring to when he described the multi-examination cycle. And in the State securities department, the State insurance department, the Federal Reserve Bank of St.

Louis, the State banking department of Arkansas, the FDIC, the FINRA, the SEC Fort Worth, and I am not sure if I have left anybody out, I never had one of those agencies ever shirk their consumer protection obligation under Federal or State law, ever.

And from that point of view, I think one of the main titles of Dodd-Frank is the single most redundant—you say independent and unaccountable—agency ever created, and that is the CFPB. And I stand in awe that Congress would do that to itself. And I didn't—I left out the State's attorney general and the FTC in that process.

Peter Wallison, on the subject you laid out for the committee that in 2008, 50 percent of the mortgage market at that time at the peak was subprime, and that 78 percent of those were guaranteed by FHA or Fannie and Freddie, and yet Dodd-Frank completely ignores reforms in the mortgage market.

My experience as a banker during that crisis was that people were trying to sell us secondary-market instruments, privately issued, purely for CRA credit, and the spread on those securities were no greater than mortgages that we originated in our own portfolio.

So we had no risk spread premium for them allegedly being a subprime credit or CRA-type credit. I found that sort of amazing, as a banker at the time, and one reason why we just—there was no spread, there was no benefit to it. We didn't need the CRA credit, so we passed on it.

But it struck me that they wouldn't have existed if Fannie and Freddie had not reduced their own underwriting standards. And 20 years ago they were the gold standard of underwriting standards. They were the clearinghouse. Could you reflect more on that deterioration in the Federal Government's leadership in declining underwriting standards?

Mr. WALLISON. Yes. Up until 1992, Fannie and Freddie would only accept prime mortgages. In fact, they were known for that.

And a prime mortgage had a good credit rating for the borrower; it had a downpayment of 10 to 20 percent; it had a debt-to-income ratio of no more than 38 percent. That was the prime mortgage and that kept mortgage defaults in the United States somewhere below 1 percent on a regular basis.

But in 1992, the affordable housing goals were imposed on Fannie Mae and Freddie Mac and then raised over time from 30 percent to 56 percent. And during that period they had to reduce their underwriting standards in order to meet those goals.

So by 1995, Congressman, they were accepting mortgages with 3 percent downpayment. And by 2000, they were accepting mortgages with no downpayment at all.

That was all to meet the government quota.

Mr. HILL. You know what—

Mr. WALLISON. That is why we had so many mortgages in our financial system that were poor quality in 2008.

Mr. HILL. What frustrates me from a public policy point of view is that Congress was so eager in the Clinton and early Bush Administrations to boost home ownership rates at this huge cost to society and to the economy, and skewing capital markets. And yet, that increase was so modest it was almost microscopic. I think

today the news came out that it has fallen back to 63.3 percent or something like that, I think it was announced this morning.

But it never really—all that effort didn't produce the lasting economic benefits of sort of the pot of gold at the end of the rainbow. What do you think, looking on—studying—and Senator Gramm as well—what do you think sustainable home ownership rates are in our economy?

Mr. WALLISON. Let me just add something before Senator Gramm just briefly, and that is home ownership rates were 64 percent for 30 years between 1965 and 1995, so it looks like that is the natural rate of home ownership in this country.

Mr. HILL. Yes. Okay.

Senator Gramm?

Mr. GRAMM. Yes. Look, I think the way to promote home ownership is to promote jobs. If people have jobs, if they have a solid future, if they are confident in their future, they will be able to buy a home and they will be able to pay for it.

We are trying to create home ownership without people having to do the things you do that make it possible for you to own a home. So I think a jobs program is the best housing program, the best education program, the best nutrition program.

Mr. HILL. Thank you, Senator.

I yield back.

Mr. GRAMM. We need to get back to that.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Minnesota, Mr. Emmer.

Mr. EMMER. Thank you, Mr. Chairman.

And thanks to the panel, for a couple of extra minutes.

Mr. Wallison, I wanted to ask you a question, because many of our colleagues believe that deregulation played a large role in the economic collapse in 2008. I find the argument somewhat disingenuous since apparently the number of banking regulations in Title 12 of the Code of Federal Regulations actually increased by approximately 20 percent between 1997 and 2008.

In fact, in the 2 decades preceding the financial crisis of 2008, Congress gave Federal regulators broad new powers over banks, mortgage lenders, and other financial services firms through the Federal Deposit Insurance Corporation Improvement Act of 1991, the Home Ownership and Equity Protection Act of 1994, the 2001 Bank Secrecy Act amendments made by the USA PATRIOT Act, the Sarbanes-Oxley Act of 2002, and the Fair and Accurate Credit Transactions Act of 2003.

The question with that is, did deregulation of the financial industry play a large role in the economic collapse of 2008?

Mr. WALLISON. First of all, it didn't occur, so it couldn't have had any role in 2008. There was no deregulation before 2008. In fact, there was none throughout our economy except in finance.

In the financial area, there was no deregulation from the New Deal up until 2008. Every other area of the economy did very well with deregulation. We had a lot of growth, a lot of improvement in products and innovation, reduction in cost, and so forth, all because of deregulation.

But not in finance, which has been controlled by the government very carefully, and I am here—speaking here almost entirely of the banking system, which has been increasingly regulated all this time. And the Acts you refer to, FDICIA and FIRREA, were perfect examples of that.

Now, when people try to blame the financial crisis on deregulation, they point to Senator Gramm's Act, Gramm-Leach-Bliley, in the elimination of one part of the Glass-Steagall Act. That had no effect whatsoever on the financial crisis, which, as we know, was the result of mortgage meltdown, the housing system in this country coming apart because of a reduction in underwriting standards, which was induced, as I have said, by government activity.

So there was no deregulation and there is no reason to blame deregulation for the financial crisis.

Mr. EMMER. Senator Gramm, you were waving at me?

Mr. GRAMM. Let me just say, people assume that because I am the "Gramm" of Gramm-Leach-Bliley that somehow this is me. This is what I thought in 1999. Ninety members of the Senate voted for it. It was supported by President Clinton and every financial regulator in America, and it was the best judgment I had at that point. But if I thought that it was a mistake, I would say so.

I don't see any evidence that it was a mistake. If allowing banks and security companies to—insurance companies to affiliate through a financial services holding company where bank capital couldn't be put into those other areas—if that were a problem in causing the financial crisis the financial crisis would have start in—started in Europe where they never separated the things to begin with.

Mr. EMMER. Senator?

Mr. GRAMM. And I would add to your list one other thing.

Mr. EMMER. What is that?

Mr. GRAMM. When the Congressional Research Service did its outline of Gramm-Leach-Bliley it never used the word "deregulation" or "deregulates." The truth was it allowed the affiliation but it kept the same regulators regulating the same thing.

There isn't any evidence to substantiate the claim that there was this massive deregulation between 1980 and the financial crisis. It just won't hold water.

Mr. EMMER. Thank you.

I see that my time is quickly expiring so, Mr. Chairman, I will yield back.

Chairman HENSARLING. The time of the gentleman has expired. There are no other Members in the queue.

I would like to thank our witnesses for their testimony today.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

This hearing stands adjourned.

[Whereupon, at 1:09 p.m., the hearing was adjourned.]

APPENDIX

July 28, 2015

Written Testimony of Senator Phil Gramm Before the U.S. House of Representatives Committee on Financial Services

Washington, D.C.

July 28, 2015

It is a great honor and pleasure to be asked to testify today. I am especially honored to sit at the witness table with Peter Wallison and Congressman Brad Miller. Peter Wallison has been the strongest and clearest voice on the subprime crisis and has contributed more to our understanding of that problem than anyone.

Many of you know I have a long and deep relationship with your Chairman. Long ago and far away I taught him Money and Banking at Texas A&M, and as any old teacher would, I take great pride in the job he has done and the man he has become.

By any measure we are today experiencing the weakest recovery of a post-war era. Had this recovery simply matched the strength of the average of the other ten recoveries since World War II, 14.4 million more Americans would be working today and the average income of every man, woman and child in the country would be $6,042 higher. The incomes of the poor, middle income workers, women and minorities have fallen even during the recovery, an unprecedented event. All this economic carnage has occurred despite a doubling of the Federal debt and an

expansion of the Federal Reserve Bank balance sheet and the monetary base at rates never before witnessed.

Five years after the enactment of Dodd-Frank, the causes and effects of the failed recovery can be seen throughout the banking system. Monetary easing by the Fed has inflated bank reserves but has barely increased lending. Today banks hold an extraordinary $29 of reserves for every dollar they are required to hold. In the first quarter of 2015 banks actually deposited more money in the Fed ($65.1 billion) than they lent ($52.5 billion).

According to the FDIC, 1,341 commercial banks have disappeared since 2010, one each day in the first quarter of 2015. Remarkably, only two new banks have been chartered in the last five years. By comparison, in the quarter century prior to the financial crisis roughly 2,500 new banks were chartered. Even in the depths of the Great Depression of the 1930s, on average 19 banks a year were chartered.

As regulatory burden has exploded under Dodd Frank, community banks have hired 50% more compliance officers while overall industry employment has expanded by only 5% and is still below the pre-crisis level. Industrial, consumer and mortgage finance has continued to flee the banking system, as increasing regulatory burden has led almost half the banks to cut offerings of financial products and services. New financial services technology has continued to blossom, but it has been almost exclusively developed and implemented outside the banking system. As a result,

massive amounts of resources and talent in banks have been sidetracked rather than being employed to make loans and grow the economy.

Much of our slow growth is not just a product of mounting regulatory burden but of legislative and executive actions that have empowered regulators to set rules rather than implement rules set by Congress. Dodd-Frank has undermined a vital condition required to put money and America back to work -- legal and regulatory certainty.

To be fair to the Dodd-Frank Act, Congress has been more descriptive than proscriptive in banking laws for some time, and a certain amount of regulatory flexibility is necessary. But, in the Securities Exchange Act of 1934 and most subsequent banking law before Dodd-Frank, the powers granted to regulators by Congress were fairly limited and generally exercised through bipartisan commissions, where major decisions were debated and voted on in the clear light of day. Precedents and formal rules were knowable by the regulated. Also, regulators generally had to be responsive to Congress, which controlled their appropriations and possessed super majority confirmation powers. These checks and balances, while imperfect, did promote general consistency and predictability in federal regulatory policy.

The Dodd-Frank Act delegated far more discretionary power to financial regulators than had ever been granted before and undermined the checks and balances that

had historically marked the process. For example, the Consumer Financial Protection Bureau (CFPB) was structured with no bipartisan commission and automatic funding, which virtually eliminated any real ability for elected officials to check its policies. In the process, consistency and predictability were replaced by uncertainty and fear.

U.S. regulators are now imposing restrictions on financial institutions that were never contemplated by Congress and pushing international regulations on insurance companies and money market funds that Congress never authorized.

The Financial Stability Oversight Council (FSOC) was specifically empowered to override precedents and bipartisanship. Since FSOC meets in private and is made up exclusively of the sitting President's appointed allies, bipartisan input and sunshine -- the historic checks on regulatory abuse -- have been lost. In addition, since what constitutes a systemically important institution was never defined by Dodd-Frank, it has become whatever FSOC says it is. The systemically important designation of FSOC is now a sword hanging over the head of every major financial institution. Banks that have been designated have regulators embedded in their executive offices to monitor and advise, eerily reminiscent of the old political officers who were placed in every Soviet factory and military unit.

Despite years of delay and hundreds of pages of new rules, no one knows what the Volcker Rule requires—not even Paul Volcker.

Over the years the Federal Trade Commission and the courts had defined "unfair and deceptive", but when Dodd-Frank added "abusive" without defining it, financial institutions can now engage in activities that are not unfair or deceptive by long standing precedent and still be judged by the CFPB as being "abusive".

Then there is the "living will", a plan not of how banks will be run but how they would be liquidated if they failed. The Fed and the FDIC have almost total discretion in deciding whether the plan is acceptable and therefore whether to institute a variety of penalties, including the divestiture of assets. No other industry in the nation makes or publishes such plans, or expends management energy and board time on how to shut down their business. Their energy is rightly focused on how to build their business and the economy.

What does the stress test test? Not only does no one know, but the regulators see that as a virtue. The Fed's Vice Chairman has stated that giving banks a clear road map for compliance might make it "easier to game the test". But isn't the fact that compliance is easier when you know what the law says the whole point of the rule of law?

To limit abuse by its rulers, ancient Rome started the then-revolutionary practice of writing down the law and permitting citizens to go and read it. Under the Dodd-Frank Act, and numerous other actions taken during this Administration, regulatory

authority is so broad and so vague that the conditions of Roman law are no longer met in America. The rules are now whatever regulators say they are. This is the rule of government, not the rule of law.

Most criticism of Dodd-Frank focuses on the massive increase in regulatory burden it has imposed, but the most costly and dangerous effect of Dodd-Frank, ObamaCare and virtually every other legislative and regulatory action of this Administration is the uncertainty and arbitrary power it has created by the destruction of the rule of law. These policies are shackling economic growth but more importantly, they are imperiling our freedom.

Testimony of Brad Miller
House Committee on Financial Services
Hearing entitled "The Dodd-Frank Act Five Years Later: Are We More Prosperous?"
July 28, 2015

Good morning Chairman Hensarling, Ranking Member Waters and Members of the Committee. I'm Brad Miller. I served for an eventful decade as a member of this Committee.

I introduced legislation early in 2004 to prohibit predatory subprime mortgage lending. I endured the explanation by the industry and by their many allies on this Committee that I probably meant well, but subprime mortgages were the triumph of the innovation that comes from unfettered capitalism. From the industry, their allies on this Committee, and conservative commentators, not a discouraging word was heard about subprime mortgages. Dreary rules like those I proposed, they said, were relics from a distant time when the financial industry did not perfectly understand and manage risk, and would deny low-income and minority borrowers the dream of home ownership.

I have not heard that argument since September of 2008, when the Bush Administration came to Congress and said that if we did not act immediately, the world's financial system would collapse and what followed would make the Great Depression seem like a hiccup. But within days I heard another argument from the same people that I had never heard before. Liberals bullied innocent banks into giving foolish mortgages to low-income and minority borrowers. It was government, they said, that caused the crisis.

That argument has been demolished repeatedly by peer-reviewed, scholarly studies, but I did not believe that argument the first time I heard it because of my own experience and what I know of the law of evidence. When a witness's testimony is self-serving, the witness made "prior inconsistent statements" that were also self-serving at the time, and the witness cannot explain the inconsistency, you can decide not to believe a word the witness said.

Since then I may have disbelieved some things industry lobbyists said that were actually true. There's a reason that parents for centuries have told their children the story of "The Little Boy Who Called Wolf."

The Dodd-Frank Act is the response to the worst financial crisis and the worst economic downturn since the Great Depression. The Act includes a version of the home mortgage rules that I first introduced in 2004, and home mortgages are the nation's largest asset class. The Act created the Consumer Financial Protection Bureau to protect against other abusive practices, and to examine skeptically industry arguments that new lending practices that appear predatory to the uninitiated are really marvels of innovation. The Act requires banks to have more capital, and gives regulators more authority to require large financial institutions to

show that they won't bring the entire financial system down if they get in trouble and to make changes if they can't. Trading in derivatives is more transparent than it was before, although that is an unacceptably low bar.

Dodd-Frank was a compromise and reformers did not get all we wanted, but it was probably all that was possible at the time, given the industry's continued enormous clout in Washington, even while the industry stood in complete disrepute among the American people. We are better off, and more prosperous, than we would be without it.

But we have a financial system that still needs reform. The industry is too crooked, too large and takes too much of the economy at the expense of people trying to make an honest living. Instead of a smooth flow of money from savers to people who can put money to productive use, far too much money coagulates on Wall Street.

First, there has been no end to scandals: Pervasive misrepresentation of the mortgages that backed mortgage-backed securities, illegal foreclosures, manipulation of LIBOR and the other BORs, manipulation of electricity and other markets, manipulation of Treasury auctions, money laundering for drug cartels and genocidal regimes, rigging foreign exchange markets, and on and on.

According to a recent survey, almost half of financial industry professionals said they thought their competitors cheated, and 22 percent said they observed or had firsthand knowledge of misconduct at the workplace. Other findings suggest that many more probably saw the same conduct and had no problem with it.

According to a 2012 poll, 68 percent of Americans ***disagreed*** with the statement "In general, people on Wall Street are as honest and moral as other people."

William Dudley, head of the New York Fed and a Goldman Sachs alum, said last year that repeated scandals were not the work of a few bad apples but were the product of the culture of Wall Street, which is a threat to financial stability.

And some, to quote the Republican frontrunner, I assume are good people.

Second, the financial sector has more than doubled in size as a percentage of the economy since 1980. Largely because of the mergers during the crisis, which resembled a drunken couple holding each other up on the dance floor, on top of the deregulation of the nineties, including Gramm-Leach-Bliley, the biggest banks are even bigger. Some on this Committee have pointed to that consolidation as evidence that Dodd-Frank made the financial system less stable, but have not supported any legislation to break up the biggest banks. I introduced legislation that Sherrod Brown introduced in the Senate to break up the six biggest banks into at least 30 banks by capping the overall size. I do not recall any support for that proposal among the critics of Dodd-Frank. Others propose a modern requirement that

investment banks be separated from commercial banks, but again, with little support from critics of Dodd-Frank.

Instead, Congress repealed the provision of Dodd-Frank that required that the riskiest swaps be traded in a separately capitalized, "bankruptcy remote" subsidiary to protect taxpayer insured deposits and our economy's payment system.

Most of the debate about the size of the financial system has been about what happens when things go wrong, like London Whale trades. What happens when things go right is just as big a problem. When things go right, there is harm that often goes undetected, like a patient with a parasite who does not understand why he is always tired.

The Whale trades were in JPMorgan's "synthetic credit portfolio." Real credit is vital to the economy. Synthetic credit is a derivative that is a bet on whether a borrower defaults on a debt to someone else. The contribution to the economy of synthetic credit appears to approximately the same as the nutritional value of plastic fruit.

The financial reforms enacted by Congress in the New Deal showed urgency and imagination, and the economy grew by eight percent a year for the first four years of the Roosevelt Administration before the recession of 1937 and 1938. That will be hard to replicate. But the reforms ended frequent financial crises and created a steadily growing economy that lasted for well more than a generation and created widely shared prosperity. The prosperity extended to Americans who had been left out before. In 1930, per capita income in the South was 55 percent the national average. In 1960, it was 78 percent.

Yes, I want to avoid another financial crisis, but I also want an economy that grows and creates more prosperity for more Americans. To accomplish that, we still have work to do.

Statement before the House Financial Services Committee

The Dodd Frank Act Five Years Later: Are We More Prosperous?

Peter J. Wallison

Arthur F. Burns Fellow in Financial Policy Studies

American Enterprise Institute

July 28, 2015

The views expressed in this testimony are those of the author alone and do not necessarily represent those of the American Enterprise Institute.

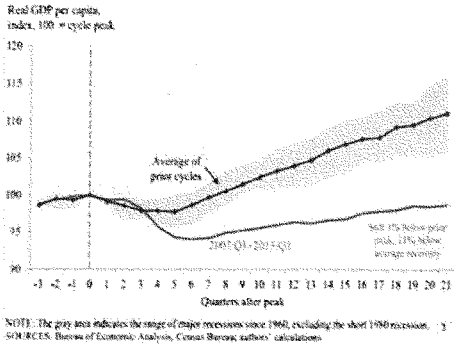
Chairman Jeb Hensarling, Ranking Member Waters and members of the Committee:

I am grateful for the opportunity to testify before this committee on the question: "The Dodd-Frank Act Five Years Later: Are We More Prosperous?" My name is Peter Wallison. I am the Arthur F. Burns Fellow in Financial Market Studies at the American Enterprise Institute. My testimony is my own and does not necessarily represent the views of AEI.

I am particularly delighted to be seated here with Phil Gramm, not only the teacher of the chairman of this committee but to my mind the greatest political economist ever to sit in the US Senate. He is sorely missed by everyone who recognizes the need today for pro-growth economic and financial policies. To be sure, there are great advocates for these policies in Congress today, but the knowledge and clarity of expression of Senator Gramm was and is unique. Although I like to have the opportunity to speak once in a while when I testify before congressional committees, I would happily cede all of my time to Phil Gramm. In that way, not only will the members of this committee be educated, but so will I.

Dodd-Frank became a law on July 21, 2010, and this testimony will use that date as the reference point for determining the economic effects of the act. On whether we are more prosperous since July 21, 2010, it is important to understand that the question of prosperity or economic growth is relative. There has certainly been economic growth since July 21, 2010. In that sense, we are more prosperous, but as Senator Gramm said in his written testimony: "Had this recovery simply matched the strength of the average of the other ten recoveries since World War II, 14.4 million more Americans would be working today and the average income of every man, woman and child in the country would be $6,042 higher."

Below is a chart, prepared by the Federal Reserve Bank of Dallas that encapsulates the point that Senator Gramm is making.



NOTE: The gray area indicates the range of major recessions since 1960, excluding the short 1980 recession.
SOURCES: Bureau of Economic Analysis, Census Bureau, authors' calculations.

As the chart shows, through the first quarter of 2013, there had been some economic growth, but far less than in a normal recovery. Since then, as we know, things have not improved substantially. A recent op-ed in the *Wall Street Journal* by Glenn Hubbard (former chair of the Council of Economic Advisers under George W. Bush) and Kevin Warsh (a former Governor of the Federal Reserve) in effect updates this chart: "Economic growth in real terms is averaging a meager 2.2% annual rate in the 23 quarters since the recession's trough in June 2009. The consensus forecast of about 1% growth for the first half of this year offers little solace."[1]

What's the problem?

I believe that all the new regulation added by the Dodd-Frank Act in 2010 is the primary reason for the slow growth this country has experienced since 2010. Later in this testimony, I will show that the new regulations imposed on banks—particularly small banks—has created a bifurcated economy. Large firms in the real economy, which can access the capital markets for financing, have been growing roughly in line with previous recoveries, but smaller firms that rely on banks for financing are growing far more slowly. Since most of the growth in the US economy, and especially in employment, comes from small firms, the economy is underperforming and will continue to underperform until the treatment of banks under Dodd-Frank Act is substantially modified or repealed.

A Cost-Benefit Analysis of Dodd-Frank's Additional Regulations on Banks

The relevant question about the efficacy of any new regulation such as the Dodd-Frank Act is always one of balancing costs and benefits. Regulation inevitably imposes costs, and placing additional costs on any business will virtually always reduce the system's productivity and growth hy diverting expenditures to regulatory compliance instead of greater production. In banking and finance, which rely heavily on human capital, it may be easier to measure at least one element of cost—the effect on hiring practices. If, in order to comply with a regulation, a bank has to hire a compliance officer rather than a loan officer, the bank will inevitably be less productive—it will make fewer loans for the same amount of revenue.

Looking simply at employment practices instead of other effects of regulation is a very simple idea, and it doesn't fully reflect all the costs of additional regulation. As Greg Ip recently wrote in the *Wall Street Journal*, "[N]o one knows the true costs or benefits of the blizzard of laws, rules and penalties imposed since the financial crisis…Unlike the rules governing pollution and automobile safety, the costs and benefits of big new financial rules are seldom rigorously quantified… The costs of financial regulation go beyond what banks and their shareholders must pay for more compliance personnel. By making credit more expensive and restricting supply, new regulation can ding growth, especially at times like the recent past when the Fed can't compensate by lowering interest rates, which are already near zero."[2]

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[1] Glenn Hubbard and Kevin Warsh, "How the U.S. Can Return to 4% Growth," *Wall Street Journal*, June 23, 2015.

[2] Greg Ip, "Missing in Financial Rules Debate: Hard Numbers," *The Wall Street Journal*, May 13, 2015.

Nevertheless, although we can't put a number on all the costs of more regulation, at least for the banking industry we can say that hiring practices shaped by additional regulation may be one way to measure some of the costs of the new regulation that came with the Dodd-Frank Act. I will assume in the discussion that follows that all the new regulations that have been imposed on banks have required them to add compliance officers instead of loan officers, and that this was one major cost of the Dodd-Frank Act. It added costs, but reduced the amount of lending. The next question is measuring the benefit.

Giving Congress its due, in enacting Dodd-Frank Congress was trying to achieve financial stability in the future through stricter regulation of the financial system. In doing so, I believe Congress misdiagnosed the financial crisis as the result of lax regulation of the private financial sector. In effect, it treated the symptoms rather than the disease. The symptoms were the weakness of private financial institutions as unprecedented numbers of mortgages defaulted in 2007 and 2008, but the disease was the government's housing policies, which—between 1992 and 2008—caused a drastic deterioration in residential mortgage underwriting standards. A single fact demonstrates the government's role in weakening the financial system: in 2008 more than half of all mortgages in the US—31 million loans—were subprime or otherwise weak and risky. And of these 31 million mortgages, 76 percent were on the books of government agencies. This shows, without question, that the government created the demand for these low quality mortgages.[3]

For purposes of this testimony, however, whether Congress was right or wrong in its diagnosis of the financial crisis is immaterial. Even if Congress was correct in its assessment of the causes of the crisis, we can evaluate whether the balance it struck between costs and benefits in the regulation of banks was correct. Here we can be reasonably sure that we know what benefit Congress was seeking. Because of its diagnosis of the crisis, Congress was seeking to create future stability in the financial system by imposing greater regulation on private sector financial firms, particularly banks. So the question is whether the stability Congress was hoping to achieve through additional regulation in Dodd-Frank outweighs the costs.

Before beginning this analysis, it is important to note that we cannot weigh all the costs of Dodd-Frank. We don't have the capacity to do that at this point. When Jamie Dimon, the chair of JPMorgan Chase, asked Ben Bernanke in 2011 whether "anyone bothered to study the cumulative effect of all these things," Bernanke replied, "I can't pretend that anybody really has. You know, it's just too complicated. We don't really have the quantitative tools to do that."[4]

Nevertheless, the fact that we can't quantify all the costs of Dodd-Frank does not mean that we can't assess at least one of them, and that is the cost of hiring compliance officers instead of loan officers. Compliance officers are necessary to meet the regulatory demands of the government; loan officers are necessary to increase lending or to sustain it at previous levels. To the extent that banks have to hire compliance officers instead of loan officers, they are inevitably reducing the amount of lending they will do.

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[3] For additional details, see Peter J. Wallison, *Hidden in Plain Sight: What Really Caused the World's Worst Financial Crisis and Why It Could Happen Again*, Encounter Books, 2015.

[4] Deal Book, "What Dimon Told Bernanke," *New York Times*, June 8, 2011.

A good place to assess the cost-benefit question underlying Dodd-Frank is the act's requirement that all bank holding companies with $50 billion in assets or more be considered systemically important financial institutions (SIFIs) and subjected to "stringent" regulation by the Fed. Among many other requirements, these banking organizations must also prepare living wills—detailing how they would be broken up if they fail—and participate in annual Fed-designed stress tests. These and other requirements add substantial additional costs to whatever "stringent" regulation entails. These substantial additional costs, even if only in the form of more compliance officers than loan officers, will mean that these banks will supply less credit to the real economy. If banks did not have to hire any compliance officers, all their new hires—if any—would be loan officers, which would generate more loans and hence more revenue and more economic growth for the real economy.

Do the benefits that Congress sought in imposing substantial new regulation on banking organizations with assets of $50 billion or more outweigh the costs? The benefit is added stability. With "stringent" regulation, stress tests and living wills, it is fair to assume that these banks will be less likely to fail in the future, and if they fail their failure will not be as disorderly as failures in the 2008 financial crisis. The cost is that these banking organizations will, through their subsidiary banks, be making less credit available to the real economy because they have been required to hire more compliance officers instead of loan officers.

The Federal Reserve's Flow of Funds accounts tells us that as of the end of the first quarter of 2015 the total financial assets in the US were $86 trillion, and total assets of private depository institutions were $17 trillion. $50 billion is .3% of 17 trillion. So the drafters of the Dodd-Frank Act believed that a banking organization with .3% of the assets of the entire banking business would cause the financial system to become unstable if it failed. A bank with $200 billion in assets would have 1.2% of total bank assets. Even a bank with $500 billion in assets has only a little over 3% of all bank assets. It seems completely implausible that in an economy with $85 trillion in financial assets and a banking system with $17 trillion in assets the failure of a $50 billion banking organization—or even a $200 billion or $500 billion bank—would cause any significant instability. Losses, yes. Instability in the whole financial system, no.

So it seems that Congress struck the wrong cost-benefit balance between economic growth and stability when it decided that any banking organization with assets of $50 billion or more ought to be subjected to costly new regulations in the interest of assuring the future stability of the financial system. This new regulatory burden imposes a high cost in the form of much slower growth—especially, as we will see, for businesses dependent on banks—with very little benefit in the form of additional stability. Senator Gramm described the high cost relative to benefits in the statement from his testimony that I quoted above. In that case, which assumed that Dodd-Frank had not been adopted at all, the cost came in the form of a slower economic recovery since the end of the 2009 recession than the average recoveries of the past.

We don't know how much additional growth we would have had if Dodd-Frank had drawn the SIFI line for banking organizations at the different place—say, at $500 billion or $1 trillion. Although we know that regulation has some cost, there is insufficient data available to draw any connection between a certain amount of new regulatory cost and a certain amount of reduced economic growth. But what we do know in the case of the special regulations imposed

on banks with more than $50 billion in assets up to as much as $500 billion is that we have bought more stability than we need at the cost of reduced economic growth.

The same is true for small banks, which have also been required to address many new regulations coming out of Dodd-Frank, especially in mortgage lending, debit and credit card activity and consumer lending. There has actually been some solid academic work on how regulation affects the employment practices and profitability of community banks—those with assets of less than *$50 million*. In 2013, three economists at the Federal Reserve Bank of Minneapolis actually looked at the effect of new regulations on these small institutions. They chose to model only the effects on bank hiring, although many other factors—risk-taking, legal liability, product costs—are affected by additional regulation. "[W]e find," they write, "that the median reduction in profitability for banks with less than $50 million is 14 basis points if they have to increase staff by one half of a person; the reduction is 45 basis points if they increase staffing by two employees. The former increase in staff leads an additional 6 percent of banks this size to become unprofitable, while the latter increase leads an additional 33 percent to become unprofitable."[5]

Although community banks with less than $50 million in assets are of course much smaller and simpler than banks with $50 billion in assets, the point is the same if we are talking about the effect of regulations on hiring practices. If a banking organization larger than $50 billion has to hire additional compliance officers in order to meet its new stringent regulation, living will and stress test requirements, its profitability will also be reduced, a certain number of those banking organizations will then become vulnerable to failure, and all of them will reduce the amount of credit they provide because relatively more of their human capital is engaged in compliance rather than sales.

In March, 2014, for example, JPMorgan Chase, the largest US banking organization, cut back its projections for the coming year, saying that its trading profits and return on equity would be down. It noted that it would also add 3000 new compliance employees, on top of the 7000 it added the year before. But the total number of employees of the banking organization were expected to fall by 5000 in the coming year.[6] Absent the regulatory imperative, the bank might have cut 8000 employees instead of 5000, thus cutting its costs somewhat further, or it might have added 3000 new loan officers instead of compliance officers to increase its revenues. But with the regulatory imperative it faced, even a large banking organization that is experiencing a decline in profitability had to increase its hiring of compliance officials and cut employees from its profit-making activities. What we are seeing, then, is a clear case—even at the level of the largest banking organizations—of compliance costs substituted for the personnel that are normally the sources of revenue and profit.

Are There Other Explanations for the Slow Recovery?

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[5] Ron J. Feldman, Jason Schmidt, Ken Heinecke, "Quantifying the Costs of Additional Regulation on Community Banks," Federal Reserve Bank of Minnesota, May 30, 2013, p2.

[6] Dan Fitzpatrick, "J.P. Morgan Dims Its Light on 2014," *Wall Street Journal*, February 26, 2014.

Defenders of Dodd-Frank sometimes argue that a slow recovery is typical after financial crises, but recent scholarship casts doubt on this explanation. Michael Bordo and Joseph Haubrich studied 27 recession-recovery cycles since 1882 and concluded: "Our analysis of the data shows that steep expansions tend to follow deep contractions, though this depends heavily on when the recovery is measured. In contrast to much conventional wisdom, the stylized fact that deep contractions breed strong recoveries is *particularly true* when there is a financial crisis."[7] [emphasis added]

Bordo and Haubrich find only three exceptions to this pattern; in these cycles, the recoveries did not match the speed of the downturns. The three were the Depression of the 1930s, the 1990 recession that ended in March 1991, and the most recent recession, which ended in June 2009. What do these three exceptions have in common?

In each case, the government's intervention in the financial system was unusual and extensive. During the Depression Era the Hoover and Roosevelt administrations tried many ways to arrest the slide in the economy, all without success. Hoover was an inveterate activist in all things, and Franklin Roosevelt believed in constant experimentation until something worked. Neither of them seemed to have a consistent theory about what brought on the economic downturn or how to address it. Under President Hoover, Congress passed the Smoot-Hawley Tariff Act, and the Emergency Relief and Reconstruction Act, and established the Reconstruction Finance Corporation. Under Roosevelt, the US went off the gold standard, established a deposit insurance system and a federal regulatory system for state-chartered banks; Congress adopted the National Recovery Act, the Emergency Banking Act, Emergency Farm Mortgage Act, the Securities Act, the Securities & Exchange Act and the Farm Credit Act. Other major laws with financial implications were the National Industrial Recovery Act and the Agriculture Adjustment Act (both of which were eventually declared unconstitutional by the Supreme Court). This enormous flurry of activity, however, while popular with the American people, did not produce a recovery until the nation geared up for war at the end of the 1930s.

In addition, the Pecora hearings of the early Roosevelt administration, propagated the idea that banks' securities activities had caused the crisis; this is uncannily similar to the narrative that produced the Dodd-Frank Act, which blamed the financial crisis on insufficient regulation of the financial system and greed and recklessness on Wall Street. The Pecora hearings resulted in the Glass-Stegall Act, which separated securities and banking activities. Whether or not that was harmful can be debated, but the wholesale revision of financial structures it entailed probably constricted credit and market confidence in the years that followed.

The recession in 1990 and early 1991 came after the collapse of the S&L industry in the late 1980s and the failure of almost 1600 banks during the same period. Both were blamed on insufficient regulatory authority or lax enforcement—again like the narrative that supported the

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[7] Michael D. Bordo and Joseph G. Haubrich, "Deep Recession, Fast Recoveries, and Financial Crises: Evidence From the QAmerican Record," Working Paper 18194, National Bureau of Economic Research, June 2012, p2.

Dodd-Frank Act—and produced the Financial Institutions Recovery, Reform and Enforcement Act (FIRREA) in 1989 and the FDIC Improvement Act (FDICIA) in 1991.

These laws increased the regulatory authority of federal bank regulators, and under pressure from Congress and the public they cracked down on depository institutions, causing a credit crunch and what was called a "jobless recovery" in 1991. As one observer put it, the Comptroller of the Currency "had softened regulatory policies on banks early in his tenure, helping fuel excessive real estate lending by banks. By mid-1990 and early 1991, the regulatory attitudes had apparently changed: "Bank examiners became too restrictive, helping to create a near credit crunch."[8] In addition, the first set of Basel risk-based capital rules were adopted in 1988 and were gradually phased in at this time, requiring banks to re-compute their capital positions and in many cases required them to increase their capital.

Thus, there is historical evidence that the slow recovery from the 2008 financial crisis is due in part—maybe primarily—to the fact that the Dodd-Frank Act was adopted shortly after the crisis. Instead of allowing the economy and the financial system to heal naturally, it introduced constraints, costs and uncertainties that have interfered with the natural course of the recovery. Moreover, like the Pecora hearings, Dodd-Frank was based on the idea that the private sector was to blame for the crisis and thus sought to punish the very entities that were necessary to finance a recovery.

The idea that a post-recession series of actions can in fact slow an economic recovery receives added weight from a recent book by James Grant called *The Forgotten Depression*. Grant traces the sharp downturn and the following sharp recovery in 1920 and 1921. The downturn in 1920 was severe. "Just how severe," writes Grant, "is a question yet to be settled…Official data as well as contemporary comment paint a grim picture. Thus, the nation's output in 1920-21 suffered a decline of 23.9 percent in nominal terms, 8.7 percent in inflation-(or deflation)-adjusted terms. From cyclical peak to trough, producer prices fell by 40.8 percent. Maximum unemployment ranged between two million and six million persons…out of a nonagricultural labor force of 31.5 million. At the high end of six million, this would imply a rate of joblessness of 19 percent." [9]

But the government did nothing. President Wilson had suffered a second severe stroke in October 1919, and was partially paralyzed, although this fact was withheld by the White House. What little energy Wilson had through the election year of 1920 was reserved for the fight over the League of Nations. The Republican Harding administration, which followed, did nothing either, says Grant. "The successive administrations of Woodrow Wilson and Warren G. Harding met the downturn by seeming to ignore it—or by implementing policies that an average 21st century economist would judge disastrous. Confronted with plunging prices, incomes and

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[8] Alan Gart, *Regulation, Deregulation, Reregulation: the Future of the Banking, Insurance, and Securities Industries.* New York: John Wiley & Sons. 1994. p 163.

[9] James Grant, *The Forgotten Depression: 1921: The Crash That Cured Itself.* Simon & Schuster, 2014. p4 8

employment, the government balanced the budget and, through the newly instituted Federal Reserve, raised interest rates…Yet by late 1921, a powerful, job-filled recovery was under way. This is the story of America's last governmentally unmedicated depression."[10] Needless to say, there was no new regulation, and the economy recovered quickly.

This is not to say that a laissez-faire policy is always best,[11] but simply that adding new regulatory activity after a severe recession seems to slow a rapid return of economic growth, and that certainly seems to be borne out by the examples cited above.

It is of course possible that the 2008 financial crisis and the ensuing recession were such shocks to the economic system that they have caused a secular change in the performance of the US economy—a "new normal" of slow growth and declining living standards for the middle class. However, it is far more likely that government policies are responsible for these conditions, and if we look for the policies that could have had the greatest effect on the economy since the financial crisis, there have been only three—the Affordable Care Act, the Fed's historically low interest rates, and the Dodd-Frank Act. Neither the ACA nor low interest rates should have had a repressive effect on new business formation; quite the contrary. Nor should either of them significantly suppress capital investment—again, it's more likely that they've both had stimulative effects. So that leaves Dodd-Frank as the most likely cause of the slow-growth economy we have been experiencing.

Finally, quite apart from the fact that Dodd-Frank has probably slowed the recovery from the financial crisis and the ensuing recession through adding excessive regulatory costs, it is important to note that it has also added regulations that impose major costs but which have little or no relationship with the financial crisis. In a 2014 study, the American Action Forum showed that three requirements in the Dodd-Frank Act, the pay ratio rule, the Conflict Minerals provisions and the Volcker Rule totaled more than $10 billion in costs for financial firms, but none has been shown to be a cause of the crisis.[12] For the reasons outlined earlier, these costs are reducing the availability of credit and slowing economic growth for reasons of social justice or the placation of a special interests, not because they were deemed necessary to address the financial crisis. In the case of the Volcker Rule, as discussed later, it may be the eventual cause of another financial crisis by reducing liquidity in the financial markets. In this case, the eagerness of Congress to impose more restrictions on the financial system than were warranted by its own misdiagnosis of what happened in 2008 may have planted the seeds for a future crisis.

How Dodd-Frank has Slowed Economic Growth

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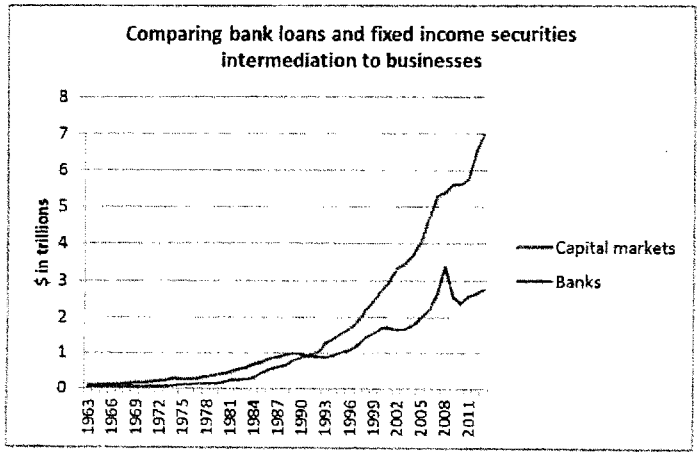
[10] Id., p 1

[11] See, however, Murray Rothbard, *America's Great Depression*, Nash Publishing, 1963, p 167: "If government wishes to alleviate, rather than aggravate, a depression, its only valid course is laissez-faire—to leave the economy alone. Only if there is not interference, direct or threatened, with prices, wage rates, and business liquidation will the necessary adjustment proceed with smooth dispatch. Any propping up of shaky positions postpones liquidation and aggravates unsound conditions."

[12] Andy Winkler, Ben Gitis, Sam Batkins, "Dodd-Frank at 54: More Regulation, More Regulators, and a Sluggish Housing Market," American Action Forum, July 15, 2014. http://americanactionforum.org/research/dodd-frank-at-4-more-regulation-more-regulators-and-a-sluggish-housing-mark.

If excessive regulatory costs have slowed the recovery from the financial crisis, they will continue to slow economic growth until they are reduced or eliminated. In the balance of this testimony, I will focus on the additional regulatory costs imposed on banking organizations, especially small banks, because I think there is a strong case that reducing credit availability from banks is having a particularly adverse effect on small business, which in turn is the principal source of growth and employment in the US economy.

The most important factor in this analysis is the dependence of small and medium sized businesses on bank lending. Larger businesses have access to other sources of credit, primarily through the capital markets. Firms that have registered their securities with the SEC are able to sell bonds, notes and short-term paper in the capital markets—normally a less expensive and easier process than borrowing from a bank. The chart below shows that since the mid-1980s the capital markets have outcompeted the banking industry as a source of credit for business corporations.[13] This popular alternative means of financing, however, is not available to small or medium sized businesses, because they are not generally owned by public shareholders and do not report their financial results to the SEC. Accordingly, they are more dependent on bank financing than larger firms. Greater and more costly regulation of banks, then, would inevitably cause either an increase in the cost of bank credit, a reduction in its availability, or both, to these smaller firms.



[13] There are several reasons for this. Agency intermediation is more efficient than the principal intermediation of banks; banks are more heavily regulated than broker-dealers, mutual funds and other participants in the capital markets and are thus have higher costs: and technological advances in information distribution have made it easy for firms to communicate their financial position directly to analysts and investors, so banks have lost their special position as the repositories of the best financial information about companies. The trend toward capitali markets financing has caused a backlash from bank regulators, who now want to use the Dodd-Frank Act to regulate the capital markets—what they call the "shadow banking system."

Source: Fed Flow of Funds

A second factor causing difficulties for small banks in particular is the narrative underlying the Dodd-Frank Act—that the financial crisis was caused by insufficient regulation of banks and other financial firms. Solid academic work by my AEI colleague Paul Kupiec and two others has shown that when the regulators were said to have been lax, that is followed by more intrusive activity by bank examiners, and this reduces the amount of lending. "[S]upervisory restrictions," they report, "have a negative impact on bank loan growth after controlling for the impact of monetary policy, bank capital and liquidity conditions and any voluntary reduction in lending triggered by weak legacy loan portfolio performance or other bank losses."[14] This analysis received confirmation from Fed Governor Duke in testimony to Congress in February 2010, "Some banks may be overly conservative in their small business lending because of concerns that they will be subject to criticism from their examiners...some potentially profitable loans to creditworthy small businesses may have been lost because of these concerns, particularly on the part of small banks."[15]

Finally, the new and more costly regulation imposed by Dodd-Frank appears to have stalled the formation of new banks, which in turn has also affected the availability of credit for the small and medium-sized businesses that are dependent on bank lending. A Federal Reserve Bank of Richmond report in March 2015 notes that "The rate of new-bank formation has fallen from an average of about 100 per year since 1990 to an average of about three per year since 2010." Trying to assess the reasons for this sharp decline, the report continued, "Banking scholars ...have found that new entries are more likely when there are fewer regulatory restrictions. After the financial crisis, the number of new banking regulations increased with the passage of legislation such as the Dodd-Frank Act. Such regulations may be particularly burdensome for small banks that are just getting started."[16]

The authors suggest other possible causes, but the fact that the decline became so severe in 2010, the year of the enactment of Dodd-Frank, is strong evidence that the new requirements in the act—which have been cited again and again by small banks since 2010—are responsible. In any event, the decline in new banks caused an overall decline of 800 in the total number of small independent banks between 2007 and 2013. This would have had a disproportionate effect on small business and account in part for the failure of the economy to gain any momentum since the enactment of Dodd-Frank.

Another 2015 study ties the decline of community banks even more closely to the Dodd-Frank Act: "[C]ommunity banks' share of U.S. banking assets and lending markets has fallen from over 40 percent in 1994 to around 20 percent today. Interestingly, we find that community banks emerged from the financial crisis with a market share 6 percent lower, but since the second quarter of 2010—around the time of the passage of the Dodd-Frank Act—their share of

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[14] Paul Kupiec, Yan Lee and Claire Rosenfeld, in "Does Bank Supervision Impact Bank Loan Growth?", draft of May 7, 2015, p1.

[15] Quoted in Kupiec, note 16, p3

[16] Roisin McCord, Edward Simpson Prescott, and Tim Sablik, "Explaining the Decline in the Number of Banks since the Great Recession," Economic Brief, Federal Reserve Bank of Richmond, March 2015.

commercial banking assets has declined at a rate almost double that between the second quarter of 2006 and 2010. Particularly troubling is community banks' declining market share in several key lending markets, their decline in small business lending volume and the disproportionate losses being realized by particularly small community banks."[17]

If these factors are indeed adversely affecting banks and thus small business, we should see a difference in growth rates between small business and larger businesses since 2010, when the Dodd-Frank Act was adopted. A recent paper shows exactly that kind of disproportionate effect on small and medium size businesses.

In a Goldman Sachs report published in April 2015, and titled "The Two-Speed Economy," the authors posit that new banking regulations have made bank credit both more expensive and less available. "This affects small firms disproportionately because they largely lack alternative sources of finance, whereas large firms have been able to shift to less-expensive public market financing."[18] But banking regulation was not the only regulation that had an effect on small business: "While banking regulation has played a key role, regulation outside of banking has also raised the fixed costs of doing business." These costs fall most heavily on small firms because larger firms can more easily cope with the fixed costs imposed by regulation.

Using IRS data, the Goldman study finds that large firms—those with $50 million or more in revenue annually, have been growing revenue at a compounded annual rate of 8 percent, while firms with less than $50 million in revenue have been growing revenue at an average of only 2 percent compounded annually. Using Census data, Goldman found that "firms with more than 500 employees grew by roughly 42,000 per month between 2010 and 2012, exceeding the best historical performance over the prior four recoveries. In contrast, jobs at firms with fewer than 500 employees declined by nearly 700 per month over the same timeframe, whereas this figure had grown by roughly 54,000 per month on average over the prior four recoveries."[19]

This accounts for the dearth of new business formations. Small firms are simply unable to get the credit that used to be available to small business and small business start-ups, and the credit that they can get is more expensive. This would also have a disproportionate effect on employment in the recovery, because small business is the principal source of new employment growth in the US economy.

The Goldman paper then turns to the lack of capital investment, and also finds the source of that in financial regulation. "Even as large firms experience a relatively robust recovery, they appear to be investing less than we would expect given their historically high profit margins, and investing with a bias toward shorter term projects; this dynamic may be playing out because large firms are facing less competition from smaller firms. Investments in intellectual property,

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[17] Marshall Lux and Robert Greene, "The State and Fate of Community Banking," *M-R Associate Working Paper Series*, No. 37, Mossavar-Rahmani Center for Business and Government, Harvard Kennedy School, February 2015, p1

[18] Goldman Sachs, "The two-speed economy," April 2015.p3 http://www.goldmansachs.com/our-thinking/public-policy/regulatory-reform/2-speed-economy-report.pdf.

[19] Id., p8

for example, are tracking nearly five percentage points below even the low end of the historical experience and more than 20 percentage points below the historical average."[20]

Finally, the Goldman paper expresses concern that this is not necessarily a temporary phenomenon: "Taken together, the reduced competitiveness of small firms and the changing investment decisions of larger ones are reshaping the competitive structure of the US economy in ways that are likely to reverberate well into the future, and in ways that any future evaluation of the aggregate effects of post-crisis regulations should consider."[21]

It would be hard to find a better way to express the dangers of leaving the Dodd-Frank Act in place without serious reforms.

Dodd-Frank, the Volcker Rule and the Danger of another Financial Crisis

Any policy that reduces market liquidity should be worrisome for this country, given the experience of the financial crisis. More than anything else, the crisis was a liquidity crisis, not a solvency crisis. When Lehman Brothers was allowed to fail, liquidity in the market dried up, meaning that firms that wanted to sell securities to raise cash were not able to do so. We don't know what lies before us, and what event or events could cause many investors to seek to liquidate their holdings of fixed income securities, but what is clear is that if the market does not have the liquid resources to buy these securities their prices will drop precipitously. The securities "fire sales" that regulators say they are worried about will become a reality. The irony is that it is the laws and regulations that Congress has put in place through the Dodd-Frank Act that will cause the crisis.

Chief among these is The Volcker Rule, which forbids banks or their affiliates to engage in proprietary trading of debt securities. Although it was justified by the claim that banks were taking risks with insured deposits, this was truly an absurd idea. The riskiest thing that banks do with their insured deposits is make loans. Trading securities in a liquid market is far less risky than giving a borrower a substantial amount of money in the hope of eventual repayment. Before the Volcker rule, banks were active in making markets in debt securities by standing ready to buy or sell these securities . It is very difficult to tell the difference between making a market—that is, buying and selling for your own account—and proprietary trading. As a result, banks have begun to reduce their market-making activities, leaving the market for all securities with far less liquidity than it had before the Volcker rule was adopted. Some large banks have simply disbanded their bond-trading groups.

This has substantially reduced the amount of capital and liquidity available to the debt markets. The lack of liquidity has almost certainly increased the buy-sell spreads in the debt markets and the costs of buyers, sellers and investors who trade in fixed income securities. It is now much more difficult to sell a fixed income security and thus much more risky to buy one. As reported on May 20, 2015 in the *Wall Street Journal*,

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[20] Id., p3
[21] Ibid.

> Talk to almost any banker, investor or hedge-fund manager today and one topic is likely to dominate the conversation. It isn't Greece, or the U.S. economy, or China…It is the lack of liquidity in the markets and what this might mean for the world economy—and their businesses. Market veterans say they have never experienced anything like it. Banks have become so reluctant to make markets that it has become hard to execute large trades even in the vast foreign-exchange and government bond markets without moving prices, raising fears investors will take unexpectedly large losses when they try to sell. The U.S. corporate-bond market has almost doubled to $4.5 trillion since the start of the crisis, yet banks today hold just $50 billion of bonds compared with $300 billion precrisis.[22]

As Douglas Elliott of the Brookings Institution has pointed out, there have been several periods of extreme volatility in recent years, for which market liquidity was necessary. Nevertheless, Basel III's capital requirements and Stable Funding Ratio, and the Fed's new Liquidity Coverage Ratio have all increased the cost of funding a portfolio of bonds, all of which—together with the Volcker Rule—reduce the amount of liquidity in the market. This could lead to a serious liquidity crisis if one or more major financial institutions is required to sell assets to meet its cash needs: "Illiquidity in financial markets," says Elliott, "can help trigger or exacerbate a financial crisis by creating actual or paper losses at banks or other financial institutions. If a bank needs to raise cash quickly, perhaps to meet deposit outflows in the event of a loss of confidence in that institution, they will likely need to sell securities, especially if they have an excessive mismatch between the maturities of their assets and liabilities. In illiquid markets, this would require 'fire sales' in which the seller accepts a significantly lower price in order to get cash quickly."[23]

On October 15, 2014, the Treasury market moved 40 basis points, an almost unheard of drop for the world's most liquid market. Investigations are underway, but it is difficult to believe that this move was not related to the fact that banking organizations—the largest players in the fixed income markets—now hold only one-sixth of the amount of bonds they held before the crisis. There are fewer market makers and the fewer market makers have fewer cash resources. This is a prescription for a liquidity disaster similar to the 2008 financial crisis.

The Obama administration has denied that the Volcker Rule could be a major factor—or indeed any factor—in the decline of market liquidity, but in July 2015, Lael Brainard, Fed governor, admitted that regulation could be playing a role.[24] Other experienced market observers have been more definitive. In a Wall Street Journal op-ed piece on June 9, 2015, Stephen Schwartzman, the CEO of Blackstone, noted that "A warning flashed last October in the U.S. Treasury market with huge intraday moves, unrelated to external events. Deutsche Bank has reported that dealer inventories of corporate bonds are down 90% since 2001, despite

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[22] Simon Nixon, "Why Liquidity-Starved Markets Fear the Worst," *The Wall Street Journal*, May 20, 2015

[23] Douglas J. Elliott, "Market Liquidity: A Primer," Brookings, June 25, 2015.

[24] Ian Katz, "Brainerd Says Rules Probably Have a Role in Liquidity Volatility," BloombergBusiness, July 9, 2015, http://www.bloomberg.com/news/articles/2015-07-09/brainard-says-rules-probably-have-a-role-in-liquidity-volatility.

outstanding corporate bonds almost doubling. A liquidity drought can exacerbate, or even trigger, the next financial crisis."[25]

Another article in the Wall Street Journal in May 2015, reported that a board member of the European Central Bank, Benoit Coeure, saw "extreme volatility in global capital markets [as] showing signs of reduced liquidity." The article noted that "The world's largest banks dumped around $1 trillion in assets from government bond-trading businesses between 2010 and the end of last year."[26]

Still a third article, in the *American Banker* in June 2015, quoted Richard Berner, the director of the Office of Financial Research, a Treasury unit, to the effect that "the financial reform law could 'be contributing to more permanent adjustments that could impair market functioning,' including by reducing market liquidity."[27]

The administration's refusal thus far to admit that the Dodd-Frank Act may be responsible for what could be a future financial catastrophe, must be seen as a wholly political effort to defend what they see as one of President Obama's key legacies. With financial markets "flashing danger" it is time to look objectively at this problem before it causes another financial crisis. Thus, the Dodd-Frank Act is not only holding back the growth of the economy by reducing the credit available for small businesses; it is also creating the foundation for another financial crisis in the future.

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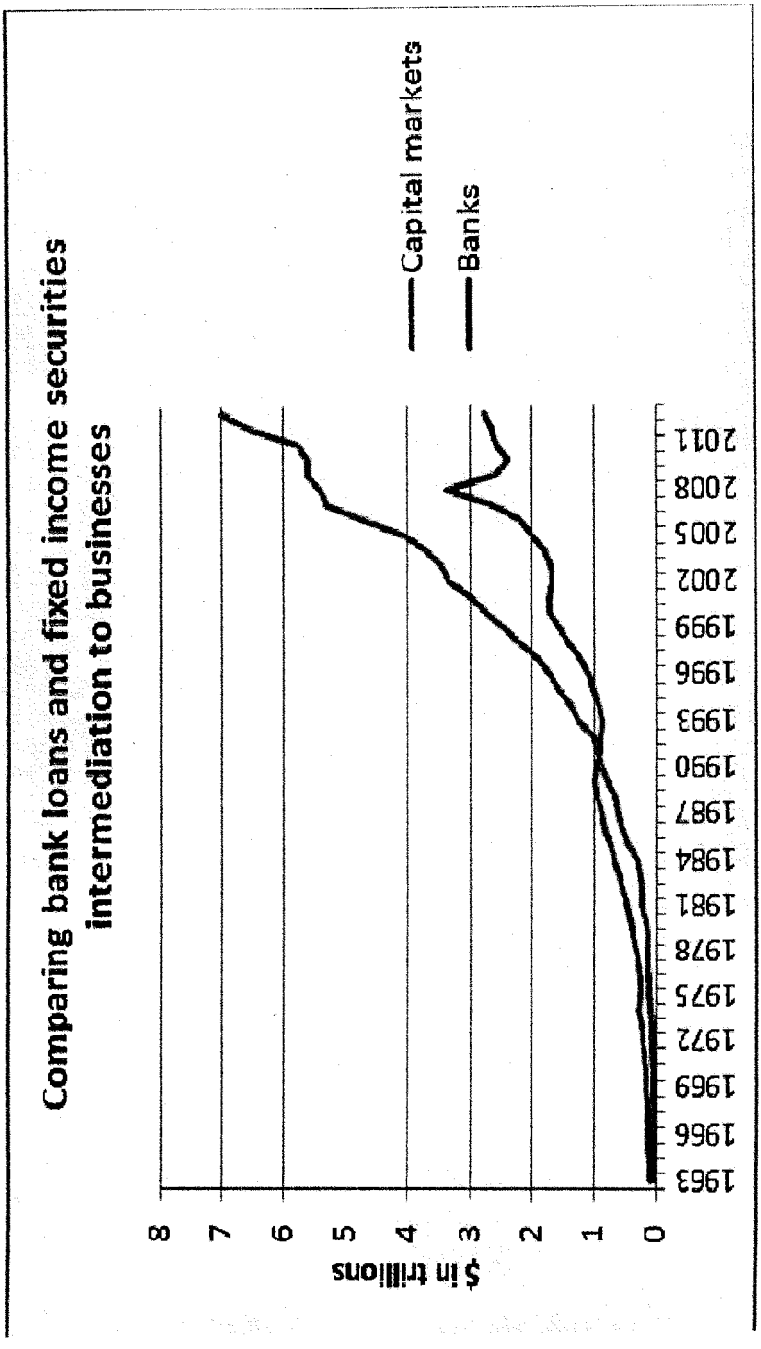
[25] Stephen A. Schwartzman, "How the Next Financial Crisis Will Happen," *The Wall Street Journal*, June 9, 2015.

[26] Christopher Whittal, "ECB's Coeure: Volatility Signals Reduce Market Liquidity," *The Wall Street Journal*, May 19, 2015.

[27] John Heltman, "Regulators Worry New Rules May Freeze Markets," *American Banker*, June 12, 2015.

NOTE: The gray area indicates the range of major recessions since 1960, excluding the short 1980 recession. 3
SOURCES: Bureau of Economic Analysis; Census Bureau; authors' calculations.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QUESTIONS FOR THE RECORD

7/28 Hearing: "The Dodd-Frank Act Five Years Later: Are We More Prosperous?"

Questions to Mr. Peter J. Wallison:

Just prior to the 2012 presidential election, you and Professor Cornelius Hurley of Boston University co-authored an article that appeared in *Forbes* magazine http://www.forbes.com/sites/realspin/2012/08/14/too-big-to-fail-has-become-a-permanent-bailout-program/. In that article, the title of which was, "Too-Big-To-Fail Has Become a Permanent Bailout Program", you said:

> 'Instead of enshrining our TBTF firms, we should be seeking ways to reduce or eliminate their federal subsidies. One way of accomplishing this is to require the TBTFs to identify the portion of their earnings that is attributable to their subsidy.'

The existence of this subsidy has been recognized by nearly every bank regulator.

1. Do you still believe that this subsidy ought to be identified by the TBTF banks?

2. Are you aware of my bill, H.R. 888, also known as the Subsidy Reserve Act of 2015 that would require the six biggest banks to identify their taxpayer subsidies and accrue those subsidies in a reserve pending a right-sizing of the institutions?

3. Do you have a view on that bill?

4. Some, including Sen. Shelby, have argued that the SIFI threshold should be moved up from the current $50 billion test to some higher threshold, say $500 billion. Senator Shelby's bill would require FSOC to determine SIFI status for banks over $50 billion but under $500 billion according to a list of criteria: size, interconnectedness, global activities and substitutability of services. Don't you think, based on your earlier writings, that the receipt of a federal subsidy for being TBTF ought to be added to the list of criteria for determining whether a particular bank is too-big-to-fail or not?" Please explain why or why not.

81

I have seen this proposal before, although not as a congressional bill. It's an interesting idea, but impractical and probably punitive. We really don't have any good idea about the size, or even how to measure, the TBTF premium, and the bill proposes a formula that is likely to be arbitrary. The Fed will establish the formula, and it will probably be wrong to begin with. Then, after it has been in force for several years, the banks involved will ask that it be reduced. Their competitors will cry foul, saying that whatever the applicant bank is using for the formula is wrong. The Fed will then be afraid to make any changes, fearing congressional criticism. Like the payment of interest on demand accounts, the requirement will then be embedded forever in bank regulation and will continue to punish the banks that are subject to it with unnecessary additions to capital.

Archives

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Consolidations, regulations pare banks, execs say

Author(s): DAVID SMITH

ARKANSAS DEMOCRAT-GAZETTE
Date: September 20, 2015
Section: Business

Burdensome bank **regulations** and bank consolidation are causing a decline in the number of branches in rural Arkansas, **say** executives with one of the largest rural **banks** in Arkansas.

There were more than 18,000 **banks** in the country in the 1980s, but about two of every three no longer exist, with only 6,348 remaining as of June.

The biggest decline has come in **banks** with less than $100 million in assets, which have dropped by 85 percent from 1985 to 2013, the American Banker said. Nationally, more than 1,500 bank branches closed last year.

Southern Bancorp of Arkadelphia, also among the largest community development **banks** in the country with almost $1.2 billion in assets, estimates that 96 percent of the **banks** that have closed were community **banks** with less than $1 billion in assets.

Thirty-seven Arkansasbased **banks** have closed since 2008, and 125 branches in the state have closed.

"Bank consolidation is hurting small communities," said Dominik Mjartan, executive vice president of Southern Bancorp, which has branches throughout the Delta in Arkansas and Mississippi.

The Federal Deposit Insurance Corp. said in a study last year, however, that the recent increase in bank consolidation can be attributed to factors that are likely to subside once the economic crisis is over, said Garland Binns, a Little Rock banking attorney.

"The FDIC said that consolidation has had much less impact on the community banking sector than is commonly believed," Binns said.

Binns recently contacted a large number of bankers in the state for an article he wrote and asked them if they believed that the federal Dodd-Frank Act, which was passed in 2010, was the primary reason for the shrinkage in small **banks**.

"A lot of them came back with different theories about what is causing this," Binns said.

The Dodd-Frank Act mandates sweeping regulatory changes for **banks**, including in mortgage lending and other areas.

But it isn't just the Dodd-Frank Act that has affected small **banks**. Federal **regulations** going back more than 15 years have gradually made it more difficult to run a bank, said one small-town banker who asked not to be identified.

"People talk about Dodd-Frank these days, but there has been a series of [**regulations**], one thing after another, that are totally absurd," the banker said. "But it's not just banking; it's businesses, too. The government thinks they need to enforce [**regulations**] on all of us."

Consumers are affected significantly by the changes, the banker said. The homebuying guidelines in Dodd- Frank make it difficult for low income people to become first-time homeowners, the banker said.

"They've cut low-income, first-time homebuyers out of the market," the banker said. "They won't be able to get qualified [in his community or] even in Little Rock."

Candace Franks, commissioner of the Arkansas Bank Department, agreed.

"[The **regulations**] affect **banks**, but [they] really affect consumers," Franks said. "Consumers won't get loans that they may have gotten in the past."

The Bank Department held a town hall meeting recently for bankers to discuss how federal laws are affecting them. Executives from **banks** of various size participated, Franks said.

Bankers at the meeting expressed concern about their ability to service their current markets, said Luther Guinn, deputy commissioner of the state Bank Department.

"Our bankers continue to be concerned about the costs of complying with the whole regulatory landscape," Guinn said. "That has really created a regulatory burden with additional costs either for adding more employees or hiring consultants [to help with compliance]."

If a small-business owner goes to a bank with billions of dollars in assets and asks for a $10,000 business loan, the bank likely will give him a credit card application, said Darrin Williams, chief executive officer of Southern Bancorp's parent company. Fifty-five percent of Southern Bancorp's loans are for less than $10,000, Williams said.

"The interest rate on a credit card is going to be higher than the interest on a traditional business loan," Williams said.

"The large **banks** are good **banks**," Southern Bancorp's Mjartan said. "But they do different underwriting, there's centralization, efficiencies. They are just not your traditional community bank model. For them, it doesn't make a lot of sense to [make small loans]."

The loss of branches could lead to "banking deserts," areas with no access to brick-and-mortar banking services, Williams said.

All 75 counties in Arkansas have bank offices. But five counties have only two offices - Calhoun, Cleveland, Lee, Nevada and Perry, according to the FDIC.

If a branch closes in the Heights, a Little Rock neighborhood, it isn't terribly significant for consumers or businesses, Mjartan said.

"I can walk to the next [Heights] branch if one closes," Mjartan said. "But if a branch closes in Marvell, the nearest branch would be in Helena 20 miles away."

Research indicates that for every mile a consumer is from a bank branch, access to small-business bank credit decreases, Mjartan said.

"If you live in Blytheville or Helena or Trumann or Clarksdale [Miss.], losing a branch could mean losing your business," Mjartan said.

Williams spoke last month at a meeting on rural banking issues at the Federal Reserve Bank of Kansas City.

The people in rural, economically distressed communities "deserve just as much of a chance to achieve the American dream as those here in Kansas City or Dallas or New York, but they need access to financial products and services," Williams said.

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Ms. DELAURO. Another point before I get to my question, which is, I want to make sure that with the enforcement efforts that you are making that the emphasis is about market users, as I said, their funds, consumers, how do we keep the public from being exposed to fraud, manipulation, and abusive practices that have been related to derivatives and to other products, and not make sure that enforcement focuses in that area and is not about a coziness, as I said, with the industry and that effort?

I think that robust oversight of derivatives is not overregulation. It is the right thing to do, so that we don't have the crisis that we had with Wall Street, and its hurting Main Street. I believe that thanks to Dodd-Frank we have more clarity into the derivatives market than ever before; more swaps trades take place on the swaps execution facilities than over the counter.

You are going back to an era where derivative trades could take place over the phone without any documentation more than a post-it note. That is a recipe for financial crisis.

Let me just ask you, prior to Dodd-Frank, there was no way to track real-time data about trades happening in the swaps markets. Now the swap data repositories created by Dodd-Frank capture and archive key information about every single trade, so that we can identify problems that may arise in this multi-trillion dollar market.

Do you believe that a reform as straightforward and important as this is overregulation?

Mr. GIANCARLO. So let me just absolutely be clear: I support Title 7 of Dodd-Frank.

Ms. DELAURO. You said that earlier.

Mr. GIANCARLO. I support all of its elements. That is, moving bilateral swaps into central clearing, requiring that swaps trading take place on licensed platform, and, the point you made, swap data reporting. Completely support it.

In fact, my only disappointment is that it is not greater realized; that today, nine years after the crisis, seven years after Dodd-Frank was passed, that we still don't have the full transparency of swaps transactions through the swap data repository that Dodd-Frank promised.

I am doing everything possible. We will soon put out a roadmap to completion of that project at the CFTC. I am fully committed to that. In fact, one of the reasons why I am so enthusiastic about financial technology is because it will enable us to take it to what you just said, to real-time swap data analysis.

Even if we complete the current project set out in Title 7, we won't get to real-time data analysis. It will still be after-the-fact data analysis because swap repositories have to collect the data, scrub the data, provide the data, and then piece it together. We need to piece together CFTC-regulated swaps with SEC-regulated swaps with European- and Asian-regulated swaps.

The Blockchain could actually give us the opportunity to see all those swaps in real time, and so the financial technology I think is going to be the way we are going to get to realize the promise of Dodd-Frank. But I completely support it.

Ms. DELAURO. Okay.

Mr. GIANCARLO. Completely.

Ms. DELAURO. And just reference—you may have seen it—it is a tongue-in-cheek piece. It is an op-ed called "Dangerous Stability Threatens America's Banks". This was early in February. It is the Editorial Board of the Reform Broker. I think that there is this move to look at how we unravel Dodd-Frank, which seems to be a movement here. I am not suggesting that you are there, but we certainly are, and that is going to loom large this afternoon on the floor of the House.

We have seen stability in the markets. Your agency is doing the job, though you don't have enough money to do the job that you have been charged with doing. We have paid back in a prior time—and we heard this from Mr. Massad in 2016—we got the $182 billion back from AIG, but the $182 billion is 600 times your budget request.

So what your agency does is critically important. I do not want to get caught up with this notion that somehow the banks are suffering. They are not suffering. If there are people who are, we need to know who they are and how we can bring remedy to that, rather than looking at ways in which we can unravel the legislation that has created this stability, which it seems that sometimes our banks feel is too big a constraint on them.

So thank you very, very much for your work.

Mr. GIANCARLO. Thank you very much.

Mr. ADERHOLT. Dr. Harris.

CUSTOMER PROTECTION FUND

Dr. HARRIS. Thank you very much, Mr. Chairman. And thank you for appearing before the subcommittee. I apologize for being a little late, but we are busy.

I have just a couple of things. First of all, I know the issue of the de minimus thresholds have been brought up. I would just like to echo the concern that the limits, especially if it reverts back to $3 billion, really would be pretty low. So, again, I just want to echo what you heard before.

The only question I have for you involves the Consumer Protection Fund, the Consumer Protection Whistleblower Fund. The balance that I see is a quarter of a billion dollars. And even in Washington, that is a lot of money. The balance in that fund exceeds the budget for the entire Commission annually, and the payouts, I understand, have been peaking at around $20 million a year.

So if you just do the math you have got a dozen years' worth of payouts if you had the maximum payouts you have had up until now, the peak payouts. At some point, given that we run a $500 billion deficit and have a $20 trillion debt, do you feel that at some point statutorily we ought to be able to take the excess monies in the fund and perhaps use it to fund the Commission? I mean, what amount do you think you need? A quarter of a billion seems like a lot to keep in this fund.

Mr. GIANCARLO. Yes. So our fiscal year 2018 budget for use of that fund is about $15.7 million.

Dr. HARRIS. 15?

Mr. GIANCARLO. $15 million.

Dr. HARRIS. Yes.

Mr. GIANCARLO. So, clearly—I think it is $238 million balance in the fund right now. Clearly, there are adequate resources for us to fund our whistleblower awards and our consumer protection. But that is something ultimately for your Committee and for Congress to determine how that should be funded. But, certainly, it is adequate as it stands today, and would be adequate at a lower level as well to fund our needs at the Commission.

Dr. HARRIS. And you would need a statutory change, right, is my understanding——

Mr. GIANCARLO. That is my understanding as well.

Dr. HARRIS [continuing]. To do that. Okay. Perhaps you can work on that because we are looking for ways to make sure that we would return monies to the federal taxpayers that perhaps are excessive in accounts like this.

Mr. GIANCARLO. Let me share with you, we are exploring ways that we can enhance our customer protection efforts to perhaps use that even more broadly. One of the areas that a number of your colleagues have been concerned about is the role of HFTs in markets, and we are looking to perhaps conduct an open request for academic work on this, and perhaps even do some work in terms of hosting a conference where we can bring some of the best minds to bear on this, and perhaps we could utilize some customer information and consumer information in that.

But as I say——

Dr. HARRIS. There would still be an excess. Okay.

Mr. GIANCARLO. But we would still be well within our——

Dr. HARRIS. Thank you very much.

Mr. GIANCARLO [continuing]. Budget.

Dr. HARRIS. Thank you very much. I yield back.

UNION NEGOTIATIONS

Mr. ADERHOLT. Last fall, the CFTC approached our Committee about ongoing negotiations with its labor unions. We were informed that these negotiations were under a worst-case scenario that could have resulted in the CFTC being forced to increase its financial commitments to $281 million. That is an increase of $31 million just to maintain the status quo and to satisfy the demands of the union's proposal.

Negotiations could have resulted in furloughs of up to 17 days for CFTC staff. Essentially, it seems someone was sending a message that if this Committee didn't increase the budget for CFTC, that the employees would suffer the consequences. Thankfully, cooler heads prevailed in that situation, and the negotiation increased the agency's commitments by only a tiny fraction of that original $31 million, and I understand that no furloughs are going to happen.

I don't know who was behind the effort to coerce Congress to increase the budget, and certainly we don't want to focus too much on what all went on in the past, but we remain concerned about similar moves in the future. There is nothing preventing this from happening again.

And let's be clear: neither this Committee nor Congress will give in to the manufactured crisis that we faced in the last Administration when making its funding decisions for CFTC. I would like to

explore how we can prevent that scenario from occurring in the future.

According to the Congressional Research Service, quote, "Most federal employees cannot bargain over wages and benefits." Somehow CFTC is part of a potential loophole in the federal law.

My question would be to you, can you give us an update on the situation and how it is affecting your day-to-day operations?

Mr. GIANCARLO. Thank you for that. Since I have assumed the role of Acting Chairman, I have worked very hard. In fact, the very first call I made was to our union representative in Washington to signal to them that I desired good working relations with them, that the staff of the CFTC have chosen to be represented by a union. That was the decision that was made back in 2014 in Washington.

In fact, the CFTC staff in New York had been represented by a union since the 1970s, and that is a choice that they made, and so, therefore, we are obligated, as you know, under our statute to negotiating pay and benefits and other issues with them. And we have worked hard. We have approached those discussions in good faith.

Again, when I took over, there was an impasse panel over our 2016 pay and benefits, and we had still had 2017 to resolve and a collective bargaining agreement. We successfully have resolved the issues regarding 2016. We reached a good result with the union over 2017, and now we are getting ready to negotiate our collective bargaining agreement going into 2018.

So I think that we have taken the right steps to come to a good place right now with our union. As I say, our employees have chosen to be represented by a union. We are required to negotiate with good faith.

Now, we have a commitment in our statute to provide pay and benefits equivalent to FIRREA standards, and the union is very aware of that standard, and that is something that has come up, and I imagine will continue to come up in our negotiations with our union. That is our obligation.

So we will endeavor to continue to be successful, to have a good working relationship, to negotiate and bargain in good faith, and I think the union is well aware that we are an appropriated agency, that if all our money goes to pay and benefits, at some point we will have a dwindling number of employees.

So we have to get that balance right. I see them come to the table with an understanding of what is reasonable and what is not, and we do the same.

Mr. ADERHOLT. Is it possible to place a precondition or certain parameters on your future collective bargaining agreements with the union through your current memorandum of understanding, for example, to prevent any negotiation from placing the agency employees at risk of furloughs or layoffs? Or do you need an act of Congress to close the loophole on this?

Mr. GIANCARLO. Well, I think in terms of reaching permanence, there is nothing better than an act of Congress to address this in a way that is permanent. I would be happy to meet with my staff and take a look at it from a memorandum of understanding perspective.

Mr. ADERHOLT. At least from a temporary standpoint.

Mr. GIANCARLO. Yes.

Mr. ADERHOLT. Thank you. We would be interested in following up with you on that.

Okay. Mr. Bishop.

REGULATORY REFORM OFFICER

Mr. BISHOP. Thank you. As you know, shortly after taking office, President Trump issued a series of executive orders related to regulations and government operations. Among other things, the Administration required departments to appoint regulatory reform officers. Does that requirement apply to CFTC? If so, have you appointed a regulatory reform officer and who is that person and where do they report within the new organizational structure in Appendix 1 of your budget request?

Mr. GIANCARLO. Thank you very much. I am advised by our counsel we are not strictly subject to that executive order as an independent agency. Nevertheless, we have adopted it in spirit, and it is reflected in our initiative that I call Project KISS. And my Chief of Staff, Mike Gill, is our regulatory reform officer or, as I refer to him, he is stupid. [Laughter.]

And I say that jokingly because he is quite intelligent and also has taken this effort very much to heart. We have quite a few proposals in front of us to streamline our operations that we are now working through our divisions and I will be speaking about with my fellow Commissioner, Commissioner Bowen.

But we take very much to heart the need—and I think it is, quite frankly, not a partisan need. I don't think it is a political need. I think all government agencies from time to time should take stock of the implementation of their rules to see whether they can be streamlined and done in a way that is most productive, quite frankly, most efficient in achieving the policy goals set by Congress.

Mr. BISHOP. Going back to Ms. DeLauro's questions in identifying regulatory burdens, CFTC operates under numerous rules and regulations, and this exercise is—well, let me ask you, is this exercise directed at Dodd-Frank, or is it a deeper dive into the various rules and regulations that you enforce?

I agree that streamlining is beneficial to the solvency of our financial markets, but I ask you whether or not the current request of $281.5 million is sufficient to cover CFTC if it looks like a major overhaul is going to be called for? If it is not enough, were you provided a regulatory budget by OMB? And, if so, how much?

And, to date, what progress has the taskforce made in reducing regulatory burdens without sacrificing your core mission to foster open, competitive markets while protecting the public from fraud and manipulation? What is the adjudication process for comments and the ideas that are generated from the public? So that it won't turn into a never-ending land of good ideas, what is the expected implementation rollout date?

Mr. GIANCARLO. Thank you very much. So let me be very clear. Project KISS is not directed at Dodd-Frank. It is a general agency-wide initiative. Secondly, the budget request is not designed for any attempt to rollback Dodd-Frank. In fact, one component of it—

the need for greater examiners—is reflective of the need that Dodd-Frank has put more swaps into clearinghouses, and we need to do a better job examining them.

The other two components of it—more economists and a FinTech initiative—are really a forward-looking exercise. You know, to some degree, I have said in my testimony I think the era of Dodd-Frank implementation is now winding to a close. I really don't join in the debate as to if Dodd-Frank is good or bad. I accept it as done, and I am moving forward into the future. My focus is on, where do we go next? How do we digest what we have done and make it work in a way that is helpful for the U.S. economy?

My former chairman, Tim Massad, admitted there is fine-tuning that needs to be done. There are tweaks needed. There are areas of Dodd-Frank where I think Congress got it right. I think the CFTC got some of the implementation wrong. There are other areas where we got it right.

But, you know, we are still fine-tuning the Securities Acts that were passed in 1933 and 1934, and we have still got to get them right. But the law is the law; there is nothing in the CHOICE Act that repeals Title VII. I haven't called for it. It is going to be the law, I am sure, for the rest of my career. What I want to do is get the implementation of it right, and I want to start focusing on where things are going on into the future.

As I have said, these markets are changing dramatically. And as comprehensive as Title VII of and Dodd-Frank is, they don't address high-frequency trading. Dodd-Frank doesn't address cyber, and we haven't discussed cyber yet. Cyber is the biggest threat to our market and, unfortunately, Dodd-Frank doesn't give us any instructions as to what to do about the cyber threat to our market.

So these are the things that, really, going forward in our budget request, is to focus on the future, not on the past.

Mr. BISHOP. Thank you.

Mr. ADERHOLT. Okay. Thank you so much for being here today and for your testimony before our Committee. We look forward to working with you. Again, we wish you the best in your confirmation process as it moves forward.

And so, with that, the Subcommittee's hearing is adjourned.

House Committee on Appropriations
Subcommittee on Agriculture and Related Agencies
Fiscal Year 2018 Budget

Thursday, June 8, 2017

QUESTIONS FOR THE RECORD
Acting Chairman Christopher Giancarlo
Commodity Futures Trading Commission

QUESTIONS SUBMITTED BY CHAIRMAN ROBERT ADERHOLT

Bonuses, Performance Awards, and Special Pay

1. Mr. Aderholt: How much in bonuses, special pay, incentive awards, merit pay, and performance pay, were distributed to CFTC employees and contractors in FY 2016 and estimated in FY 2017 and in the FY 2018 President's Budget?

Response:

The table below shows the FY 2016 costs for the CFTC employees' merit pay and awards as well as estimates included in the budgets for FY 2017 and 2018:

Please note that CFTC contractors are not CFTC employees, and individuals working on CFTC contracts are paid by their respective employers.

FY 2017 estimates reflect the actuals and FY 2018 estimates reflect the assumptions contained in the President's Budgets for FY 2018, including the increases in FTE levels from the actual of 690 FTE in FY 2017 to 739 in FY 2018. Actual amounts for merit pay and awards are dependent on union negotiations and the budgetary landscape, and are subject to change. The CFTC has not agreed to any awards or merit pay increases for 2018 at this time.

	FY 2016[1]	**FY 2017**[2]	**FY 2018**[3]
Merit pay[4]	$0	$1,560,938	$2,840,324
Awards[5]	$987,000	$1,224,861	$1,267,667
Total	**$987,000**	**$2,785,799**	**$4,107,991**

Table Notes:
1) FY 2016 merit pay was not given to CFTC employees.
2) FY 2017 merit pay amount includes expenses from the FY 2016 Impasse Panel Decision. In addition to merit pay increase for impasse panel, FY 2017 merit increases also include NTEU agreement made in FY 2017 question of the fiscal year.
3) FY 2018 merit pay amount includes expenses from a FY 2017 merit pay increase, and assumptions for a FY 2018 merit increase included in the President's Budget request.
4) Merit pay increases occur in the last quarter of the fiscal Year. CFTC staff does not receive step increases.
5) Includes bonuses, incentive awards, and performance awards. In FY 2016 CFTC gave a one-time award of $1,400 per qualified employees. As a result of FY 2016 Impasse decision a 1% bonus was paid to all qualified employees. FY 2018 assumes an awards pool of 1% of salary.

2. Mr. Aderholt: Please provide the costs associated with pay increases for FY 2016, FY 2017, and FY 2018.

Pay Adjustments	Effective Pay Period	FY 2016 Cost*	FY 2017 Cost*	FY 2018 Est. Cost
1% Gen Adjust	Jan PP 01	$1,196,062	$1,741,187	$1,929,061
Merit Pay 1%	Oct PP20	$0	$931,080	$0
Merit Pay 3%	Jul PP 14	$0	$629,858	$2,840,324

*Merit pay occurs in the final quarter of the fiscal year. Figures for FY 2018 include the amounts budgeted in each fiscal year to accommodate the portion of the previous year's award, payable in the subsequent year. FY 2016 Actual General Adjustment was 1% and payable from first pay period of the calendar year. FY 2018 reflects the cost contained in the FY 2017 and FY 2018 President's Budgets. CFTC agreed to a 1% General Adjustment and a 3% merit pay for FY 2017. No agreement has been made for FY 2018 at this time other than locality pay that was a government wide increase.

Unionization of Employees at CFTC

3. Mr. Aderholt: Is there any statute, federal regulation, Office of Management and Budget (OMB) guidance, agreement with the CFTC employee union, or other contract, limitation, internal guidance, protocol, or other measure that prevents a Federal Services Impasse Panel (FSIP) from imposing financial obligations on the CFTC as a result of a collective bargaining agreement (CBA) above and beyond what CFTC could afford under its current budget or the President's Budget number without resulting in decreases to other services and/or furloughs and potentially reductions-in-force (RIF)?

Response:

According to the Federal Labor Relations Authority (FLRA) "the [FSIP] may take whatever action it deems necessary to resolve the dispute, including the imposition of contract terms through a final action. The parties may not appeal the merits of the Panel's decision to any court." See https://The Federal Service Impasses Panel (FSIP or the Panel) | FLRA (last checked August 18, 2017). With this said, the CFTC is aware of two potential laws that could be used to challenge a FSIP decision. First, any FSIP decision or Union proposal could trigger the Anti-Deficiency Act, which prohibits federal agencies and employees from making or authorizing an expenditure from any appropriation or fund in excess of the amount available in the appropriation or fund unless authorized by law (31 U.S.C. § 1341(a)(1)(A)). Depending on the FSIP order, the Anti-Deficiency Act could be triggered if implementation of the FSIP order leads to an over obligation of the CFTC's appropriation despite its taking actions such as decreasing services, or using furloughs or other cost saving actions.

Second, the CFTC can argue that any FSIP decision or Union proposal on compensation and benefits that would directly or inevitably require it to furlough employees or perform reductions in force could interfere with its rights to determine its budget, determine whether to layoff employees, or assign work under 5 U.S.C. § 7106(a). In order to find such argument persuasive, the Agency would have to show not only that the management right was affected, but that the FSIP order or Union proposal does not constitute an appropriate arrangement as it excessively interferes with a management right based upon the facts of each case. Of course, in making such an argument, it is unclear how a third party would weigh management's statutory rights in light of the competing statutory requirement that "[i]n setting and adjusting the total amount of compensation and benefits for employees, the Commission shall consult with, and seek to maintain comparability with, the agencies referred to in section 1206(a) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989." See 7 U.S.C. § 2(a)(7)(C)(ii).

4. Mr. Aderholt: Is it in any way possible that an FSIP decision could force the CFTC to furlough or RIF its employees?

Response:

As noted in Answer 3, above, according to the Federal Labor Relations Authority (FLRA) "the [FSIP] may take whatever action it deems necessary to resolve the dispute, including the imposition of contract terms through a final action. The parties may not appeal the merits of the Panel's decision to any court." With this said, the Panel decision would not likely order the CFTC to take specific actions such as a RIF or furlough, but implementation of the decision could result in the CFTC taking cost saving measures to meet whatever obligation is imposed. If this were to occur the Agency may make arguments before the FLRA as set forth in question 3, above, to avoid either a situation that would result in an anti-deficiency act violation (even where such cost-saving actions are implemented) or that would excessively interfere with a management right under 5 U.S.C. 7106(a).

5. Mr. Aderholt: Please provide the most recent Memorandum of Understanding and any other contractual agreement or understanding between the CFTC and the National Treasury Employees Union (NTEU).

Response:

The following is a list of agreements with NTEU in response to the question. Each listed agreement is provided as an attachment to the document.

- Memorandum of Understanding between CFTC and NTEU regarding the parties' interim agreement – See Attachment A.
- Memorandum of Understanding between CFTC and NTEU regarding FY15 compensation and benefits – See Attachment B.
- Memorandum of Understanding between CFTC and NTEU regarding FY17 compensation and benefits – See Attachment C.
- Memorandum of Understanding between CFTC and NTEU regarding a reorganization involving the Division of Market Oversight and the Division of Enforcement – See Attachment D.
- Memorandum of Understanding between CFTC and NTEU regarding implementation of the FSIP Decision and Order over 2015-2016 Performance Cycle Compensation – See Attachment E.

6. Mr. Aderholt: Please provide a copy of the most recent CBA (or FSIP decision) with the NTEU and summary of the total costs for each item under negotiation (i.e., transit benefits, merit pay increase, non-payroll related benefits, etc.) to include the total amount of obligations and the delta between the amount prior to and after the enactment of the CBA or FSIP decision broken down for each FY 2014-2017.

Response:

CFTC and NTEU negotiated an interim collective bargaining agreement (CBA) in FY 2015 that will remain in effect until a new CBA is executed. (See attachment A).

NTEU was certified in November 2014 (FY 2015) and, therefore, there is no cost associated with NTEU for FY 2014. Most recently, the parties executed a compensation agreement for the 2016-2017 annual performance cycle. (See attachment C). The cost, per item of this agreement, and of each prior agreement through FY 2015, is calculated as follows (there was no agreement with NTEU for FY 2016). The cost before agreement row reflects projected CFTC salary and benefit expenses had no agreement been reached.

Memorandum of Understanding between the National Treasury Employees Union and the Commodity Futures Trading Commission

This memorandum is an interim agreement between the Commodity Futures Trading Commission (CFTC or Agency) and the National Treasury Employees Union (NTEU or Union) (collectively referred to as the parties). This interim agreement applies to all bargaining unit employees represented by NTEU as set forth in the Certification of Representation (Case No. WA-14-0060) issued on November 7, 2014.

1. **Duration**: This agreement shall become effective as of the date of execution by the Chairman and shall terminate at the effective date of a term collective bargaining agreement between the parties, unless the parties agree to modify this agreement.

2. **Governing Law:** The parties acknowledge the rights conferred on unions and management in the Federal Services Labor-Management Relations Statute (FSLMRS), Title VII of the Civil Service Reform Act of 1978.

3. **Designation of Union Officials:** NTEU will promptly notify the CFTC of all persons designated as Union officers or stewards authorized to act on behalf of NTEU and will provide ongoing notice of any changes to these designations.

4. **Official Time:** The Agency agrees to provide Union representatives a reasonable amount of official time to prepare for and to carry out the Union's statutory representational functions. Absent exigent circumstances, the use of official time must be requested by the employee to their supervisor no less than 24 hours in advance. The supervisor will approve the requested time, absent substantial interference with business needs as determined by management. The employee must inform the supervisor as to the best estimate of how much time will be spent on these duties at the time the request is made. The Agency will provide official time for training Union officers and new stewards, not to exceed 20 hours per representative per year.

5. **Dues Withholding**: After processing of the initial dues withholding forms, new requests for dues withholding deductions will be processed in a timely manner, normally within one pay period. The Agency will provide the NTEU National President (or her designee, her current designee being National Field Representative Richard L. Otzel) with a biweekly report of allotments withheld and the amounts.

6. **Notifications:** In matters that pertain to specific individual CFTC employees, which also require notice to the exclusive representative (e.g. individual employee grievances in which the employee has opted for self-representation), CFTC will simultaneously serve notice to the NTEU National President (or her designee, her current designee being Richard L. Otzel) and the specific CFTC employee. In matters requiring notice by the Union to the CFTC, notice shall be provided to the Chief of Workforce Relations. Notice may be by email, fax, or mail.

7. **Access to Facilities and Email**: The Agency will afford NTEU reasonable access to Agency facilities and equipment for the purposes of conducting labor- management activities. Absent substantial interference with business needs as determined by management, the CFTC also will provide the Union with reasonable access to meeting rooms for union business, subject to existing rules for reserving such rooms. The Agency will provide NTEU with an office at the headquarters of the Agency to conduct labor-management activities. The CFTC further will afford access to agency facilities by NTEU national staff representatives. Consistent with law and in conformance with existing email policies, CFTC employees designated by the Union in paragraph 3 above will be permitted use of the CFTC's email system to carry out representational activities.

8. **Formal Meetings**: The CFTC will provide the NTEU National President (or her designee, her current designee being Richard L. Otzel) notice and an opportunity to be represented at any formal meeting or discussion in accordance with 5 U.S.C. § 7114(a)(2).

9. **Changes to Conditions of Employment**

(a) During the term of this Agreement, all current Agency policies, procedures, rules, instructions and past practices will remain in full force and effect.

(b) Subject to paragraph (a) above, before making any changes to conditions of employment, as defined in 5 U.S.C. §7103(a)(14), the Agency will give notice by email to the NTEU National President (or her designee, her current designee being Richard L. Otzel). The union has seven (7) calendar days from receipt of official notice to request a briefing. The union has fifteen (15) calendar days from receipt of the official notice or fifteen (15) calendar days from the date of the briefing to request, in writing, to bargain and submit negotiable written proposals. The union shall submit its bargaining request and negotiable written proposals to the Chief of the Workforce Relations Office. If the union does not submit negotiable written proposals within the 15-calendar day period then the Agency may implement the proposed change(s) in working conditions.

(c) If the Union submits negotiable written proposals prior to the expiration of the notice period, the parties will bargain in accordance with 5 U.S.C. § 7117. Union negotiable written proposals will address only the subject of the proposed change, and will not address unrelated matters. Bargaining under this section shall be subject to the following rules:

(i) Negotiations will take place during the Agency's regular administrative work days and hours.

(ii) Negotiations will take place on the Agency's premises.

(iii) Official time to participate in negotiations will be granted to the same number of negotiators for the Union as the number of negotiators being utilized by the Agency.

(iv) If an agreement is not reached between the parties sixty (60) calendar days after the union's receipt of the Agency's official notice and negotiable proposals are still outstanding then either party may declare impasse and request the services of the Federal Mediation and Conciliation Service. The parties may mutually agree to utilize the services of the Federal Labor Relations' Authority Collaboration and Alternative Dispute Resolution Program (CADRO) or any other mediation service to resolve the dispute. The parties shall equally share the costs of the mediation services. In accordance with 5 USC § 7114 agreements negotiated between the parties will be subject to either Chairman or Commission approval as appropriate.

(d) The Parties may agree in writing to reasonable extensions of time under for the deadlines set forth above.

10. **Grievance Procedure:**

(a) A grievance for purpose of this agreement will be defined as set forth in 5 U.S.C. § 7103(a)(9). Additionally, the matters listed on Appendix 1 are not grievable and are excluded from this grievance process.

(b) Informal Grievance Process

(i) Before an employee may file a formal grievance or NTEU files an institutional grievance, an attempt must be made to informally resolve the concerns with the management official(s) believed responsible for the matter on which the concerns are based. The informal grievance is not a meeting pursuant to 5 USC § 7114. An informal grievance must be submitted in writing or via email to the lowest level supervisor with authority to grant appropriate relief with a copy to the Chief of Workforce Relations. The informal grievance must be submitted no later than fifteen (15) calendar days of the individual(s) becoming aware of the matter which created the basis for the informal grievance. The Human Resources Branch will respond to the informal grievance no later than twenty (20) calendar days after its submission. If the parties cannot resolve the dispute informally then the employee may file a formal step one grievance.

(ii) When the first level official for resolution is the Chairman, or if the first level official has executive responsibilities or is a Division Director or Office Head who reports to the Chairman, the informal grievance will be processed under the formal grievance procedure set forth below.

(c) Formal Grievance Process

(i) Step One: A Step One grievance must be submitted in writing to the Human Resources Branch no later than twenty (20) calendar days from the date the grievant becomes aware of the matter being grieved if not submitted through the informal grievance process or twenty (20) calendar days from receipt of the informal grievance response. The Step One grievance must include a statement of the issue(s), including the date(s), location(s), pertinent fact(s) (which may include any witnesses to the issue(s) or incident(s) described and any supporting documentation), the requested remedy or remedies, and whether a meeting is requested. If a meeting is requested to discuss the grievance, the meeting shall occur with the management official identified by the Human Resources Branch within ten (10) calendar days of the submission of the grievance. The Step One management official will respond with a Step One decision to the Step One grievance no later than thirty (30) calendar days after the grievance has been submitted.

(ii) Step Two: If dissatisfied with the Step One decision, an employee or the Union may file a Step Two grievance. A Step Two grievance must be submitted in writing or via email to the Human Resources Branch no later than fifteen (15) calendar days from the receipt of the Step One grievance response. The Step Two management official must be the Step One management official's supervisor or the supervisor's designee. The Step Two grievance shall not introduce new issues or remedies that were not presented at Step One. The Step Two management official will respond with a Step Two decision to the Step Two grievance no later than thirty (30) calendar days after the Step Two grievance has been submitted.

(d) For any meetings that take place during the formal grievance process, the number of union representatives from the Agency is limited to the number of management representatives and must be mutually agreed upon prior to any such meeting(s).

(e) The CFTC may offer mediation at any time to resolve the matter.

(f) Agency and Union Institutional Grievances

(i) To increase the ability to resolve disputes expeditiously, Institutional Grievances must be raised no later than thirty (30) calendar days after the date the moving party became aware of the incident giving rise to the complaint by sending an Institutional Grievance to the Human Resources Branch if the NTEU is the moving party, or to NTEU National President (or her designee, her current designee being Richard L. Otzel) if CFTC is the moving party.

In an effort to resolve national level disputes in an expeditious manner, the parties will schedule a meeting within thirty (30) calendar days of receiving the Institutional Grievance. Within thirty (30) calendar days of this meeting, a written decision will be provided by the non-moving party to the moving party.

(ii) If not satisfied with the resolution provided by the non-moving party, the moving party may invoke arbitration within thirty (30) calendar days of receipt of the grievance denial.

(g) Arbitration

(i) Consistent with 5 U.S.C. § 7121, binding arbitration is available as a final step in the grievance procedure. If invoked, the Union or the Agency will make a request for binding arbitration in writing within thirty (30) calendar days after the receipt of the Step Two decision.

(ii) The moving party will, within ten (10) calendar days after invocation of arbitration, request a list of seven (7) arbitrators from the Federal Mediation and Conciliation Service (FMCS). As soon as practicable after the list is received from FCMS, the parties will select an arbitrator by alternatively striking names from the list until one name remains. Which party strikes first will be determined by the date the FMCS list is issued. The Union strikes first if the date is an odd number and the Agency strikes first if the date is an even number.

a. Except for the specific exclusions in Appendix 1, and other administrative procedures and exclusions provided by law, the grievance procedure is the exclusive administrative procedure for resolving grievances under this agreement.

b. The parties will share equally the FMCS and arbitrator's costs.

(h) The Parties may agree in writing to reasonable extensions of time under for the deadlines set forth above in the Grievance Procedure.

11. **Bargaining Unit Lists:** Within 30 days of the effective date of this agreement, and

quarterly thereafter, CFTC will provide the NTEU National President (or her designee, the current designee being Richard L. Otzel) a list of all bargaining unit employees, including their names, position title, grade level, organizational component, official duty station (city and state), CFTC e-mail address, and salary.

12. **Precedential Effect:** The terms of this Agreement are not precedential and may not be relied upon by either party as justifying the same or similar terms in any subsequent negotiations.

Colleen M. Kelley
National President
National Treasury Employees Union

1/13/2015
Timothy Massad Date
Chairman
Commodity Futures Trading Commission

Appendix 1: List of Matters Not Subject to the Grievance-Arbitration Provisions

1. The content of published government-wide regulations or CFTC policies on ethics rules and classification matters.

2. The subject of a formal complaint of discrimination which has already been filed as a formal EEO complaint.

3. A decision or action for which a notice of appeal has already been filed with the Merit Systems Protection Board.

4. A preliminary warning or notice of a proposed action that, if effected, would be covered under the grievance system.

5. The termination or expiration of a:

   a. Time-limited excepted appointment;

   b. Temporary or term appointment on or before the date specified on the appropriate appointing SF-52; or

   c. Temporary or term appointment at any other time provided the employee was informed in advance of the temporary nature of the promotion and that he or she was returned to his or her former position or to a different position of equivalent grade and pay.

6. The content of job elements and performance standards that have been established in accordance with 5 U.S.C. § 430.

7. The termination of a probationary, temporary, or trial period employee for unsatisfactory performance or conduct.

8. The return of an employee serving a supervisory or managerial probation period to a nonsupervisory or non-managerial position according to 5 C.P.R. Part 315.

9. A separation or termination of a non-preference eligible from the excepted service before the employee has two years of current continuous service and acquires a right to appeal to the MSPB.

10. Grievances filed prior to the effective date of this agreement.

11. The issuance of performance improvement plans.

12. The non-selection for promotion from a properly ranked and certified list of candidates

13. An action taken in accordance with the terms of a formal agreement voluntarily

entered into by an employee, and reviewed by NTEU for compliance with applicable law or agreements, including agreements which assign an employee from one geographical location to another.

Memorandum of Understanding between the National Treasury Employees Union and the Commodity Futures Trading Commission

This memorandum is an agreement on compensation and benefits between the Commodity Futures Trading Commission (CFTC) and the National Treasury Employees Union (NTEU) (collectively referred to as the parties). This agreement applies to all bargaining unit employees represented by NTEU as set forth in the Certification of Representation (Case No. WA-14-0060) issued on November 7, 2014.

1. Pay:

   A. All employees will receive an across-the-board 2% pay increase effective Pay Period 1, January 2015.
   B. The CFTC will provide funding for merit pay for the 2014-2015 cycle at 3.0%.

2. Supplemental Retirement:

   Within thirty (30) days of the effective date of this agreement, the CFTC will begin work to conduct analysis regarding the requirements and a design of a supplemental retirement program. The parties will negotiate over the supplemental retirement program in FY16 when the FY16 appropriation is known; these negotiations will be conducted separately from other negotiations by the parties, absent mutual agreement.

3. Student Loan Repayment program:

   The CFTC will provide $800,000 in funding as the Agency-wide cap for the Student Loan Repayment Program in FY 2015.

4. Public Transit Subsidy:

   The CFTC will reimburse employees for costs of using public transportation for commuting expenses. Employees will be reimbursed for their actual costs each month, up to $250 per month, or the Internal Revenue Service tax-free limit, whichever is higher. Any amount over the IRS limit will be taxable.

Colleen M. Kelley 7/7/15
Colleen M. Kelley Date
National President
National Treasury Employees Union

Timothy G. Massad 7/7/2015
Timothy G. Massad Date
Chairman
Commodity Futures Trading Commission

Memorandum of Understanding between the National Treasury Employees Union and the Commodity Futures Trading Commission

This memorandum is an agreement on compensation and benefits between the Commodity Futures Trading Commission (CFTC) and the National Treasury Employees Union (NTEU) (collectively, the Parties). This agreement applies to all CFTC bargaining unit employees represented by NTEU.

1. Pay:

   a. All employees shall receive an across-the board 1% pay increase effective Pay Period 1, January 2017.

   b. The CFTC will provide funding for merit pay for the 2016-2017 cycle at 3%.

2. Student Loan Repayment Program:

   The CFTC will provide $800,000 (eight hundred thousand dollars) in funding as the Agency-wide cap for the Student Loan Repayment Program in FY 2017.

3. Public Transit Subsidy

   a. The CFTC will reimburse employees for cost of using public transportation for commuting expenses. Employees will be reimbursed for their actual costs each month, up to the Internal Revenue Service tax-free limit.

   b. The CFTC will continue to provide a pre-tax parking benefit program to offer an income tax benefit to all eligible employees by allowing them to pay for their qualified parking expenses, not to exceed the maximum amount allowed by the IRS, from pre-tax wages.

Shannon W. Schmidt
Chief Negotiator
Commodity Futures Trading Commission

May 15, 2017
Date

Kenneth E. Moffett, Jr.
Director of Negotiations
National Treasury Employees Union

May 15, 2017
Date

MEMORANDUM OF UNDERSATNDING
BETWEEN
THE NATIONAL TREASURY EMPLOYEES UNION
AND
THE U.S. COMMODITY FUTURES TRADING COMMISSION

The National Treasury Employees Union ("NTEU" or "Union") and the U.S. Commodity Futures Trading Commission ("CFTC" or "Employer") (collectively, "the Parties") hereby enter into this Memorandum of Understanding ("MOU") concerning an organizational restructuring involving the Division of Market Oversight ("DMO") and the Division of Enforcement ("DOE") ("reorganization" or "re-org").

The reorganization involves splitting the DMO-Surveillance Branch into two separate units (branches). Each new unit will conduct separate functions. The proposed Market Intelligence Branch ("MIB") will remain within DMO and the proposed, revised Surveillance Branch will move into DOE. Bargaining unit staff ("BU staff" or "employee(s)") within each of the branches will be impacted by the reorganization.

In order to implement the reorganization, the Parties agree to the following provisions:

1. **Staff Re-Assignments.** CFTC will re-assign the employees listed in attached Exhibit 1 to the supervisors/positions stated in the Exhibit. All assignments will become effective concurrently with this agreement. NTEU will maintain open lines of communication with BU staff. If a subsequent issue(s) surrounding the re-org arises post-implementation, then NTEU will alert Employer to discuss appropriate resolution of the issue(s).
2. **Meetings, Assignment Review and Adjustment.** CFTC agrees that DMO and DOE will each hold a formal meeting at the 6-month mark (no later than 180 days after the effective date of the reorganization) and a second formal meeting at 12 months (no later than 365 days after the effective date of the reorganization). The purpose of these meetings will be to discuss the appropriateness of staffing levels, to allow BU staff the chance to re-evaluate their current position and to address any other issues, such as training and supervision. CFTC will consider all BU staff re-assignment requests whether submitted directly by an employee or by NTEU.
3. **Training.** CFTC agrees to identify whether training is needed by BU staff to perform duties assigned under the reorganization and, subject to budget constraints and other training requirements for the respective divisions, will provide training as soon as possible. CFTC will also consider employee requests for training, particularly during the first year of the reorganization. In addition, CFTC will endeavor to provide the training in a cost-effective manner, including using in-house expertise and group training sessions, when available.
4. **Career Ladders/Duty Locations.** CFTC agrees there will be no change in the affected employees' series, grade, pay (including locality), career ladders, or duty locations as a result of the reorganization. CFTC will notify NTEU of any proposed office changes and

NTEU may exercise its right to bargain. Use of the Market Watch Room in all CFTC offices by Surveillance Branch and Market Intelligence Branch staff will not change from the current practice.

5. **2016-2017 Performance Appraisals.** CFTC agrees that performance appraisals for the 2016-17 cycle (May 1, 2016 – April 30, 2017) will be performed by the employee's current supervisor (e.g., the supervisor the employee reported to on April 30, 2017).
6. **2017-2018 Performance Appraisals.** CFTC agrees that the new supervisor will set expectations for the 2017-18 rating year (May 1, 2017 – April 30, 2018). No later than 60 days after the reorganization, each supervisor will meet individually with his/her employees to explain his/her performance expectations. An employee's performance rating will not be adversely impacted with regard to certain job responsibilities if, as determined by the supervisor, the employee does not receive the needed training to perform those particular duties.
7. **Work Schedules.** CFTC agrees that there is no intent to change employees' current telework and work schedules as a result of the reorganization. Employees should generally not see a change in telework and work schedules, including flex and telework days, subject to CFTC's telework policy in effect.
8. **Data Access.** CFTC agrees that the Market Intelligence and Surveillance Branches will each create SharePoint sites to manage workflow for the respective units. CFTC agrees that the current Surveillance SharePoint site will be available to all employees to facilitate the transition of necessary files between the two branches. The current Surveillance SharePoint access will be read-only for the 6 months following the effective date of the re-org. Thereafter, Surveillance will work with the Business Manager's Unit to conduct a review of the legacy Surveillance SharePoint site under the Commission's record retention policy.
9. **Inter-Divisional Coordination.** CFTC agrees that DMO and DOE will coordinate with other divisions and units (e.g., OCE) to minimize duplication of efforts in furtherance of their respective missions, such as for a market event.
10. **Transfer of Authority.** CFTC will draft a rule to transfer the information request authorities (including Special Call authority) to DOE.
11. **Effective Date.** This agreement will become effective on the 1st day of the second full pay period after execution.

Execution of this MOU

1. That this MOU constitutes the complete understanding of the Parties. No other promises or agreements, explicit or implied, shall be binding on the Parties, unless agreed to in writing, and signed by all of the Parties.

2. Both parties retain their future statutory or contractual rights. Both parties retain their statutory rights under this MOU unless such waiver is clear and unmistakable.

3. That a facsimile or scanned electronic signature on any of the signature blocks of this MOU is deemed genuine and acceptable for all purposes.

4. Each signatory to this MOU represents and warrants that he/she has the full right, power and authority to execute this MOU.

Richard L. Otzel
NTEU National Field Representative

06/05/17
Date

Paul Ulmer for Lauren Colón
Lauren Colón
Chief, Workforce Relations
CFTC

6/5/17
Date

Memorandum of Agreement
Between
National Treasury Employees Union (NTEU)
And the
U.S. Commodity Futures Trading Commission (CFTC)

Implementation of Federal Service Impasses Panel (FSIP) Decision and Order
2015-2016 Performance Cycle Compensation

This agreement by and between the National Treasury Employees Union (NTEU or Union) and the U.S. Commodity Futures Trading Commission (CFTC or Agency) resolves all outstanding issues in the parties' negotiations over compensation for the 2015-2016 performance cycle as ordered by the FSIP in Case No. 16 FSIP 120, dated March 1, 2017.

1. The merit pay pool will be funded at 1 % for the 2015-2016 performance rating cycle retroactive to pay period 20 of 2016 for all CFTC bargaining unit employees currently onboard;

2. CFTC bargaining unit employees who were onboard as of pay period 20 of 2016, and separated from the agency prior to pay period 6 of 2017, will receive a lump sum payment equivalent to the amount of the increase in their merit pay from the date of their separation retroactive to October 2, 2016 (pay period 20 of 2016);

3. CFTC bargaining unit employees onboard as of March 1, 2017, will receive a one-time 1 % lump sum bonus based on the employee's total salary.

FOR CFTC:
Date: 6/19/2017

For NTEU:
Date: 6/26/17

COMMODITY FUTURES TRADING COMMISSION - CBA as result of NTEU (or FSIP) Decisions/Agreements

NTEU decisions/Actions	Salaries and Benefits	FY 2014		FY 2015		FY 2016		FY 2016 in FY 2017		FY 2017 estimate	
				Agreement[2]				Panel Decision[1]		Agreement[2]	
	Cost before Agreements		$126,509,341		$137,289,709		$153,127,401				$149,222,464
	Merit	N/A	$0	3.0%	$712,284	N/A	$0	1.0%	$931,080	3.0%	$629,858
	Annual Adjustments	N/A	$0	2.0%	$1,196,062	N/A	$0			1.0%	$817,965
	Bonus (one time)	N/A	$0			N/A	$0	1.0%	$1,224,861		
	Student Loan	N/A	$0	800K	$803,200	N/A	$0			800k	$805,661
	Transit Benefits	N/A	$0	Cost	$756,294	N/A	$0			Cost est.	$745,000
	Parking[3]	N/A	$0	N/A	$0	N/A	$0				$0
	Total Cost		$126,509,341		$140,757,549		$153,127,401				$154,376,889

Table Notes:1) FY 2016 Panel decision paid in FY 2017; 2) NTEU signed agreements with in the fiscal year

Response: We note that to ensure pay equity among all staff, the terms agreed to by CFTC and NTEU have been applied to all CFTC staff each year and the costs cited in the chart above reflect this approach. NTEU's bargaining unit comprises approximately 60% of the Agency's population.

7. **Mr. Aderholt: Please provide the information in the prior question in detail broken down by object class, division, and mission area, including the total cost and delta between the amount prior to and after the enactment of the CBA or FSIP decision.**

Response: The following chart provides object class information by Division. CFTC does not maintain this information by mission activity.

Division	FY 2014	FY 2015	FY 2016	FY 2017 Estimated	Delta FY 17 to FY 16
Agency Direction					
11	$2,621,281	$5,220,351	$4,497,967	$4,412,590	($85,377)
12	$753,507	$1,602,289	$1,419,402	$1,432,046	$12,644
Agency Management and Support					
11	$37,717,928	$10,889,142	$11,463,667	$11,321,561	($142,106)
12	$11,166,257	$4,205,809	$4,510,483	$4,096,592	($413,892)
13	$17,331	$0	$335	$20,000	$19,665
Chief Economist					
11	$1,004,267	$1,685,477	$2,176,995	$2,497,114	$320,118
12	$285,627	$495,356	$680,521	$795,239	$114,718
Clearing and Risk					
11	$6,010,932	$9,550,812	$10,945,006	$11,343,105	$398,099
12	$1,763,366	$2,990,124	$3,523,034	$3,701,155	$178,122
Data and Technology					
11	$7,541,059	$13,390,845	$13,888,989	$14,284,563	$395,574
12	$2,323,256	$4,249,968	$4,516,750	$4,812,441	$295,691
Enforcement					
11	$16,335,443	$25,563,518	$27,755,159	$27,926,159	$171,000
12	$4,799,639	$7,932,731	$8,822,259	$8,925,868	$103,609
General Counsel					
11	$5,451,548	$8,101,938	$8,987,338	$8,656,566	($330,772)
12	$1,561,035	$2,388,798	$2,702,333	$2,667,870	($34,463)
Inspector General					
11	$612,106	$1,249,912	$1,527,855	$1,530,836	$2,981
12	$150,387	$347,712	$431,399	$461,213	$29,814
International Affairs					
11	$1,411,743	$1,849,264	$2,131,200	$2,242,121	$110,921
12	$376,367	$518,375	$609,054	$680,889	$71,835
Market Oversight					
11	$10,567,218	$15,943,319	$17,762,809	$18,011,859	$249,050
12	$3,270,339	$5,179,412	$5,850,149	$6,002,784	$152,635
Swap Dealer and Intermediary Oversight					
11	$8,270,393	$13,190,784	$14,306,214	$13,984,198	($322,016)
12	$2,471,523	$4,211,613	$4,618,484	$4,535,639	($82,845)
Grand Total	**$126,482,555**	**$140,757,549**	**$153,127,401**	**$154,342,406**	

8. Mr. Aderholt: As a result of the current negotiations with the NTEU, please provide the estimated increased costs to CFTC's budget at a minimum and a maximum (even if only based upon preliminary discussions with the NTEU for the next fiscal year) that could result from the negotiations broken down by line items as defined by OMB object class and by CFTC division.

Response:

Negotiations with CFTC's unions are ongoing. However, CFTC estimates that costs as a result of the negotiations could potentially be between $11.4 million and $14.7 million. Because negotiations are ongoing, information by object class and division is not available.

9. Mr. Aderholt: Please provide for the record the budget impact documents provided to the Subcommittee on October 20, 2016.

Response:

The requested document is provided as attachment F.

10. Mr. Aderholt: According to the documents provided in the previous question, what would the number of potential furlough days have been in FY 2017 that could have resulted from the "worst case scenario" described in the budget document as a result of an FSIP decision?

Response:

At the time of the briefing (October 20, 2016), the CFTC estimated that the worst case scenario could have potentially required 17 furlough days, after taking cost cutting measures.

11. Mr. Aderholt: Please describe in detail the CFTC's situation surrounding the negotiations with the NTEU that occurred in 2016 that led to the CBA negotiations proceeding to the FSIP decision.

Response:

As background, 7 U.S.C. § 2(a)(7) of the Commodity Exchange Act (CEA), 7 U.S.C. § 1 *et seq.*, generally authorizes the Commission to make changes to pay and benefits for Commission employees without regard to Title 5 of the U.S. Code. This authority is limited by 5 U.S.C. §§ 7114 and 7117 of the Federal Service Labor-Management Relations Statute (FSLMRS). Specifically, where a union is the exclusive representative of employees of a Federal agency, the FSLMRS imposes upon the agency a general obligation to negotiate in good faith over the conditions of employment of the represented employees. 5 U.S.C. §§ 7114, 7117; *U.S. Merit Sys. Protection Bd. v. FLRA*, 913 F.2d 976, 977 (D.C. Cir. 1990). The U.S. Supreme Court and the Federal Labor Relations Authority have also both opined that when an agency is exempted from the statutorily mandated pay provisions contained in Title 5 of the U.S. Code, the agency is then required to negotiate over pay and benefit issues. See *Fort Stewart Schools. v. FLRA*, 495 U.S. 641 (1990) (Since Congress exempted pay and compensation issues for employees working at schools on military bases, under 20 U.S.C. § 241, the Army was obligated to negotiate with its union over mileage reimbursement, paid leave, and a salary increase for employees of the

schools); *SEC and NTEU*, 62 FLRA 432 (2008) (SEC Chairman's implementation of new pay system for all SEC employees without an agreement with NTEU for bargaining unit employees constituted an unfair labor practice under the FSLMRS). Consequently, the Commission is required to negotiate with its union over pay and benefits before making changes to such pay and benefits.

In October 2014, the CFTC's employees voted to organize under the National Treasury Employees Union (NTEU). In November 2014, the Federal Labor Relations Authority certified NTEU as the exclusive bargaining representative for CFTC bargaining unit employees in the Washington, D.C., Chicago, and Kansas City offices. On July 7, 2015, the parties signed their first agreement on pay and benefits for the 2014-2015 performance year.

On June 10, 2016, NTEU's Chief Negotiator submitted a proposal to negotiate pay and benefits for the 2015-2016 performance year. The CFTC and NTEU entered into negotiations over NTEU's pay proposal. On July 27, 2016, a last best offer was received by CFTC from NTEU demanding a 3% across the board pay increase, a 3% merit pay increase along with student loan repayment program, and a supplemental retirement program. On August 8, 2016, after multiple rounds of negotiations, the parties engaged in mediation facilitated by the Federal Mediation and Conciliation Service (FMCS), but mediation was unsuccessful. Due to the impending end of FY 2016, the CFTC made a strategic decision to unilaterally implement limited pay and benefits adjustments in order to avoid losing FY 2016 funds, to include a 1% across the board pay increase and one-time bonus of $1,400 for employees rated fully successful or above, which was approved by the Commission on August 12, 2016. The Union subsequently invoked the assistance of the Federal Service Impasses Panel (FSIP) and a hearing was held on January 18, 2017. The FSIP issued its decision on March 1, 2017, ordering that: "the CFTC will also provide funding for merit pay for bargaining-unit employees whose last annual rating of record was "3" or higher, retroactive to the first pay period of Fiscal Year 2017 at 1.0%. CFTC will further provide all bargaining unit employees with a one-time bonus equivalent to 1% of their annual salary effective no later than the first pay period of April 2017." *CFTC and NTEU*, 16 FSIP 120 (Mar. 1, 2017).

October 20, 2016

UPDATED
Budget Briefing

Committees on Appropriations

CFTC Budget Impacts and Challenges in FY 2017

- CFTC will face serious challenges if FY 2017's budget maintains funding at FY 2015 levels.
- These challenges are increased costs generally and outstanding union negotiations.
- The pending impasse panel decision on union pay and benefits could substantially exacerbate funding pressures and have a dramatic impact on CFTC operations.
- CFTC has already drastically reduced operating expenses and has reduced staffing to stay within funding limits. The agency has almost no flexibility to deal with cost increases or an adverse impasse decision.
- Keeping the CFTC's funding at the same level for three years severely harms the agency's ability to protect market participants.

FY 2017 Budget Distribution at $250M

FY 2017 CFTC Current Mark
Flat Funding
($'s in millions)

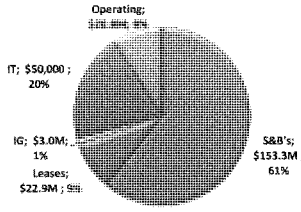
Non S&E Funding		
IT	$	50.0
OIG	$	3.0
Subtotal Non S&E	$	53.0
S&E Funding		
Leases	$	22.9
Salaries & Benefits	$	153.3
Operating	$	20.8
Subotal S&E	$	197.0
Total CFTC Appropriation	$	**250.0**

IT -- Funds are available for IT purchases only, no salary expenses can be charged

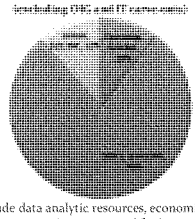
OIG -- Funding limited to OIG expenses only

S&E -- Funds available for operations of CFTC including staff pay

CFTC Total Budget



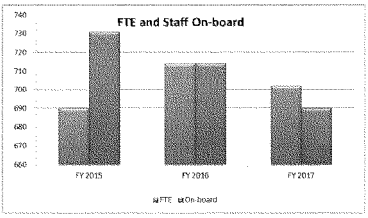
CFTC Budget

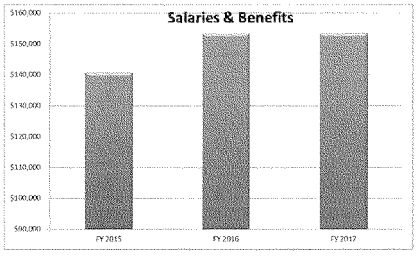


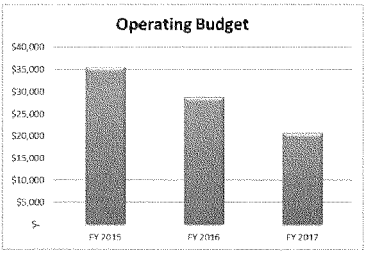
Operating expenses include data analytic resources, economic analysis, market surveillance, rulemakings, expert witnesses, travel for inspections and case work, other travel, training, and all administrative contracts to run the agency.

CFTC Budget Trends FY 2015 – FY 2017 (Est)

	FY 2015	FY 2016	FY 2017
Salaries & Benefits	$ 140,562	$ 153,262	$ 153,262
IT	$ 50,000	$ 50,000	$ 50,000
Leases	$ 21,325	$ 15,270	$ 22,949
Operating	$ 35,588	$ 28,848	$ 20,789
Inspector General	$ 2,598	$ 2,620	$ 3,000
Total Budget	**250,073**	**250,000**	**250,000**
FTE	690	714	702
On-board	731	714	690







Impact of a Flat Budget in FY 2017

	FY 2015	FY 2016	FY 2017
Salaries & Benefits	$140,562	$153,262	$153,262
IT	$ 50,621	$ 50,000	$ 50,000
Leases	$ 21,325	$ 15,270	$ 22,949
Operating	$ 34,967	$ 28,848	$ 20,789
Inspector General	$ 2,598	$ 2,620	$ 3,000
Total Budget	**250,073**	**250,000**	**250,000**
FTE	690	714	702
On-board	731	714	690

- Staffing must be reduced.
- Operating resources will be down 42% from FY 2015, and down 35% from FY 2014, when the budget was $215M.
- Inability to respond quickly to market participants like commercial end users.
- Reduced ability to engage in exams of clearing houses, potential sources of systemic risk.
- Even less capacity to perform economic analysis, including analysis of market critical events.
- Reduced ability to investigate and prosecute wrongdoing in the markets CFTC regulates.
- Reduced surveillance capacity to detect or analyze market abuses and/or anomalies.
- Reduced ability to maintain basic government mandated programs.

The Challenge of Maintaining Current Services in FY 2017

To **maintain** the level of operations established in FY 2016, the CFTC would require an **increase to its annual appropriation of approximately $11M**.

This assumes no increase in costs resulting from the impasse panel proceeding brought by the union.

The $11 million increase reflects higher costs for:

- Leasing – contract language escalates costs annually
- Maintaining staff at the **current 714 FTE** requires increased resources to keep up with the announced government-wide general increase plus a merit increase (CFTC does not provide general schedule step increases)
- Likelihood of staffing a full 5-Member Commission
- Increases in contracting costs for **existing** mission critical services – standard contract language escalates contract costs annually. Increased resources allow the CFTC to maintain investments that have been made.

Steady State Budget Comparison

	FY 2016 Allocations	FY 2017 Steady State
IT	$ 50,000	$ 50,000
OIG	$ 2,620	$ 2,720
Leases	$ 15,270	$ 22,949
Operating	$ 28,848	$ 28,848
S&B's	$ 153,262	$ 156,462
Total	**$ 250,000**	**$ 260,979**

Union Negotiations Challenges

- The CFTC is currently in pay and benefits negotiations with NTEU for FY 2016. FY 2017 negotiations have not yet started.
- Some of the outcomes of the process are outside the Commission's control.

Background - NTEU Proposal, FY16 Pay and Benefits

On July 27th, 2016 NTEU made its last/best offer for FY 2016 employee compensation.

The offer included the following proposals:

- 3% across-the-board pay increase effective pay period 1, January 2016.
- 3% merit pay for the 2015-2016 performance rating cycle.
- A supplemental retirement program similar to other FIRREA agencies. Program to include a 1% automatic match, with an additional 3% match based on employee contributions.
- $1,000,000 to fund a Student Loan Repayment Program.
- Continue transit subsidy for employees.

Updated Information

- Since submitting their final offer, the union has withdrawn its request for the impasse panel to rule on the supplemental retirement program at this time.
- The following slides provide updated information reflecting this change.
- While the union has currently withdrawn this issue from impasse panel consideration, it remains outstanding and could potentially still impact the FY 2017 budget.

Pay and Benefits Paid in FY 2016

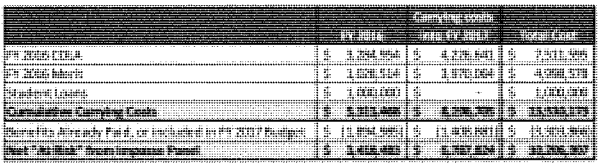
- CFTC was unable to meet the union proposal.
- The Commission made a best and final offer to the union based on what it could afford. Below is a table that summarizes the FY 2016 pay and benefit expenses set by the CFTC :

	FY 2016	Carrying costs into FY 2017
FY 2016 COLA (1%)	$ 1,094,985	$ 1,408,881
FY 2016 Merit (0%)	$ -	$ -
One-time Payment	$ 1,408,000	$ -
Student Loans	$ 800,000	$ -
Cumulative Carrying Costs	**$ 3,302,985**	**$ 1,408,881**

- **Negotiations** with NTEU over pay and benefits were **unsuccessful.**
- CFTC acted unilaterally in setting pay and benefits for FY 2016 to ensure funds set aside for these payments did not lapse.
- NTEU filed a grievance and an **impasse panel has agreed to hear the case** in January, 2017.
- The **decision of the impasse panel is final and binding.**

Possible Outcomes from FY 16 Impasse - Updated

Financial impact of NTEU proposal on CFTC resources: Union proposal, retroactive



- The most expensive scenario for the CFTC would be if the **impasse panel agrees with NTEU** -- supporting their full request and requiring retroactive payment of FY 2016 costs.
- Total **at risk from this impasse decision is $10.2M** ($3.4M in retroactive payments, and $6.8M in FY 2017 carrying costs) -- net of 1% COLA already paid in FY 2016 and included in FY 2017.
- The annual **operating budget for the entire CFTC is $20.8M**. The CFTC estimates it will expend approximately $3M on operations through December 9th .
- CFTC would not be able to continue operations unless it **furloughed staff**.
- The **impact to CFTC's mission would be severe across all mission areas** and confidence in the markets could be significantly, negatively impacted.

Possible Outcomes from FY 16 Impasse - Updated

Financial impact of NTEU proposal on CFTC resources: Union proposal, not retroactive

	FY 2016	Carrying costs into FY 2017
FY 2016 COLA	$ -	$ 4,226,641
FY 2016 Merit	$ -	$ 3,970,064
Student Loans	$ -	$ -
Cumulative Carrying Costs	**$ -**	**$ 8,196,705**
Benefits already paid, or included in FY 2017 Budget	$ -	$ (1,408,881)
Net "At Risk" from Impasse Panel	**$ -**	**$ 6,787,824**

- If the **impasse panel agrees with NTEU, but does not require a** retroactive payment of FY 2016 costs, the total at risk is **$6.8M**.
- **Significant reductions and possibly furloughs** would be necessary.
- **Mission work would have minimal funds** to pursue/continue cases and monitor markets.
- The impact to the CFTC's mission would be drastic and the negative impacts to the markets could be significant.

Budgets Required to Maintain Current Services and Implement Possible FY2016 Impasse Panel Decisions - Updated

Steady state requirements if impasse panel rules in favor of union proposal, with retroactive payment

	Flat Funding	Maintain Steady State	Impasse Decision	Total FY 2017 Current Operations
IT	$ 50,000	$ -	$ -	$ 50,000
Leases	$ 22,949	$ -	$ -	$ 22,949
Operations	$ 21,169	$ 7,679	$ -	$ 28,848
IG	$ 2,620	$ 100	$ -	$ 2,720
S&B	$ 153,262	$ 3,200	$ 10,206	$ 166,668
Total	**$ 250,000**	**$ 10,979**	**$ 10,206**	**$ 271,185**
FTE	714	714	714	714

Steady state requirements if impasse panel rules in favor of union proposal, with no retroactive payment

	Flat Funding	Maintain Steady State	Impasse Decision	Total FY 2017 Current Operations
IT	$ 50,000	$ -	$ -	$ 50,000
Leases	$ 22,949	$ -	$ -	$ 22,949
Operations	$ 21,169	$ 7,679	$ -	$ 28,848
IG	$ 2,620	$ 100	$ -	$ 2,720
S&B	$ 153,262	$ 3,200	$ -	$ 156,462
Total	**$ 250,000**	**$ 10,979**	**$ -**	**$ 260,979**
FTE	714	714	714	714

Steady state requirements if impasse panel partially rules in favor of union proposal, 2% merit retroactive payment; no supplemental retirement

	Flat Funding	Maintain Steady State	Impasse Decision	Total FY 2017 Current Operations
IT	$ 50,000	$ -	$ -	$ 50,000
Leases	$ 22,949	$ -	$ -	$ 22,949
Operations	$ 21,169	$ 7,679	$ -	$ 28,848
IG	$ 2,620	$ 100	$ -	$ 2,720
S&B	$ 153,262	$ 3,200	$ 3,847	$ 160,309
Total	**$ 250,000**	**$ 10,979**	**$ 3,847**	**$ 264,826**
FTE	714	714	714	714

FY 2017 Pay and Benefits Negotiations

- The impasse panel is only considering pay and benefits for FY 2016.
- The Commission is still required to engage in pay and benefit negotiations for FY 2017.

Administrative Overhead and Contractors

12. Mr. Aderholt: Please provide a table showing the breakdown of the number of administrative contractors, CFTC employee FTE, and total cost for each for fiscal years 2013-2017.

Response:

Please see the table below for the requested information.

Fiscal Year	Number of Administrative Contractors)	Cost of Contract	CFTC Administrative Employee FTE	Total Cost of CFTC Administrative Employees
2013	24	$ 3,346,096	79	$ 14,125,466
2014	25	$ 7,910,586	76	$ 10,119,849
2015	62	$ 9,037,752	77	$ 15,094,932
2016	75	$ 8,131,273	76	$ 15,974,486
2017	73	$ 7,893,928	85	$ 17,713,812

The number of administrative contractors was defined as the number of contractor positions in the Office of the Executive Director.

13. Mr. Aderholt: What is the cost per contractor and per CFTC FTE cost of a typical administrative employee at the CFTC?

Response:

The average cost in FY 2017 for a typical administrative contracted position in FY 2017 is $106,674. Typical administrative contracted positions at CFTC include executive assistants for Division Directors, paralegal support for Enforcement attorneys, human resources assistants, budget execution technicians and travel specialists, internal controls and audit testing assistance, and logistics support.

The average cost for a typical administrative position at CFTC is $208,398 per a full-time equivalent (FTE) including benefits. Typical administrative positions at CFTC include business management professionals, human resources professionals, financial management and accounting professionals, strategic planning and facilities management professionals, librarians and Executive Secretariat staff.

14. Mr. Aderholt: Please provide a table showing the number of contractors by division and mission area for fiscal years 2013-2017.

Response:

The table below provides the requested information for each division. The Commission does not maintain contracted service assignments by mission area.

Division	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Agency Direction	0	0	0	0	0
Administrative Management and Support	24	25	62	75	73
Chief Economist	3	1	1	1	2
Clearing & Risk	0	0	0	0	0
Data & Technology	169	169	159	193	219
Enforcement	7	8	6	7	2
General Counsel	0	0	0	1	7
International Affairs	0	0	0	0	0
Inspector General	3	1	9	12	12
Market Oversight	0	0	1	2	2
Swap Dealer & Intermediary Oversight	0	0	1	1	0
Total	206	204	239	292	317

Note: The data above are listed in the Spend Plans submitted to the Committees on Appropriations for fiscal years 2013 through 2017.

15. Mr. Aderholt: It appears that over half of the CFTC's budget is spent on administrative support and information technology. What remedies can the CFTC take to reduce this level to ensure market integrity and focus its efforts on those areas most in need?

Response:

Agency Management and Support contains the budget for the administrative functions of the Commission. The CFTC FY 2018 Budget Requests 89 FTE for this area, or 12% of the total FTE requested. Of the $41 million in contracted resources requested for Management & Support, approximately $25 million is for rent and maintenance of the Commission's facilities. The remaining $16 million provides the infrastructure to run the agency (payroll, training, financial management, procurement, travel support, human resources, internal controls, strategic planning, and other mandated programs like privacy and records management). In addition to infrastructure and operational costs, Agency Management and Support administers certain contracts for the Commission's mission divisions (including data subscriptions, law library costs and subscriptions, paralegals & division administrative assistants, Bloomberg trading terminals, and other areas that directly support the mission), as it would not be cost effective to have them managed separately by each of the divisions.

The Office of Data and Technology (ODT) provides the IT infrastructure for the Commission and administers mission specific systems that directly sustain the CFTC's ability to provide oversight of the nation's digital markets. The CFTC budget request seeks $57.0M for the purchase of information technology.

General IT services that support the Commission include: messaging and email, communications, network security, audio/visual equipment, database administration, business continuity, data storage, and physical equipment for staff use. ODT also provides direct support to the Commission's oversight and regulatory mission including surveillance systems that acquire and process large volumes of data, developing standards for data ingest and analysis of market data, identifying trends and/or outlying events that warrant further investigation. ODT also provides systems that directly support enforcement actions and cases, registration and compliance, product reviews, examinations, legal and economic analysis, and international policy.

Office of the Chief Economist (OCE)

16. Mr. Aderholt: Please provide a table showing the amount of funding and FTE for fiscal years 2013-2017 for the OCE.

Response:

The table below provides the requested information for the Office of the Chief Economist:

Office of the Chief Economist					
	FY 2013 Actual	FY 2014 Actual $	FY 2015 Actual $	FY 2016 Actual	FY 2017 Spend Plan
Funding	$ 2,482	2,380	3,154	$ 3,833	$ 4,320
FTE	12	9	11	13	15

Leasing Language

17. Mr. Aderholt: Please provide the leasing legislative language provision carried in the FY 2016 appropriations bill, the FY 2017 appropriations bill, and the FY 2018 President's budget that allows the CFTC to correct recording and Anti-Deficiency Act (ADA) violations related to its leasing costs.

Response:

The leasing legislative language provisions carried in the FY 2016 appropriations bill, the FY 2017 appropriations bill, and the FY 2018 President's Budget Request that allow the Commission to correct recording and Anti-deficiency Act (ADA) violations related to its leasing costs follows. Note the numbering scheme is added for reference purposes to the legislative text as part of the response to Question 18.

FY 2016 Appropriation (Public Law 114-113, December 18, 2015)

[1] Provided, That notwithstanding the limitations in 31 U.S.C. 1553, amounts provided under this heading are available for the liquidation of obligations equal to current year payments on leases entered into prior to the date of enactment of this Act: [2] Provided further, That for the purpose of recording any obligations that should have been recorded against accounts closed pursuant to 31 U.S.C. 1552, these accounts may be reopened solely for the purpose of correcting any violations of 31 U.S.C. 1501(a)(1), and balances canceled pursuant to 31 U.S.C. 1552(a) in any accounts reopened pursuant to this authority shall remain unavailable to liquidate any outstanding obligations.

FY 2017 Appropriation (Public Law 115-31, May 5, 2017)

[3] Provided, That notwithstanding the limitations in 31 U.S.C. 1553, amounts provided under this heading are available for the liquidation of obligations equal to current year payments on leases entered into prior to the date of enactment of this Act: [4] Provided further, That for the purpose of recording and liquidating any lease obligations that should have been recorded and liquidated against accounts closed pursuant to 31 U.S.C. 1552, and consistent with the preceding proviso, such amounts shall be transferred to and recorded in a new no-year account in the Treasury, which may be established for the sole purpose of recording adjustments for and liquidating such unpaid obligations.

FY 2018 President's Budget

[5] Provided, That notwithstanding the limitations in 31 U.S.C. 1553, amounts provided under this heading are available for the liquidation of obligations equal to current year payments on leases entered into prior to the date of enactment of this Act: [6] Provided further, That for the purpose of recording and liquidating any lease obligations that should have been recorded and liquidated against accounts closed pursuant to 31 U.S.C. 1552, these accounts may be reopened solely for the purpose of correcting any violations of 31 U.S.C. 1501(a)(1), and balances canceled pursuant to 31 U.S.C. 1552(a) in any accounts reopened pursuant to this authority shall remain unavailable to liquidate any outstanding obligations: [7] Provided further, That, consistent with the first preceding proviso, and alternative to the second preceding proviso, and only when closed accounts cannot technically be reopened, such amounts under this heading may be transferred to and recorded in a new no-year account in the Treasury, which may be established for the sole purpose of recording adjustments for and liquidating such unpaid obligations.

18. Mr. Aderholt: Please provide an explanation of each legislative language provision and the reasons for changes needed or proposed from the original FY 2016 language to the FY 2017 appropriations bill and the FY 2018 President's Budget.

Response:

In September 2015, after reviewing information gathered in response to an inquiry from the Government Accountability Office (GAO), the Commission determined its historical practice for recording lease obligations on an annual basis may be inconsistent with OMB Circular A-11, the recording statute (31 U.S.C. § 1501(a)(1)), and previous GAO decisions. With all of its multiple-year leases, the agency's practice had been to record an obligation in an amount equal to the

current year's rent payments in each fiscal year rather than the full amount of the Commission's legal liability under its contracts to lease real property. In order for CFTC to make its lease payments in accordance with the terms of the lease and to correct inappropriate recording of its prior lease obligations, legislative language was required.

FY 2016 Appropriations Language

The first provision (labeled [1], in response 17 above) included in the Consolidated Appropriations Act, 2016 (Public Law 114-113, December 18, 2015), enabled the Commission to continue to make monthly payments on its multiple-year lease agreements using annual appropriations. The second provision (labeled [2], in response 17 above) was included to enable the Commission to reopen the Treasury accounts, that would have been open at the time the lease agreements were signed, to record the lease obligations and subsequent adjustments. However, it was later determined that Treasury is unable to make adjustments to closed accounts that (1) are requested more than six months after the date the account closed, or (2) exceed the available balance remaining in the account at the time it closed, and this provision could not be implemented.

FY 2017 Appropriations Language

The first provision (labeled [3], in response 17 above) included in the Consolidated Appropriations Act, 2017 (Public Law 115-31, May 5, 2017) was identical to the first provision in the Consolidated Appropriations Act, 2016 and enabled the Commission to continue to make monthly payments on its multiple-year lease agreements using annual appropriations. The second provision (labeled [4], in response 17 above) created a new no-year Treasury account for recording the outstanding lease obligations and subsequent liquidations and adjustments. The account has been opened by Treasury, and CFTC is in the process of finalizing the postings for this account. This no-year account should resolve the Commission's logistical recording issues because it can remain open until the final lease payment in FY 2025. However, CFTC is unable to record the obligations for one of its four leases (the New York (NY) lease) in the new no-year fund in FY 2017, because the account that was current at the time the first amendment to the NY lease was signed on September 2, 2011, is currently in the expired phase and will not close until September 30, 2017. Once the account closes, the CFTC can record the NY lease in the no-year account, assuming that the FY 2017 appropriation language is carried over into FY 2018.

Proposed FY 2018 Language contained in the President's Budget Request

The first provision (labeled [5], in response 17 above) included in the 2018 President's Budget was identical to the first provisions in the 2016 and 2017 Consolidated Appropriations Acts and will enable the Commission to continue to make monthly payments on its multiple-year lease agreements using annual appropriations. The second provision (labeled [6], in response 17 above) is a combination of the second provisions from the 2016 and 2017 Consolidated Appropriations Acts. The second provision (labeled [6], in response 17 above) in the FY 2018 President's Budget was intended to accomplish the same purpose as the second provision in the FY 2017 appropriations law, but includes language related to reopening closed accounts that was later deemed unfeasible. This language was proposed by the Office of Management and Budget before the final FY 2017 appropriations act language was known and before it was determined that Treasury could not open the closed accounts. As such, the differences are due to timing as

the language in the FY 2017 appropriations law was finalized and passed after the FY 2018 President's Budget was locked down. CFTC considers the final language in the FY 2017 appropriations law to be more relevant and current and was included as the final provision (labeled [7], in response to 17 above) to the FY 2018 appropriation.

19. Mr. Aderholt: What is the total amount of leasing costs CFTC is required to pay down due to the ADA violations related to the recording statute and the voluntary services statute?

Response:

CFTC's remaining unfunded lease liability at September 30, 2017, is $172.3 million. This amount will be funded by Commission appropriations received for FY 2018 through 2025, as long as permissible authorizing language is included in the appropriations act.

The Commission's failure to provide notification of available appropriations to its Chicago and New York landlords in accordance with the lease terms and Federal Acquisition Regulation (FAR) 52.232-18, Availability of Funds (1984), resulted in the acceptance of voluntary services but did not result in an additional unfunded deficiency beyond what was reported for the entire lease terms.

20. Mr. Aderholt: What is the amount of costs the CFTC will incur related to the GAO's identification of a violation of the miscellaneous receipts statute?

Response:

The Commission is currently in the process of researching and analyzing its available historical records, some dating back to the expiration of the 1986 lease, to determine the amount of costs associated with GAO's opinion that CFTC violated the miscellaneous receipt statute.

21. Mr. Aderholt: Please provide legislative language that would provide a permanent, one-time solution to the CFTC's ADA leasing violation related to the recording statute.

Response:

In order to continue making payments on its multiple-year lease agreements using annual appropriations, the Commission's annual appropriation language should include the first provision—*"Provided, That notwithstanding the limitations in 31 U.S.C. 1553, amounts provided under this heading are available for the liquidation of obligations equal to current year payments on leases entered into prior to the date of enactment of this Act"*—each year through FY 2025, the final year of the Commission's longest lease agreement (Washington, D.C.). And, in order to liquidate the balances, and "buy-down" the ADA, the provision authorizing the transfer of funds should also be included. Also, in order to ensure that the NY lease may be recorded after the account closes, the language authorizing the no-year account should also be included in FY 2018.

As such, the Commission proposes the following legislative language that would provide a permanent, one-time solution to the CFTC's ADA leasing violation related to the recording statute:

Provided, That notwithstanding the limitations in 31 U.S.C. 1553, amounts provided under this heading for fiscal years 2018 and thereafter are available for the liquidation of obligations equal to current year payments on leases entered into prior to the date of enactment of this Act: Provided further, That for the purpose of recording and liquidating any lease obligations that should have been recorded and liquidated against accounts closed pursuant to 31 U.S.C. 1552, and consistent with the preceding proviso, such amounts shall be transferred to and recorded in a new no-year account in the Treasury, which may be established for the sole purpose of recording adjustments for and liquidating such unpaid obligations.

CFTC Information Technology (IT) Investigation

22. Mr. Aderholt: A June 2016 Inspector General (IG) Investigation report into a potential IT incident discovered "actions of a retaliatory nature were taken against" an information technology contractor by CFTC employees. This investigation did not occur under the current CFTC leadership. However, it appears that no disciplinary action was taken against those CFTC employees that retaliated against the IT contractor. In fact, the letters stated "This letter is not a disciplinary action and will not be placed in your Official Personnel Folder." Why was disciplinary action not taken against such employees, including the placement of these letters in their personnel folders? Has CFTC maintained the previous policies or management decision making that allowed this lack of accountability to continue?

Response:

It is difficult for me to fully respond to your question as the decision to counsel the employees in lieu of taking formal disciplinary action was made before I became Acting Chairman. Please know that I share your concerns about this incident and I take this matter very seriously. While I was made aware of the incident as a Commissioner, decisions about how the issues raised by the IG should be handled fell under the purview of the Chairman, not the full Commission.

Following the incident, it is my understanding that then-Chairman Massad took a number of steps to address the issue. In particular, he removed the Chief Information Officer from the Senior Leadership Response Team dealing with reported incidents for one year.

In response to your question about whether the CFTC has maintained previous policies or management-decision making that allowed this lack of accountability to continue, the answer is no. Since the release of the IG investigation, the CFTC has made a number of policy and management-decision making improvements. The CFTC has implemented policies that prohibit certain internet technology activities from home. The Agency has increased training for certain staff on issues such as interactions with contractors, retaliation, and other matters. One of the sessions was provided specifically to employees in the Office of Data and Technology. Further, agency-wide emails were sent by both Chairman Massad and the CFTC Executive Director,

which explain the legal protections for whistleblowers including the protections from reprisal or retaliation.

Since becoming Acting Chairman in January and more recently Chairman, I have taken a number of actions to ensure more accountability. First, I recently approved a new CFTC Policy on Merit System Principles, Prohibited Personnel Practices, and Whistleblower Protections. The new policy ensures that agency employees, contractors, interns, and volunteers are all aware of their applicable protections under these regulations and laws. It makes clear that retaliation by employees against whistleblowers in any form will not be tolerated and may, pending a proper, fair, and thorough review, constitute a terminable offense. This new policy has been placed on CFTC's Intranet so that everyone covered is able to access the information.

We are currently working to develop a policy that clarifies that the unauthorized access or removal of non-public CFTC data and information may constitute a terminable offense. In the interim, the agency initiated our Mandatory Annual Information Security and Privacy Training, which stresses the importance of safeguarding non-public CFTC data and information. The potential penalties for not properly safeguarding information could include punishment up to and including removal from Federal service. Finally, we are reviewing the Agency's treatment of all policies, procedures, and protocols concerning information, data, and technology, to include recommendations regarding any amendments to policies, procedures, and protocols needed to increase the security of the CFTC's information networks.

23. Mr. Aderholt: Does the CFTC have a policy or an applicable regulation that prevents retribution against contractors in place?

Response:

The CFTC has a policy titled "Merit, Systems Principles, Prohibited Personnel Practices, and Whistleblower Retaliation Protections." The policy ensures that CFTC is free of Prohibited Personnel Practices and establishes requirements ensuring that agency employees, contractors, interns, and volunteers are aware of their applicable protections. Additionally, CFTC's procurement contracts contain the clauses prescribed in Federal Acquisition Regulation (FAR) Subpart 3.9 "Whistleblower Protections for Contractor Employees" and FAR Part 22 "Application of Labor Laws to Government Acquisitions," as applicable. Also as applicable, CFTC's contracts contain the FAR clause at 52.212-4 Contract Terms and Conditions—Commercial Items which requires contractors to comply with 41 U.S.C. 4712 and 10 U.S.C. 2409 relating to whistleblower protections.

24. Mr. Aderbolt: Would the IT contractor that revealed tbe security violation be eligible for a whistleblower award?

Response:

No, the IT contractor who revealed the security violation would not be eligible for a whistleblower award under the Commodity Exchange Act (CEA) because the information provided by the IT contractor does not relate to an enforcement of a covered judicial or administrative action as those terms are defined under the CEA.

The CEA permits the Commission to provide an award to whistleblowers, "[I]n any covered judicial or administrative action, or related action, the Commission... shall pay an award or awards to 1 or more whistleblowers who voluntarily provided original information to the Commission that led to the successful enforcement of the covered judicial or administrative action, or related action..." 7 U.S.C. § 26(b)(1). The CEA defines a "covered judicial or administrative action" as "any judicial or administrative action brought by the Commission under this chapter that results in monetary sanctions exceeding $1,000,000." Simply put, the information provided by the IT contractor does not relate to the enforcement of a covered judicial or administrative action of the Commission, so the IT contractor is ineligible for a whistleblower award under the CEA.

CFTC IG Overhead

25. Mr. Aderholt: How does the CFTC calculate IG overhead?

Response:

The non-payroll budget for the Commission's Office of the Executive Director, which includes rent, utilities, and other administrative costs, is divided by the total FTE at the Commission to arrive at an estimated overhead charge per FTE. The total FTE for each division, including the IG, is then multiplied by the estimated charge to determine each division's share of the overhead.

26. Mr. Aderholt: Please provide a table showing the amounts charged to the IG for overhead for fiscal years 2013-2017.

Response:

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Calculated IG Overhead	$ -	$ -	$ 338,364	$ 451,900	$ 476,567
Charged IG Overhead	$ -	$ -	$ 338,364	$ 330,000	$ 356,830
IG FTE	5	6	7	9	9
Calculated Overhead/FTE	$ -	$ -	$ 48,338	$ 50,211	$ 52,952

Notes:
- There was not an IG carve-out in the FY 2013 enacted budget, and therefore no overhead was charged.
- FY 2014 was the first year the IG carve-out was included in the appropriations language. The appropriation was not sufficient to cover base IG operational costs. Therefore, no overhead was charged.
- FY 2016 overhead charge was constrained by appropriations language that limited overhead to $330,000. Inflation and the cost for 2 additional FTE are the basis for the increase in caclulated overhead.
- FY 2017 IG overhead charge was reduced to accommodate higher than expected contracted costs for the IG.

27. Mr. Aderholt: What is the amount of overhead the IG would be charged under in FY 2018 under current funding levels and under a funding level of $281.5 million?

Response:

The CFTC FY 2018 budget request of $281.5 million allocates $510,410 in overhead to the IG (based on the 9 FTE included in the IG's budget request). If the CFTC budget remains at

$250.0 million, similar to FY 2017, we would expect to again adjust the OIG allocation to approximately $357,000 to ensure that the mission of the IG is not negatively impacted by the overhead charged.

London Clearing House (LCH)

28. Mr. Aderholt: Please describe the situation related to the LCH's regulation, CFTC's jurisdiction as it pertains to LCH, and other financial regulators who have jurisdiction over LCH.

Response:

LCH Ltd. (LCH) has been registered with the CFTC as a derivatives clearing organization (DCO) since 2001. As a registered DCO, LCH is subject to the CFTC's jurisdiction for the clearing of futures and swaps, and must meet the same statutory and regulatory requirements as other CFTC registered DCOs. This means LCH is directly subject to, among other things, regular CFTC reporting requirements, rule reviews, and examinations. The Bank of England is LCH's U.K. regulator, and regulators in other countries have jurisdiction to the extent that LCH has status in those countries.

29. Mr. Aderholt: What resources are required to perform an inspection of LCH by the CFTC and how often should such examinations take place?

Response:

The resources that are needed to perform an examination of LCH are travel funds and staff with the requisite skills to examine for compliance those areas that have been selected for examination purposes. The number of staff needed to perform an examination is based upon the work that will be performed, the size of the DCO, and the complexity of the products that it clears. CFTC staff performs a risk assessment to aid in the determination of which DCO and what topics should be examined.

Given the growth in the clearing of interest rate swaps and the number of systems incidents that LCH has experienced, CFTC staff believes LCH should be examined annually. However, the CFTC must have adequate travel funds and staffing levels in order to complete the examination. The CFTC estimates that four to seven staff members with the appropriate skills in quantitative risk management, accounting, and information technology would be needed. In order to conduct fieldwork, one to two weeks of travel would be needed; the exact length of the travel would depend upon the work to be performed.

30. Mr. Aderholt: Is the LCH considered a Systemically Important Derivatives Clearing Organization?

Response:

LCH has not been designated by the Financial Stability Oversight Council as systemically important under Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

However, as the leading clearinghouse for interest rate swaps, they are central to the U.S. financial system. LCH clears at least 90% of U.S. dollar denominated interest rate swaps.

31. Mr. Aderholt: What other U.S. financial regulators have jurisdiction over LCH?

Response:

No other U.S. financial regulator has jurisdiction over LCH.

Inter-Affiliate Swaps Exemption

32. Mr. Aderholt: The FY 2018 House Agriculture Appropriations Bill H.R. 3268 included a provision (Section 760). Please describe the effects this provision, if enacted into law, would have on CFTC's regulatory processes, including the need for the promulgation or repeal of any existing regulations or portions thereof.

Response:

Section 760 (Treatment of Transactions Between Affiliates), if enacted, would amend the definition of "swap" under Section 1a (48) of the Commodity Exchange Act (CEA) (currently 1a(47) of the CEA) to exempt transactions between certain affiliated entities from the definition of swap. Under the provision, affiliation is determined by ownership and consolidation, under certain accounting standards, of financial statements. If one of the affiliated entities to a swap transaction is a swap dealer (SD) or major swap participant (MSP), then the affiliated transaction that is exempted from the definition of swap must be (1) reported under Section 4r of the CEA to a swap data repository; (2) subject to centralized risk management under Section 4s(j) of the CEA; and (3) subject to variation margin requirements promulgated by the Commission or any prudential regulator under Section 4s(e) of the CEA. Lastly, any transaction that is exempted from the definition of swap must not have been structured to evade any rule promulgated by the Commission.

Such an amendment to the CEA would have several effects. For example:

a.) Effect on the clearing requirement.

If enacted, section 760 would result in swaps between affiliated counterparties no longer being subject to the clearing requirement under Section 2(h)(1) of the CEA and part 50 of the CFTC's regulations. Currently, part 50 requires that certain types of market participants, as defined under the CEA and part 50 regulations, submit certain interest rate swaps and credit default swaps to a derivatives clearing organization for clearing.

However, swaps between affiliated counterparties are eligible for an exemption from the clearing requirement under CFTC regulation 50.52, subject to various conditions. Many of the conditions defined in regulation 50.52 are similar to those included in the proposed statutory amendments to Section 1a(48), but the regulation includes certain other conditions. For example, under regulation 50.52, a swap between a counterparty that has elected the regulation 50.52 exemption and an unaffiliated counterparty located outside of the U.S. must be cleared or be subject to certain variation margin requirements (regulation 50.52(b)(4)).

The enactment of section 760 would necessitate the repeal or amendment of regulation 50.52, as well as a review of other exemptions under part 50 of the Commission's regulations.

b.) Effect on the trade execution requirement and swap data reporting.

The enactment of section 760 would result in swaps between affiliated counterparties: (i) no longer being reported to swap data repositories under parts 43 and 45 of the Commission's regulations, if neither counterparty is an SD or MSP ; (ii) no longer being subject to the trade execution requirement under section 2(h)(8) of the CEA.

c.) Effect on regulations applicable to swap dealers and major swap participants.

Section 760 would effectively exclude inter-affiliate transactions from the Commission's and Prudential Regulators' margin rules ("Margin Rules").

First, the definition of a margin affiliate under the Margin Rules is broader, as it requires just financial statement consolidation, without the 50% or greater ownership levels (i.e., financial control). Under accounting standards, a firm may have to consolidate with another firm even with less than 50% ownership interest (see, ASC 810). As a result, this leaves a gap between coverage of the two sections – that is not all margin affiliates will be excluded by section 760.

Second, under the Prudential Regulators' margin rules, a covered SD that is prudentially regulated must collect IM from an affiliated counterparty (even a Commission covered SD). However, under section 760, this will no longer be required, as the Margin Rules only apply to swaps. As the Margin Rules require the exchange of variation margin, when one of the counterparties is an SD, section 760 should have no effect.

Third, section 760 would eliminate the Commission's initial margin anti-evasion provision contained in Regulation 23.159(c). Regulation 23.159(c) provides an exception from the inter-affiliate rule, for exchange variation margin only, if an SD is facing a foreign affiliate that is a financial end user, and the foreign affiliate is engaging in swaps with a counterparty that is located in a foreign jurisdiction that the Commission has not determined to have comparable margin rules or does not collect initial margin in accordance with the Commission's margin requirements.

Finally, substituted compliance determinations may have to be re-examined based on this change.

33. Mr. Aderholt: Please describe the difference between initial and variation margin requirements in detail as proposed in current CFTC regulations and as laid out in the provision in Section 760 of H.R. 3268.

Response:

The initial and variation margin requirements for uncleared swaps between an SD (or MSP) not having a prudential regulator and its "margin affiliate" (as defined in Regulation 23.151) are similar to the initial and variation margin requirements for uncleared swaps between affiliated counterparties described in section 760. Under both provisions, initial margin is not required to be collected, provided that the counterparties adhere to a risk management program reasonably

designed to monitor and manage risks associated with the swaps (see, generally Commission regulation 23.159). Also, under both section 760 and the Commission' margin rules, variation margin is required to be exchanged for affiliated swaps. However, as noted above in Question 32, there are some differences.

34. Mr. Aderholt: What is the total current amount of initial margin that is being held by Derivative Clearing Organizations for inter-affiliate swap transactions as required by existing CFTC regulations?

Response:

As described in response to question 32 above, under regulation 50.52 (the exemption from the swap clearing requirement for swaps between affiliated counterparties), affiliated counterparties are eligible for an exemption from the clearing requirement, subject to certain conditions. Accordingly, it is unlikely that any such swaps executed by affiliated counterparties are currently being cleared by DCOs. Thus, pursuant to the existing exemption, no initial margin would be held by the DCO or its clearing members for swaps that are required to be cleared under part 50 of the Commission's regulations.

35. Mr. Aderholt: What would be the total amount, based upon a good faith estimate, of variation margin that would be held if Section 760 of HR 3268 were to be enacted into law?

Response:

Under the Margin Rules, variation margin is required to be exchanged for swaps between an SD (or MSP) and its "margin affiliate." CFTC staff believes that the overwhelming majority of swaps between affiliated counterparties that would be covered by section 760 are already subject to the Margin Rules. In the cost benefit considerations to the final rule adopting the uncleared margin regulations in part 23 of the Commission's regulations, the Commission stated that it believed that SDs and MSPs followed a preexisting practice of exchanging variation margin when entering swaps with their affiliates (81 Fed. Reg. 636, 688 (Jan. 6, 2016)). Therefore, the Commission concluded that any new variation margin requirement would have only incremental cost.

Recoveries of Prior Year Obligations and Carryover of Funds

36. Mr. Aderholt: Please provide a table from FY 2013 to present detailing recovery of Prior Year Obligations with amounts for each year. In separate tables, please break down each year's recovered funds by object class. Please also in include a table displaying unliquidated obligations for the past five fiscal years.

Response:

As reported annually in the Commission's Agency Financial Report for FY 2016, total audited recoveries of prior year obligations by year for FY 2013 through FY 2016 are summarized in the table below. The object class table is provided as attachment G.

COMMODITY FUTURES TRADING COMMISSION - PRIOR YEAR RECOVERIES

OBJECT CLASS	FY 2013	FY 2014	FY 2015	FY 2016
Customer Protection Fund				
11.1	$ -	$ -	$ 23,466	$ 41,327
11.3	$ -	$ -	$ -	$ 1,033
11.5	$ -	$ -	$ -	$ 1,085
12.1	$ -	$ -	$ -	$ 12,033
21.0	$ -	$ 834	$ 18	$ (153)
22.0	$ -	$ -	$ -	$ -
23.1	$ -	$ -	$ -	$ 116,371
23.2	$ -	$ -	$ -	$ (115,771)
24.0	$ -	$ 11,779	$ 3,826	$ 10,654
25.1	$ -	$ 11,391	$ 61,895	$ 168,704
25.2	$ -	$ -	$ -	$ -
25.7	$ -	$ -	$ -	$ 6
CPF Total	**$ -**	**$ 24,004**	**$ 89,205**	**$ 235,289**
Emergency Fund				
25.1	$ -	$ -	$ -	$ -
25.3	$ -	$ -	$ -	$ -
EF Total	**$ -**	**$ -**	**$ -**	**$ -**
General Fund				
11.1	$ -	$ -	$ 11,649	$ -
11.3	$ -	$ -	$ -	$ -
11.5	$ -	$ -	$ -	$ -
11.8	$ -	$ -	$ -	
12.1	$ -	$ -	$ -	$ 104,630
21.0	$ -	$ 1,711	$ 30,882	$ 44,649
22.0	$ -	$ 6,008	$ -	
23.1	$ -	$ -	$ 142,602	$ 78,695
23.2	$ -	$ 1,215	$ -	$ 44,356
23.3	$ -	$ 36,519	$ 399,197	$ 169,971
24.0	$ -	$ 3	$ 554,735	$ 260
25.1	$ 3,885,172	$ 1,577,155	$ 1,756,317	$ 4,353,233
25.2	$ -	$ 106,095	$ 759,328	$ 511,728
25.3	$ -	$ 55,194	$ 24,467	$ 21,590
25.4	$ -	$ 60,117	$ 49,294	$ 6,882
25.6	$ -	$ 1,924	$ -	$ 3,315
25.7	$ -	$ 493	$ 2,239	$ 50,248
26.0	$ -	$ 5,500	$ 190,569	$ 84,040
31.0	$ -	$ 14,468	$ 43,447	$ (1,260,726)
32.0	$ -	$ -	$ 7,744	
GF Total	**$ 3,885,172**	**$ 1,866,402**	**$ 3,972,470**	**$ 4,212,871**
Grand Total	**$ 3,885,172**	**$ 1,890,406**	**$ 4,061,675**	**$ 4,448,160**

COMMODITY FUTURES TRADING COMMISSION - PRIOR YEAR RECOVERIES OCCURRING IN EACH FISCAL YEAR

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Customer Protection Fund	$ -	$ 24,004	$ 89,205	$ 235,289	$ 279,083
General Fund	$ 3,885,172	$ 1,866,402	$ 3,972,470	$ 4,212,871	$ 4,949,814

COMMODITY FUTURES TRADING COMMISSION UNLIQUIDATED OBLIGATIONS AT END OF YEAR (FIVE FISCAL YEARS)

FY 2012	FY 2013	FY 2014	FY 2015[1]	FY 2016[1]
$ 49,448,078	$ 25,798,406	$ 40,564,762	$ 270,333,727	$ 255,636,819

Salaries and Expenses	$ 25,243,753	$ 244,807,926	$ 225,367,465
Information Technology	$ 11,650,117	$ 21,234,594	$ 26,029,213
Customer Protections Fund	$ 3,670,892	$ 4,291,207	$ 4,240,141

[1]Beginning in FY 2015 the CFTC concluded that it should report a budgetary obligation for the full amount of the unrecorded lease agreements in its statements of budgetary resources respectively.

Swap Dealer de Minimis

37. Mr. Aderholt: Does CFTC plan to comply with the Swap Dealer de Minimis directive in the FY 2016 and FY 2017 Omnibus Appropriations Act? When does it plan to comply?

Response:

The level of the *de minimis* threshold is a very important issue. In the past, I have expressed concerns about the potential impacts of lowering the *de minimis* threshold. It is my view that a drop in the *de minimis* threshold from $8 billion to $3 billion could have the effect of causing many entities to curtail or terminate risk-hedging activities with their customers, limiting risk-management options for end-users and ultimately consolidating marketplace risk in only a few large swap dealers.

Furthermore, I am concerned that the potential drop in the threshold could already be having a negative impact on the marketplace and hurting small players who have fewer swap counterparties with which to hedge. The phase in period for the threshold was established by the Commission over five years ago,

during a time when the available swap data was in its nascent stages. I, therefore, believe it makes sense to obtain the latest and most complete data to inform the best path forward in terms of managing risk to the financial system. Currently, work is actively being done by the Division of Swap Dealer and Intermediary Oversight (DSIO) on this issue.

38. Mr. Aderholt: What are the agency's plans for the Swap Dealer de Minimis threshold scheduled to be reduced by $5 billion under current regulation?

Response:

I look forward to the analysis I have requested from the DSIO as to whether a lower threshold would bring additional market participants under CFTC regulatory oversight without hindering bona fide risk management activities. I look forward to working with the Commission on this issue.

FY 2017 Budget Planning

39. Mr. Aderholt: Does the CFTC plan to hire staff and budget accordingly, so that if its budget remains flat in FY 2018, it will not be forced to furlough or reduce-in-force its staff levels?

Response:

The CFTC hiring plan for FY 2018 will be based on the final staffing level at the end of fiscal year 2017. The FY 2017 enacted Spend Plan provided resources for an estimated 689 FTE. While the FY 2018 CFTC Budget requested an increase in positions and FTE, the CFTC does not plan to hire beyond the FY 2017 level until a budget granting the necessary resources to do so is passed. Similarly, the agency will monitor any CR language and ensure the hiring strategy is aligned.

40. Mr. Aderholt: What is CFTCs current rate of attrition?

Response:

The attrition rate is annualized at 6.5% at the end of 3rd quarter, FY 2017. The final attrition rate for FY 2017 will be determined after the conclusion of the fiscal year.

CFTC Enforcement

41. Mr. Aderholt: Please provide a table showing: the number of staff, the number of cases opened, the number of cases closed, the level of funding, the monetary amount of sanctions and orders obtained, and the monetary amount actually recovered for the CFTC's Division of Enforcement, by fiscal years 2000 through estimated 2018. This table should be similar to the one submitted for FY 2014.

Response:

Projected case data and FTEs for FY 2018 in the table below assume the requested FY 2018 CFTC Budget is received by the agency.

Commodity Futures Trading Commission

Fiscal Year (FY)	FTEs	Level of Funding for Enforcement	Cases Opened/ Filed[3]	Cases Closed/ Resolved[3]	Restitution & Disgorgement	Civil Monetary Penalties	
					Assessed[5]	Assessed[5]	Collected[5]
FY 00	152	$18,746,000	53	81	$156,354,057	$179,811,562	$3,299,362
FY 01	150	$20,988,000	44	32	$7,687,379	$16,876,335	$3,170,252
FY 02	143	$21,406,000	40	43	$25,748,536	$9,942,382	$5,922,387
FY 03	146	$24,336,000	64	47	$106,785,796	$110,264,932	$87,699,077
FY 04	144	$25,343,000	83	70	$96,274,375	$302,049,939	$122,468,925
FY 05	135	$25,913,000	69	53	$87,424,932	$76,672,758	$34,163,077
FY 06	131	$26,245,000	38	53	$258,475,451	$192,921,794	$12,364,509
FY 07	112	$25,791,000	41	63	$296,623,405	$345,614,139	$12,137,848
FY 08	116	$28,730,000	40	66	$402,967,919	$234,835,121	$140,745,252
FY 09	121	$36,168,000	50	48	$176,185,109	$99,489,609	$17,362,486
FY 10	149	$42,217,000	57	38	$65,523,151	$136,040,764	$75,111,676
FY 11	164	$37,051,000	99	76	$181,844,807	$316,682,679	$11,343,236
FY 12	168	$36,020,000	102	97	$456,581,900	$475,360,925	$257,068,130
FY 13	157	$39,728,000	83	84	$201,409,408	$1,570,700,568	$1,040,966,258
FY 14	149	$47,247,000	67	70	$1,432,741,328	$1,840,237,619	$766,891,065
FY 15[1]	158	$48,767,000	69	67	$59,198,415	$3,143,742,434	$2,841,045,051
FY 16	164	$49,623,000	68	54	$543,662,773	$748,647,755	$48,681,998
FY 17[2, 3]	176	$53,728,000	38[4] (as of 8/28/2017)	45 (as of 8/28/2017)	$78,936,162	$329,480,145	$264,918,265
FY 18 (budget)	180	$58,663,000	68	65			

[1] FY 15 collections include the Deutsche Bank's $800 million fine

[2] FY 17 FTEs adjusted for DMO/Surveillance reorganization and Level of Funding as reflected in the FY 2017 CFTC Spend Plan.

[3] Cases refer to Litigations Opened and Closed; Cases closed represented in a fiscal year are irrespective of when the case was opened.

[4] This amount includes three Non-Prosecution Agreements entered by the Commission.

[5] Amounts Assessed and Collected through August 18, 2017.

CFTC Pay Scale

42. Mr. Aderholt: Please provide the pay-scale the CFTC currently uses for all grades, ranks, levels and steps. Use the most up to date information available.

Response: The below chart provides the pay scale for the four CFTC locations with the locality pay adjustment cited for each area.

Commodity Futures Trading Commission

2017 Base Pay Scale

CT Grade	Minimum	Maximum
1	$22,453	$31,653
2	$25,242	$35,893
3	$27,542	$40,455
4	$30,918	$45,408
5	$34,593	$50,803
6	$38,560	$56,636
7	$42,850	$62,941
8	$47,456	$69,703
9	$52,416	$76,989
10	$57,723	$84,785
11	$63,418	$93,159
12	$76,009	$111,644
13	$90,387	$132,768
14	$106,810	$156,891
15	$125,642	$184,542
16	$145,364	$213,516
17*	$168,187	$240,100
18*	$194,592	$240,100

Locality Percentages	
Washington, DC	27.10%
Chicago	26.85%
New York	31.22%
Kansas City	15.59%

*Total pay (base + locality) capped at Vice President's salary of $240,100

43. Mr. Aderholt: Please provide a table with the number of employees the CFTC currently employs broken down by grade, rank, level, and steps. Use the most up to date information available.

Response: The below table provides the requested information.

Count of Federal Employees as of August 5, 2017

Pay Plan	Grade	Count
EF*	0	1
EX**	3	1
EX***	4	1
CT	6	1
CT	7	4
CT	8	6
CT	9	7
CT	10	3
CT	11	15
CT	12	22
CT	13	86
CT	14	358
CT	15	149
CT	16	41
CT	17	3
CT	18	6
Total		**704**

*Employee Consultants
**Chairman, EX-3
***Commissioners, EX-4
Includes positions funded by the Consumer Protection Fund

44. Mr. Aderholt: Please provide a table that displays the difference in pay-scale between the CT pay-scale that the CFTC currently uses and the GS pay-scale that is used government-wide. The values in this table must show the difference between the CT and GS pay-scale for each and all grades, ranks, levels and steps. Do not just provide a copy of the GS Pay scale and the CT Pay Scale. Use the most up to date information available.

Response:

In response to your question, attachment H displays the difference between the CT pay-scale that the CFTC currently uses and the GS pay-scale that is used government-wide, and the difference between the CT and GS pay-scale. Please note that unlike the GS scale, the CT scale does not include steps. Movement within a pay band is based upon performance and not longevity.

QFR 44 - The table below displays the difference between the CT pay structure and the GS pay scale.

Current Base Rate (No locality)

CFTC - CT Grades	Band Minimum	Band Maximum	Within Grade Adjustments
CT-01	$22,453	$31,653	N/A*
CT-02	25,242	35,893	N/A*
CT-03	27,542	40,455	N/A*
CT-04	30,918	45,408	N/A*
CT-05	34,593	50,803	N/A*
CT-06	38,560	56,636	N/A*
CT-07	42,850	62,941	N/A*
CT-08	47,456	69,703	N/A*
CT-09	52,416	76,989	N/A*
CT-10	57,723	84,785	N/A*
CT-11	63,418	93,159	N/A*
CT-12	76,009	111,644	N/A*
CT-13	90,387	132,768	N/A*
CT-14	106,810	156,891	N/A*
CT-15	125,642	184,542	N/A*
	Min	Max	
CT-16**	$145,364	$213,516	N/A*
CT-17**	168,187	240,100**	N/A*
CT-18**	194,592	240,100***	N/A*

Current Base Rate (No locality)

General Schedule - Government Wide

General Schedule	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Within Grade Amounts
GS -01	$18,526	$19,146	$19,762	$20,375	$20,991	$21,351	$21,960	$22,575	$22,599	$23,171	Varies
GS-02	20,829	21,325	22,015	22,599	22,853	23,525	24,197	24,869	25,541	26,213	Varies
GS-03	22,727	23,485	24,243	25,001	25,759	26,517	27,275	28,033	28,791	29,549	758
GS-04	25,514	26,364	27,214	28,064	28,914	29,764	30,614	31,464	32,314	33,164	850
GS-05	28,545	29,497	30,449	31,401	32,353	33,305	34,257	35,209	36,161	37,113	952
GS-06	31,819	32,880	33,941	35,002	36,063	37,124	38,185	39,246	40,307	41,368	1,061
GS-07	35,359	36,538	37,717	38,896	40,075	41,254	42,433	43,612	44,791	45,970	1,179
GS-08	39,159	40,464	41,769	43,074	44,379	45,684	46,989	48,294	49,599	50,904	1,305
GS-09	43,251	44,693	46,135	47,577	49,019	50,461	51,903	53,345	54,787	56,229	1,442
GS-10	47,630	49,218	50,806	52,394	53,982	55,570	57,158	58,746	60,334	61,922	1,588
GS-11	52,329	54,073	55,817	57,561	59,305	61,049	62,793	64,537	66,281	68,025	1,744
GS-12	62,722	64,813	66,904	68,995	71,086	73,177	75,268	77,359	79,450	81,541	2,091
GS-13	74,584	77,070	79,556	82,042	84,528	87,014	89,500	91,986	94,472	96,958	2,486
GS-14	88,136	91,074	94,012	96,950	99,888	102,826	105,764	108,702	111,640	114,578	2,938
GS-15	103,672	107,128	10,584	114,040	117,496	120,952	124,408	127,864	131,320	134,776	3,456
	Min	Max									
SES	124,406	187,000									
SES	124,406	187,000									
SES	151,700	187,000									

* N/A - Not applicable to CFTC Pay Scale. Pay System is a pay for performance system and increases are based on performance assessment.

** Total Pay Capped at Vice President's Salary of $240,100 effective January 2017

***Since there is no GS equivalents, used Certified SES system salaries

Locality Rates Applicable to both CFTC CT and GS Schedules	
Washington, DC	27.10%
Chicago	26.85%
New York	31.22%
Kansas City	15.59%

Purchase Cards

45. Mr. Aderholt: Please provide all purchase card account monthly statements for February 2016 to July 2017.

Response: Purchase card account monthly statements for February 2016 to July 2017 are provided as attachment I.

Work with Department of Justice (DOJ)

46. Mr. Aderholt: How many cases were referred to DOJ between fiscal years 2010 thru 2017? Please provide the total and the number per year.

Response: The CFTC has a robust history of working cooperatively with Department of Justice (DOJ) on enforcement matters. As part of its cooperative enforcement efforts, the CFTC routinely communicates with and provides information, data and other records on specific matters to DOJ for consideration for criminal investigation and prosecution. Between FY 2010 and FY 2017, the CFTC referred a total of 297 matters to DOJ.

During FY 2010, the CFTC referred matters to DOJ without regard to the likelihood of interest in prosecution on the part of the criminal authorities. Beginning in FY 2011, the CFTC changed its referral protocol. Since that time, the CFTC has made criminal referrals only after considering the facts of the particular case, including the quality of the evidence and the scope and magnitude of any potential criminal violation.

In FY 2016, the CFTC updated its case management system to better capture criminal referrals to DOJ. Staff was instructed to review their investigations and litigations for the prior 5 years and update the CFTC's case management system to ensure that all referrals were properly captured. As a result of this effort, the number of referrals for FY 2012 to FY 2015 has been updated from the previous report.

Fiscal Year	Number of CFTC Referrals to the Department of Justice (DOJ)
2010	98
2011	25
2012	24
2013	22
2014	34
2015	31
2016	38
2017 (as of 8/28/2017)	25
Total	**297**

U.S. BANKCORP
P.O. BOX 6347
FARGO ND 58125-6347

ACCOUNT NUMBER	[redacted]
STATEMENT DATE	02-19-2016
AMOUNT DUE	$12,268.20
NEW BALANCE	$12,268.20

PAYMENT DUE IN ACCORDANCE WITH PROMPT PAYMENT ACT

AMOUNT ENCLOSED
$

Please make check payable to"U.S. Bank"

[redacted]
CFTC
[redacted]
1155 21ST STREET NW
WASHINGTON DC 20581-0002

U.S. BANKCORP
PO BOX 6313
FARGO ND 58125-6313

[redacted]

Please tear payment coupon at perforation.

ACCOUNT MESSAGES

Foreign transactions include a 1% foreign currency conversion fee incorporated in the exchange rate.

BILLING ACCOUNT SUMMARY

CFTC [redacted]	Previous Balance	Purchases And Other Charges +	Self Assessed Interest Penalty +	Checks +	Check Fee +	Credits -	Current Activity =	Payments	Account Balance
Company Total	$500.00	$247,315.67	$0.00	$6,342.49	$107.82	$5,455.81	$248,310.17	$236,541.97	$12,268.20

Default Accounting Code:

CUSTOMER SERVICE CALL

888-994-6722

SEND BILLING INQUIRIES TO:

U.S. Bank Government Services
P.O. Box 6335
Fargo, ND 58125-6335

ACCOUNT NUMBER
[redacted]

STATEMENT DATE	DISPUTED AMOUNT
02/19/16	.00

AMOUNT DUE
12,268.20

ACCOUNT SUMMARY

PREVIOUS BALANCE	500.00
PURCHASES & OTHER CHARGES	247,315.67
SELF ASSESSED INTEREST PENALTY	.00
CHECKS	6,342.49
CHECK FEE	107.82
CREDITS	5,455.81
CURRENT BILLING ACTIVITY	248,310.17
PAYMENTS	236,541.97
ACCOUNT BALANCE	12,268.20

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 02-19-2016

CORPORATE ACCOUNT ACTIVITY

CFTC
[redacted]

TOTAL CORPORATE ACTIVITY
$236,541.97CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-20	01-20	75569636020020111111126	WIRE PAYMENT	500.00 PY
01-21	01-21	75569636021021111111123	WIRE PAYMENT	4,494.26 PY
01-22	01-22	75569636022022111111120	WIRE PAYMENT	16,473.77 PY
01-25	01-25	75569636025025111111120	WIRE PAYMENT	9,252.77 PY
01-26	01-26	75569636026026111111127	WIRE PAYMENT	4,143.43 PY
01-28	01-28	75569636028028111111121	WIRE PAYMENT	894.90 PY
01-29	01-29	75569636029029111111128	WIRE PAYMENT	3,900.33 PY
02-01	02-01	75569636032032111111127	WIRE PAYMENT	6,580.43 PY
02-02	02-02	75569636033033111111124	WIRE PAYMENT	22,171.77 PY
02-03	02-03	75569636034034111111154	WIRE PAYMENT	25,319.58 PY
02-04	02-04	75569636035035111111176	WIRE PAYMENT	13,167.95 PY
02-05	02-05	75569636036036111111124	WIRE PAYMENT	3,639.75 PY
02-08	02-08	75569636039039111111166	WIRE PAYMENT	2,170.93 PY
02-09	02-09	75569636040040111111229	WIRE PAYMENT	57,435.90 PY
02-10	02-10	75569636041041111111168	WIRE PAYMENT	6,198.70 PY
02-11	02-11	75569636042042111111124	WIRE PAYMENT	7,320.07 PY
02-12	02-12	75569636043043111111121	WIRE PAYMENT	5,881.81 PY
02-16	02-16	75569636047047111111128	WIRE PAYMENT	23,533.85 PY
02-16	02-16	75569636047047111111136	WIRE PAYMENT	17,270.83 PY
02-17	02-17	75569636048048111111125	WIRE PAYMENT	979.00 PY
02-18	02-18	75569636049049111111130	WIRE PAYMENT	868.56 PY
02-19	02-19	75569636050050111111126	WIRE PAYMENT	4,343.38 PY

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,673.70	$0.00	$2,673.70

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-09	02-08	55480776040200292400021	ATKINSON-BAKER INC 08185517310 CA	702.65
02-09	02-08	55480776040200292400039	ATKINSON-BAKER INC 08185517310 CA	1,110.80
02-09	02-08	55480776040200292400047	ATKINSON-BAKER INC 08185517310 CA	860.25

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$19,290.00	$0.00	$19,290.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-21	01-20	55457026021200738100013	THE MONEY SHOW 09419550323 FL	5,950.00
01-21	01-20	55457026021200738100021	THE MONEY SHOW 09419550323 FL	8,275.00
02-17	02-16	55547506047034579942073	EXHIB-IT! 05059991878 NM	5,065.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$11,998.16	$0.00	$11,998.16

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 02-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-21	01-20	[redacted]	[redacted] CA	500.00
01-22	01-21	[redacted]	[redacted] CA	500.00
01-25	01-24	[redacted]	[redacted] CA	500.00
01-27	01-26	[redacted]	[redacted] CA	500.00
01-29	01-28	[redacted]	[redacted] CA	500.00
01-29	01-28	[redacted]	[redacted]	3,998.16
02-01	01-30	[redacted]	[redacted] CA	500.00
02-03	02-02	[redacted]	[redacted] CA	500.00
02-04	02-03	[redacted]	[redacted] CA	500.00
02-08	02-05	[redacted]	[redacted] CA	500.00
02-08	02-07	[redacted]	[redacted] CA	500.00
02-10	02-09	[redacted]	[redacted] CA	500.00
02-12	02-11	[redacted]	[redacted] CA	500.00
02-15	02-12	[redacted]	[redacted] CA	500.00
02-15	02-14	[redacted]	[redacted] CA	500.00
02-18	02-17	[redacted]	[redacted] CA	500.00
02-19	02-18	[redacted]	[redacted] CA	500.00

Department: 00000 Total: $33,961.86
Division: 00000 Total: $33,961.86

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$31.67	$924.30	$955.97

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-22	01-21	00000000004600001010000	*FINANCE CHARGE* CASH ADVANCE FEE	6.86
01-22	01-21	00000000004600001010000	CASH ADVANCE FROM - ALDERSON REPORTING001008 -ST. PAUL -MN	403.30
01-22	01-21	00000000004600001011000	*FINANCE CHARGE* CASH ADVANCE FEE	3.76
01-22	01-21	00000000004600001011000	CASH ADVANCE FROM - ALDERSON REPORTING001006 -ST. PAUL -MN	221.05
01-22	01-21	00000000004600001012000	*FINANCE CHARGE* CASH ADVANCE FEE	4.64
01-22	01-21	00000000004600001012000	CASH ADVANCE FROM - ALDERSON REPORTING001007 -ST. PAUL -MN	273.20
01-27	01-26	00000000004600003018000	*FINANCE CHARGE* CASH ADVANCE FEE	0.45
01-27	01-26	00000000004600003018000	CASH ADVANCE FROM - CENTRAL PACIFIC 001009 -ST. PAUL -MN	26.75
02-11	02-10	55546556041471583261037	INUMBR SACRAMENTO CA	15.96

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$43,897.60	$5,418.19	$49,315.79

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-22	01-21	00000000004600003006000	*FINANCE CHARGE* CASH ADVANCE FEE	0.99
01-22	01-21	00000000004600003006000	CASH ADVANCE FROM - HEATHER NEWMAN RPR001041 -ST. PAUL -MN	58.20
01-22	01-21	00000000004600005040000	*FINANCE CHARGE* CASH ADVANCE FEE	2.50
01-22	01-21	00000000004600005040000	CASH ADVANCE FROM - UMPQUA BANK 001045 -ST. PAUL -MN	147.06
01-25	01-22	00000000004600001023000	*FINANCE CHARGE* CASH ADVANCE FEE	19.46
01-25	01-22	00000000004600001023000	CASH ADVANCE FROM - TSG REPORTING 001046 -ST. PAUL -MN	1,144.55
01-25	01-22	00000000004600003019000	*FINANCE CHARGE* CASH ADVANCE FEE	2.26

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 02-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-25	01-22	00000000004600003019000	CASH ADVANCE FROM - WELLS FARGO BANK 001043 -ST. PAUL -MN	132.75
02-01	01-29	[redacted]	PAYPAL *DPSERVER 4029357733 CA	95.00
02-01	01-29	[redacted]	PAYPAL *PROCESSSERV 4029357733 CA	1,295.00
02-01	01-29	[redacted]	PAYPAL *PROCESSSERV 4029357733 CA	1,295.00
02-01	01-29	[redacted]	PAYPAL *PROCESSSERV 4029357733 CA	1,295.00
02-01	01-30	[redacted]	US LEGAL SUPPORT 02816688568 TX	2,593.97
02-01	01-30	[redacted]	US LEGAL SUPPORT 02816688568 TX	3,723.94
02-01	01-30	[redacted]	US LEGAL SUPPORT 02816688568 TX	1,392.66
02-01	01-30	[redacted]	US LEGAL SUPPORT 02816688568 TX	807.00
02-01	01-30	[redacted]	US LEGAL SUPPORT 02816688568 TX	3,193.00
02-01	01-29	[redacted]	DLE PROCESS SERVERS IN MIAMI FL	30.00
02-01	01-29	[redacted]	DLE PROCESS SERVERS IN MIAMI FL	30.00
02-02	02-01	[redacted]	CLICKS DOCUMENT MANAGE 412-3911218 PA	389.40
02-02	02-01	[redacted]	REAL-TIME REPORTERS 03125789323 IL	552.95
02-02	02-01	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	1,927.20
02-02	02-01	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,863.85
02-03	02-01	[redacted]	HUSEBY INC CHARLOTTE NC	142.50
02-03	02-01	[redacted]	HUSEBY INC CHARLOTTE NC	1,894.60
02-03	02-01	[redacted]	HUSEBY INC CHARLOTTE NC	1,680.05
02-03	02-01	[redacted]	ANDERSON COURT REPORTI 703-5197180 VA	714.09
02-03	02-01	[redacted]	ANDERSON COURT REPORTI 703-5197180 VA	1,340.99
02-03	02-01	[redacted]	ANDERSON COURT REPORTI 703-5197180 VA	696.68
02-03	02-01	[redacted]	ANDERSON COURT REPORTI 703-5197180 VA	1,382.80
02-10	02-09	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	21.66
02-10	02-09	[redacted]	CASH ADVANCE FROM - TSG REPORTING 001051 -ST. PAUL -MN	1,273.95
02-11	02-10	00000000004600003004000	*FINANCE CHARGE* CASH ADVANCE FEE	17.71
02-11	02-10	00000000004600003004000	CASH ADVANCE FROM - AMERICAN TRANSMEDI001052 -ST. PAUL -MN	1,042.00
02-11	02-10	00000000004600005027000	*FINANCE CHARGE* CASH ADVANCE FEE	3.40
02-11	02-10	00000000004600005027000	CASH ADVANCE FROM - CAPITOL PROCESS SE001049 -ST. PAUL -MN	200.00
02-11	02-10	00000000004600005028000	*FINANCE CHARGE* CASH ADVANCE FEE	1.70
02-11	02-10	00000000004600005028000	CASH ADVANCE FROM - CAPITOL PROCESS SE001050 -ST. PAUL -MN	100.00
02-12	02-11	55432866042000334232010	IN *HAYSTACKID 617-4220075 MA	4,858.44
02-12	02-11	55432866042000334232028	IN *HAYSTACKID 617-4220075 MA	3,525.24
02-12	02-11	55432866042000334232036	IN *HAYSTACKID 617-4220075 MA	7,059.13
02-12	02-11	00000000004600003020000	*FINANCE CHARGE* CASH ADVANCE FEE	2.60
02-12	02-11	00000000004600003020000	CASH ADVANCE FROM - BANK OF AMERICA 001060 -ST. PAUL -MN	153.04
02-15	02-11	85504996043900010494780	ANDERSON COURT REPORTI 703-5197180 VA	27.00
02-17	02-16	00000000004600001034000	*FINANCE CHARGE* CASH ADVANCE FEE	0.94
02-17	02-16	00000000004600001034000	CASH ADVANCE FROM - BANK OF AMERICA 001054 -ST. PAUL -MN	55.50
02-17	02-16	00000000004600001035000	*FINANCE CHARGE* CASH ADVANCE FEE	0.07
02-17	02-16	00000000004600001035000	CASH ADVANCE FROM - BANK OF AMERICA 001057 -ST. PAUL -MN	4.39
02-17	02-16	00000000004600004025000	*FINANCE CHARGE* CASH ADVANCE FEE	1.02
02-17	02-16	00000000004600004025000	CASH ADVANCE FROM - JP MORGAN 001058 -ST. PAUL -MN	60.00
02-17	02-16	00000000004600004026000	*FINANCE CHARGE* CASH ADVANCE FEE	1.31
02-17	02-16	00000000004600004026000	CASH ADVANCE FROM - WELLS FARGO BANK 001061 -ST. PAUL -MN	77.00
02-17	02-16	00000000004600004027000	*FINANCE CHARGE* CASH ADVANCE FEE	5.05
02-17	02-16	00000000004600004027000	CASH ADVANCE FROM - WELLS FARGO BANK 001056 -ST. PAUL -MN	297.00
02-18	02-17	00000000004600001023000	*FINANCE CHARGE* CASH ADVANCE FEE	0.93
02-18	02-17	00000000004600001023000	CASH ADVANCE FROM - RISA L ENTREKIN 001048 -ST. PAUL -MN	54.75
02-18	02-17	00000000004600003040000	*FINANCE CHARGE* CASH ADVANCE FEE	7.96
02-18	02-17	00000000004600003040000	CASH ADVANCE FROM - LASALLE PROCESS 001055 -ST. PAUL -MN	468.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 02-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-18	02-17	00000000004600004010000	*FINANCE CHARGE* CASH ADVANCE FEE	2.55
02-18	02-17	00000000004600004010000	CASH ADVANCE FROM - CAPITOL PROCESS SE001053 -ST. PAUL -MN	150.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$7,201.04	$0.00	$7,201.04

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-11	02-10	[redacted]	IN *HAYSTACKID 617-4220075 MA	1,012.44
02-11	02-10	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	1,665.60
02-12	02-11	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	2,761.05
02-15	02-13	[redacted]	US LEGAL SUPPORT 0281668568 TX	1,102.75
02-19	02-18	[redacted]	PLATE KRUSE & ASSOCIAT 03123451500 IL	659.20

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$125.00	$0.00	$125.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-15	02-13	55429506045894283968606	ACE INC 5614477638 FL	125.00

Department: 05002 Total: $57,597.80
Division: 00001 Total: $57,597.80

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$9,660.22	$0.00	$9,660.22

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-20	01-18	[redacted]	IDENTICARD 07175695797 PA	602.00
02-01	01-30	[redacted]	VARIDESK 08002072587 TX	395.00
02-01	01-30	[redacted]	IDSTRONGHOLD 08006102770 FL	1,950.22
02-08	02-06	[redacted]	VARIDESK 08002072587 TX	1,185.00
02-08	02-05	[redacted]	ROOM & BOARD-SFH MINNEAPOLIS MN	498.00
02-10	02-09	[redacted]	BEST MESSENGER, INC WASHINGTON DC	160.00
02-19	02-18	[redacted]	GLENMAR DRAPERIES INC CLINTON MD	4,870.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$4,547.93	$0.00	$4,547.93

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-25	01-21	55207396022301513874084	WATERFILTERS.NET ZUMBROTA MN	210.23
01-28	01-27	85432906027701431062040	W.E. BOWERS INC TEL3014192488 MD	1,981.00
02-19	02-18	85180896049080080499535	ALLIANCE MICRO INC TEL7034218300 VA	2,356.70

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 02-19-2016

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$243.50	$0.00	$243.50

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-04	02-03	25265086035000012600024	ABLE FIRE PREVENTION 212-6757777 NY	154.00
02-05	02-03	55547506035254120010022	CALDERON LOCKSMITH NEW YORK NY	89.50

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$734.24	$0.00	$734.24

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-01	01-29	25247806029002921055219	GARVEYS OFFICE PRODUCT NILES IL	734.24

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$4,559.00	$0.00	$4,559.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-03	02-02	55446416033286447300047	AIR COMFORT CORPORATIO 07083451900 IL	1,096.00
02-03	02-02	55446416033286447300054	AIR COMFORT CORPORATIO 07083451900 IL	3,308.00
02-17	02-16	55417346047270472860826	LIFE FITNESS 800-7353867 IL	155.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,392.72	$0.00	$1,392.72

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-08	02-05	05436846037100136693524	OFFICE DEPOT #5910 800-463-3768 PA	1,364.44
02-17	02-16	25247706048007700459184	NOBLE SUPPLY & LOGISTI ROCKLAND MA	28.28

Department: 05004 Total: $21,137.61

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,292.00	$0.00	$2,292.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-10	02-09	[redacted]	CORNER BAKERY WASHINGTON DC	326.00
02-10	02-09	[redacted]	CORNER BAKERY WASHINGTON DC	356.00
02-11	02-10	[redacted]	CORNER BAKERY WASHINGTON DC	610.00
02-11	02-10	[redacted]	CORNER BAKERY WASHINGTON DC	595.00
02-12	02-11	[redacted]	CORNER BAKERY WASHINGTON DC	405.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 02-19-2016

NEW ACTIVITY

Department: 05006 Total: $2,292.00
Division: 00003 Total: $23,429.61

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$5,000.00	$9,390.78	$0.00	$4,390.78

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-29	01-28	[redacted]	HF GROUP LLC 440-7292445 OH	1,970.38
02-09	02-08	[redacted]	FINRA EDUC & TRNG 02027288131 MD	1,200.00
02-10	02-09	[redacted]	PAYPAL *LAWPROSE 4029357733 TX	398.00
02-10	02-09	[redacted]	FINRA EDUC & TRNG 02027288131 MD	670.00
02-10	02-09	[redacted]	FINRA EDUC & TRNG 02027288131 MD	670.00
02-10	02-09	[redacted]	FINRA EDUC & TRNG 02027288131 MD	1,200.00
02-10	02-09	[redacted]	FINRA EDUC & TRNG 02027288131 MD	1,200.00
02-12	02-11	[redacted]	SOCIAL SCIENCE ELECTRO 585-442-8170 NY	1,000.00
02-15	02-13	[redacted]	GBC*ECOMMERCE 800-723-4000 IL	582.40
02-17	02-08	[redacted]	ASSOCIATION OF GOVERNM 703-6846931 VA	5,000.00 CR
02-19	02-18	[redacted]	SOCIAL SCIENCE ELECTRO 585-442-8170 NY	500.00

Department: 05007 Total: $4,390.78
Division: 00004 Total: $4,390.78

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$88.11	$69,642.14	$0.00	$69,554.03

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-20	01-19	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	150.00
01-20	01-20	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	816.76
01-20	01-19	[redacted]	TELECOM TECHNOLOGIES I 06514565800 MN	995.00
01-22	01-21	[redacted]	DTV*DIRECTV SERVICE 800-347-3288 CA	269.48
01-22	01-20	[redacted]	WHITLOCK RICHMOND VA	1,492.73
01-25	01-22	[redacted]	GOVCNCTN 8008000011 NH	678.78
01-25	01-25	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	199.99
01-29	01-27	[redacted]	GOVCNCTN 8008000011 NH	88.11 CR
01-29	01-27	[redacted]	AUTOPAY/DISH NTWK 800-894-9131 CO	200.00
02-01	01-29	[redacted]	GRASSHOPPER GROUP, LLC NEEDHAM MA	66.28
02-01	01-30	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	276.74
02-02	02-01	[redacted]	STK*SHUTTERSTOCK, INC. 866-663-3954 NY	199.00
02-02	02-01	[redacted]	WINDSTREAM 09186648200 OK	8,510.48
02-02	02-01	[redacted]	OPERATIONAL RESEARCH C 7574244610 VA	8,306.70
02-03	02-03	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	43.89
02-03	02-03	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	89.09
02-03	02-03	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	279.26
02-04	02-03	[redacted]	OFFICE DEPOT #5910 800-463-3768 PA	229.75
02-05	02-04	[redacted]	HPE*SERVICES 800-277-8988 CA	90.00
02-05	02-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	84.90
02-05	02-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	124.90
02-08	02-06	[redacted]	DRI*WWW.SHAREIT.INFO ELEMENTS.INFO MN	1,344.00
02-08	02-04	[redacted]	DLT SOLUTIONS 703-773- HERNDON VA	2,974.06
02-08	02-05	[redacted]	PAYPAL *THREATGUARD 4029357733 TX	2,475.00
02-08	02-06	[redacted]	DMI* DELL FEDERAL 800-727-1100 TX	5,047.13
02-08	02-06	[redacted]	AUTOPAY/DISH NTWK 800-894-9131 CO	142.00
02-08	02-04	[redacted]	AUGUST SCHELL (301) 907-947 MD	19,661.20
02-08	02-05	[redacted]	IMMIXTECHNOLOGY, IN 703-750-0610 VA	11,207.57
02-09	02-08	[redacted]	GLOBALSCAPE INC 210-308-8267 TX	2,325.00
02-10	02-08	[redacted]	MILLENNIUM SOLUTIONS, CHAMBLEE GA	244.58
02-10	02-09	[redacted]	PAYPAL *METAPRODUCT 4029357733 CA	299.88

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 02-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-11	02-11	55432866042000049223213	TWC*TIME WARNER CABLE 816-358-8833 NY	618.00
02-12	02-12	55432866043000556925282	TWC*TIME WARNER NYC 718-358-0900 NY	109.99
02-15	02-14	55432866045000524731497	ATT*BILL PAYMENT 800-288-2020 TX	90.00

[redacted]	CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
	$0.00	$16,985.00	$0.00	$16,985.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-21	01-20	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	1,499.00
01-22	01-21	[redacted]	JHU STDNT ACCT SELF SR 04105168960 MD	1,500.00
01-25	01-21	[redacted]	AMERICAN BAR ASSOCIATI 08002852221 IL	495.00
01-25	01-21	[redacted]	AMERICAN BAR ASSOCIATI 08002852221 IL	495.00
02-01	01-28	[redacted]	COMMODITY MARKETS COUN WASHINGTON DC	300.00
02-02	02-01	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	510.00
02-02	02-01	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	510.00
02-02	02-01	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	510.00
02-02	02-01	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	510.00
02-02	02-01	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	510.00
02-02	02-01	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	510.00
02-02	02-01	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	510.00
02-04	02-03	[redacted]	OGE-ADMINISTRATION 202-482-9217 DC	120.00
02-04	02-02	[redacted]	AMERICAN MGMT ASSOC SARANAC LAKE NY	1,436.00
02-04	02-03	[redacted]	FINRA EDUC & TRNG 02027288131 MD	1,200.00
02-05	02-04	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	510.00
02-05	02-04	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	510.00
02-05	02-04	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	510.00
02-08	02-05	[redacted]	FINRA EDUC & TRNG 02027288131 MD	1,200.00
02-08	02-05	[redacted]	FINRA EDUC & TRNG 02027288131 MD	1,200.00
02-08	02-05	[redacted]	FINRA EDUC & TRNG 02027288131 MD	1,200.00
02-08	02-05	[redacted]	FINRA EDUC & TRNG 02027288131 MD	1,200.00
02-18	02-17	[redacted]	OGE-ADMINISTRATION 202-482-9217 DC	40.00
			Department: 05009 Total:	$86,539.03

[redacted]	CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
	$0.00	$18,823.82	$0.00	$18,823.82

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-22	01-21	[redacted]	WEBCAST 2066525360 WA	3,940.00
01-22	01-21	[redacted]	APRICORN 858-5132000 CA	429.00
02-01	01-29	[redacted]	GSA 816-926-6092 MO	1,245.29
02-08	02-05	[redacted]	WEBCAST 2066525360 WA	495.00
02-12	02-11	[redacted]	WEBCAST 2066525360 WA	2,950.00
02-15	02-13	[redacted]	APL*APPLEONLINESTOREUS 800-676-2775 CA	306.68
02-15	02-12	[redacted]	FORCE 3 INC TEL4107930023 MD	9,457.85
			Department: 05010 Total:	$18,823.82
			Division: 00005 Total:	$105,362.85

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 02-19-2016

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$278.43	$0.00	$278.43

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-01	01-29	85504996031900010166101	ANDERSON COURT REPORTI 703-5197180 VA	278.43

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,450.00	$0.00	$1,450.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-19	02-18	55480776050206131600017	ELIZABETH LEADER 02027234071 DC	1,450.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$367.70	$14,634.37	$0.00	$14,266.67

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-20	01-19	[redacted]	OFFICE DEPOT #5910 800-463-3768 PA	569.98
01-20	01-19	[redacted]	EXHIB-ITI 05059991878 NM	1,360.52
01-25	01-24	[redacted]	GLOBAL EXPERIENCE SPEC 800-475-2098 NV	265.41
01-27	01-27	[redacted]	GLOBAL EXPERIENCE SPEC 800-475-2098 NV	367.70
01-28	01-28	[redacted]	GLOBAL EXPERIENCE SPEC 800-475-2098 NV	105.63
01-28	01-28	[redacted]	FREEMAN SAN DIEGO 714-254-3410 CA	1,353.70
02-01	01-29	[redacted]	SIR SPEEDY, INC WASHINGTON DC	675.00
02-05	02-05	[redacted]	FREEMAN SAN DIEGO 714-254-3410 CA	251.63
02-08	02-05	[redacted]	GOVERNMENT FINANCE 312-977-9700 IL	2,300.00
02-12	02-12	[redacted]	GLOBAL EXPERIENCE SPEC 800-475-2098 NV	209.36
02-15	02-12	[redacted]	SIR SPEEDY, INC WASHINGTON DC	1,756.25
02-18	02-17	[redacted]	INKHEAD INC 08005540127 GA	3,119.19
02-19	02-19	[redacted]	GLOBAL EXPERIENCE SPEC 800-475-2098 NV	367.70 CR
02-19	02-19	[redacted]	AMER PUBLIC POWER ASSO 202-467-2949 VA	2,300.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$7,454.17	$0.00	$7,454.17

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-21	01-21	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	249.77
01-28	01-27	[redacted]	CORPORATE VISIONS INC WASHINGTON DC	460.00
02-08	02-05	[redacted]	SIR SPEEDY, INC WASHINGTON DC	2,942.50
02-15	02-12	[redacted]	T3 EXPO LLC 08886983397 MA	1,441.00
02-15	02-12	[redacted]	SIR SPEEDY, INC WASHINGTON DC	1,381.90
02-16	02-15	[redacted]	T3 EXPO LLC 08886983397 MA	979.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$118.00	$0.00	$118.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 02-19-2016

NEW ACTIVITY

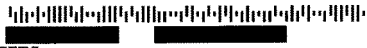
Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-17	02-17	55432866048000086718780	DEPOSITION SERVICES, I 301-881-3344 MD	118.00

Department: 05015 Total: $23,567.27
Division: 00008 Total: $23,567.27

U.S. BANKCORP
P.O. BOX 6347
FARGO ND 58125-6347

ACCOUNT NUMBER	[redacted]
STATEMENT DATE	03-18-2016
AMOUNT DUE	$10,411.36
NEW BALANCE	$10,411.36

PAYMENT DUE IN ACCORDANCE WITH PROMPT PAYMENT ACT



CFTC
[redacted]
1155 21ST STREET NW
WASHINGTON DC 20581-0002

AMOUNT ENCLOSED

$

Please make check payable to"U.S. Bank"

U.S. BANKCORP
PO BOX 6313
FARGO ND 58125-6313

[redacted]

Please tear payment coupon at perforation.

ACCOUNT MESSAGES

Foreign transactions include a 1% foreign currency conversion fee incorporated in the exchange rate.

BILLING ACCOUNT SUMMARY

CFTC [redacted]	Previous Balance	Purchases And Other Charges +	Self Assessed Interest Penalty +	Checks +	Check Fee +	Credits -	Current Activity =	Payments	Account Balance
Company Total	$12,268.20	$225,314.14	$0.00	$2,042.87	$34.74	$924.22	$226,467.53	$228,324.37	$10,411.36

Default Accounting Code:

CUSTOMER SERVICE CALL

888-994-6722

SEND BILLING INQUIRIES TO:

U.S. Bank Government Services
P.O. Box 6335
Fargo, ND 58125-6335

ACCOUNT NUMBER

[redacted]

STATEMENT DATE	DISPUTED AMOUNT
03/19/16	.00

AMOUNT DUE

10,411.36

ACCOUNT SUMMARY

PREVIOUS BALANCE	12,268.20
PURCHASES & OTHER CHARGES	225,314.14
SELF ASSESSED INTEREST PENALTY	.00
CHECKS	2,042.87
CHECK FEE	34.74
CREDITS	924.22
CURRENT BILLING ACTIVITY	226,467.53
PAYMENTS	228,324.37
ACCOUNT BALANCE	10,411.36

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 03-18-2016

CORPORATE ACCOUNT ACTIVITY

CFTC
[redacted]

TOTAL CORPORATE ACTIVITY
$228,324.37CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-22	02-22	75569636053053111111143	WIRE PAYMENT	12,268.20 PY
02-23	02-23	75569636054054111111157	WIRE PAYMENT	9,186.53 PY
02-24	02-24	75569636055055111111120	WIRE PAYMENT	1,971.23 PY
02-25	02-25	75569636056056111111127	WIRE PAYMENT	9,065.35 PY
02-26	02-26	75569636057057111111124	WIRE PAYMENT	14,033.01 PY
02-29	02-29	75569636060060111111164	WIRE PAYMENT	19,095.58 PY
03-01	03-01	75569636061061111111153	WIRE PAYMENT	4,824.06 PY
03-02	03-02	75569636062062111111127	WIRE PAYMENT	2,619.35 PY
03-03	03-03	75569636063063111111207	WIRE PAYMENT	28,681.85 PY
03-04	03-04	75569636064064111111154	WIRE PAYMENT	7,948.91 PY
03-07	03-07	75569636067067111111188	WIRE PAYMENT	7,543.36 PY
03-08	03-08	75569636068068111111128	WIRE PAYMENT	11,670.81 PY
03-09	03-09	75569636069069111111125	WIRE PAYMENT	7,244.69 PY
03-10	03-10	75569636070070111111120	WIRE PAYMENT	11,886.55 PY
03-14	03-14	75569636074074111111128	WIRE PAYMENT	17,064.58 PY
03-14	03-11	75569636074074111111169	WIRE PAYMENT	10,059.00 PY
03-15	03-15	75569636075075111111181	WIRE PAYMENT	7,435.42 PY
03-16	03-16	75569636076076111111139	WIRE PAYMENT	8,066.00 PY
03-17	03-17	75569636077077111111128	WIRE PAYMENT	31,449.89 PY
03-18	03-18	75569636078078111111158	WIRE PAYMENT	6,210.00 PY

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$544.22	$29,126.22	$0.00	$28,582.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-24	02-23	05206656055002210000030	TERRAPINN LONDON	8,500.00
02-25	02-23	55432866055000210684064	MARRIOTT 33789 NY MARQ NEW YORK NY M05680 ARRIVAL: 02-23-16	6,676.22
02-29	02-27	55432866058000751537835	MARRIOTT NY MARQUIS NEW YORK NY 003192 ARRIVAL: 02-27-16	544.22 CR
03-07	03-04	55263526065207418150580	ASSOCIATION OF NATIONA 02126975950 NY	7,950.00
03-17	03-15	85432906076701445957482	INSTITUTE OF SCRAP REC 202-662-8500 DC	6,000.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,610.85	$0.00	$1,610.85

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-15	03-14	55432866074000651489269	WKF*WK FINANCIAL SRVS 800-552-9410 MN	1,195.00
03-16	03-15	05410196075105116648730	STAPLES DIRECT 800-3333330 MA	399.99
03-18	03-17	55480776078200455603622	GALLUP INC -US 04029386339 NE	15.86

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$7,000.00	$0.00	$7,000.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 03-18-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-22	02-20	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
02-23	02-22	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
02-25	02-24	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
02-29	02-26	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
02-29	02-28	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
03-03	03-03	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
03-04	03-03	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
03-07	03-05	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
03-08	03-07	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
03-10	03-09	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
03-14	03-11	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
03-14	03-13	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
03-16	03-15	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
03-18	03-17	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00

Department: 00000 Total: $37,192.85
Division: 00000 Total: $37,192.85

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$18.59	$154.40	$172.99

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-23	02-22	00000000004600003021000	*FINANCE CHARGE* CASH ADVANCE FEE	2.33
02-23	02-22	00000000004600003021000	CASH ADVANCE FROM - COOPER MEALLER COU001012 -ST. PAUL -MN	136.90
02-29	02-26	00000000004600001027000	*FINANCE CHARGE* CASH ADVANCE FEE	0.15
02-29	02-26	00000000004600001027000	CASH ADVANCE FROM - SECRETARY OF STATE001003 -ST. PAUL -MN	8.75
02-29	02-26	00000000004600001028000	*FINANCE CHARGE* CASH ADVANCE FEE	0.15
02-29	02-26	00000000004600001028000	CASH ADVANCE FROM - SECRETARY OF STATE001005 -ST. PAUL -MN	8.75
03-10	03-09	55546556069471583261034	INUMBR SACRAMENTO CA	15.96

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$12,249.65	$967.55	$13,217.20

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-25	02-24	[redacted]	DEPOMAX MERIT LITI SALT LAKE CIT UT	1,767.35
02-25	02-24	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,232.25
02-25	02-24	[redacted]	ALDERSON REPORTING 202-289-2260 DC	554.64
02-25	02-24	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,140.04
02-25	02-24	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	5.10
02-25	02-24	[redacted]	CASH ADVANCE FROM - CAPITOL PROCESS SE001063 -ST. PAUL -MN	300.00
02-26	02-25	55506296056207275100031	US LEGAL SUPPORT 02816688568 TX	4,059.50
02-26	02-25	55506296056207275100064	US LEGAL SUPPORT 02816688568 TX	1,561.40
02-26	02-25	00000000004600003013000	*FINANCE CHARGE* CASH ADVANCE FEE	10.87
02-26	02-25	00000000004600003013000	CASH ADVANCE FROM - ACR REPORTING 001064 -ST. PAUL -MN	639.25
02-29	02-26	00000000004600001025000	*FINANCE CHARGE* CASH ADVANCE FEE	0.15
02-29	02-26	00000000004600001025000	CASH ADVANCE FROM - SECRETARY OF STATE001035 -ST. PAUL -MN	8.75
02-29	02-26	00000000004600001026000	*FINANCE CHARGE* CASH ADVANCE FEE	0.15

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 03-18-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-29	02-26	00000000004600001026000	CASH ADVANCE FROM - SECRETARY OF STATE001036 -ST. PAUL -MN	8.75
03-02	03-01	00000000004600002034000	*FINANCE CHARGE* CASH ADVANCE FEE	0.18
03-02	03-01	00000000004600002034000	CASH ADVANCE FROM - LAURA RENKE 001062 -ST. PAUL -MN	10.80
03-07	03-04	55506296064207275700103	US LEGAL SUPPORT 02816688568 TX	1,918.02

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$20,017.40	$0.00	$20,017.40

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-29	02-27	[redacted]	US LEGAL SUPPORT 02816688568 TX	1,753.51
03-01	02-28	[redacted]	PAYPAL *TRANSLATION 4029357733 CA	232.00
03-01	02-28	[redacted]	PLATE KRUSE & ASSOCIAT 03123451500 IL	518.00
03-01	02-28	[redacted]	VERITEXT CORP 8005678658 NJ	1,273.37
03-02	03-01	[redacted]	SQ *ADVANCED PROCES MIAMI FL	95.00
03-02	03-01	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	1,703.75
03-02	03-01	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	2,592.10
03-03	03-02	[redacted]	US LEGAL SUPPORT HOUSTON TX	637.60
03-04	03-03	[redacted]	PAYPAL *CAPITOLPROC 4029357733 CA	150.00
03-04	03-03	[redacted]	PAYPAL *CAPITOLPROC 4029357733 CA	150.00
03-04	03-03	[redacted]	PAYPAL *CAPITOLPROC 4029357733 CA	125.00
03-04	03-03	[redacted]	PAYPAL *CAPITOLPROC 4029357733 CA	75.00
03-04	03-03	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	191.52
03-08	03-07	[redacted]	PAYPAL *CAPITOLPROC 4029357733 CA	250.00
03-08	03-07	[redacted]	PAYPAL *CAPITOLPROC 4029357733 CA	128.00
03-08	03-07	[redacted]	PAYPAL *CAPITOLPROC 4029357733 CA	125.00
03-08	03-07	[redacted]	PAYPAL *CAPITOLPROC 4029357733 CA	250.00
03-08	03-07	[redacted]	PAYPAL *CAPITOLPROC 4029357733 CA	150.00
03-08	03-07	[redacted]	PAYPAL *CAPITOLPROC 4029357733 CA	167.50
03-09	03-08	[redacted]	US LEGAL SUPPORT 02816688568 TX	580.25
03-09	03-08	[redacted]	US LEGAL SUPPORT 02816688568 TX	3,327.45
03-09	03-08	[redacted]	US LEGAL SUPPORT 02816688568 TX	580.25
03-09	03-08	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	853.70
03-09	03-08	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	1,447.35
03-09	03-08	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	2,429.05
03-11	03-10	[redacted]	PAYPAL *TRANSLATION 4029357733 CA	232.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$50.00	$0.00	$50.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-09	03-08	75263596068904101578162	MCLE BOARD 312-9242420 IL	50.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$225.00	$225.00	$0.00	$0.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-02	03-01	55429506061894690002519	ACE INC 5614477638 FL	225.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 03-18-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-04	03-03	55429506063894741357621	ACE INC 5614477638 FL	225.00 CR
			Department: 05002 Total:	$33,457.59
			Division: 00001 Total:	$33,457.59

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$967.52	$0.00	$967.52

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-24	02-23	[redacted]	BEST MESSENGER, INC WASHINGTON DC	50.00
02-29	02-26	[redacted]	BEST MESSENGER, INC WASHINGTON DC	138.00
03-01	02-29	[redacted]	RHINO MATS BAR HARBOR TX	201.96
03-01	02-28	[redacted]	TRI TECH FORENSICS 916-4578000 NC	170.10
03-02	03-01	[redacted]	OFFICE MOVERS INC ELKRIDGE MD	339.46
03-10	03-09	[redacted]	BEST MESSENGER, INC WASHINGTON DC	40.00
03-18	03-17	[redacted]	BEST MESSENGER, INC WASHINGTON DC	28.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$3,115.00	$0.00	$3,115.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-07	03-01	85504996064900019417794	S ALBERT GLASS CO INC BELTSVILLE MD	675.00
03-08	03-07	55432866067000911556484	SQ *WATER INNOVATIONS WASHINGTON DC	2,100.00
03-11	03-10	55432866070000591921854	IN *PREMIERE-PAINTING 202-9660090 DC	340.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$903.90	$405.92	$1,309.82

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-02	03-01	00000000004600003037000	*FINANCE CHARGE* CASH ADVANCE FEE	6.90
03-02	03-01	00000000004600003037000	CASH ADVANCE FROM - KNIGHT ELECTRICAL 001087 -ST. PAUL -MN	405.92
03-15	03-14	55421356074330142815011	PAR PLUMBING CO. INC. LYNBROOK NY	897.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,239.49	$0.00	$1,239.49

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-11	03-08	25247806070001051083957	GARVEYS OFFICE PRODUCT NILES IL	1,072.50
03-11	03-10	55309596070026132332114	NEOPOST USA 02033013400 CT	166.99

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 03-18-2016

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$155.00	$2.64	$155.00	$2.64

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-01	02-29	00000000004600002023000	*FINANCE CHARGE* CASH ADVANCE FEE	2.64
03-01	02-29	00000000004600002023000	CASH ADVANCE FROM - LIFE FITNESS 001071 -ST. PAUL -MN	155.00
03-16	03-08	55417346075270680288641	LIFE FITNESS 800-7353867 IL	155.00 CR

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$601.56	$360.00	$961.56

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-29	02-26	85500396059400005380035	LITEMOR NORWOOD MA	552.55
03-03	03-02	00000000004600004020000	*FINANCE CHARGE* CASH ADVANCE FEE	6.12
03-03	03-02	00000000004600004020000	CASH ADVANCE FROM - PJ MEDICAL SERVICE001051 -ST. PAUL -MN	360.00
03-11	03-11	55432866071000743768202	ULINE *SHIP SUPPLIES 800-295-5510 IL	42.89

Department: 05004 Total: $7,596.03

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$462.00	$0.00	$462.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-23	02-22	25536066054102008522815	SUN CLEANERS WASHINGTON DC	462.00

Department: 05006 Total: $462.00
Division: 00003 Total: $8,058.03

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$7,910.85	$0.00	$7,910.85

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-03	03-01	55432736062207922100026	FRY-WAGNER MOVING 09135410020 KS	6,211.50
03-03	03-02	55546506062200388300032	DAN KAIN TROPHIES INC 07032891091 VA	35.85
03-14	03-11	75418236071023979010323	SURVEYMONKEY ENT 971-2445555 CA	1,020.00
03-18	03-18	55432866078000586853304	101*1105MEDIASUBSCRPTN 800-989-3363 CA	643.50

Department: 05007 Total: $7,910.85
Division: 00004 Total: $7,910.85

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 03-18-2016

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$47,456.33	$0.00	$47,456.33

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-22	02-20	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	816.76
02-22	02-21	[redacted]	DTV*DIRECTV SERVICE 800-347-3288 CA	286.98
02-23	02-22	[redacted]	DUPONT COMPUTERS, INC. WASHINGTON DC	570.00
02-25	02-25	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	199.99
02-26	02-26	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	40.79
02-26	02-25	[redacted]	TRIVANTIS CORPORATION 513-9290188 OH	9,360.00
02-29	02-26	[redacted]	FRANKLINCOVEYPRODUCTS 800-819-1812 UT	59.12
02-29	02-27	[redacted]	AUTOPAY/DISH NTWK 800-894-9131 CO	210.00
03-01	02-29	[redacted]	GRASSHOPPER GROUP, LLC NEEDHAM MA	66.28
03-02	03-01	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	276.74
03-02	03-01	[redacted]	STK*SHUTTERSTOCK, INC. 866-663-3954 NY	199.00
03-02	03-01	[redacted]	EMERGENT LLC 08666984427 VA	11,962.00
03-03	03-02	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	90.00
03-03	03-03	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	43.89
03-07	03-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	124.90
03-07	03-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	84.90
03-07	03-05	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	89.09
03-10	03-09	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	94.00
03-10	03-10	[redacted]	HPE*SERVICES 800-277-8988 CA	90.00
03-10	03-08	[redacted]	AUTOPAY/DISH NTWK 800-894-9131 CO	142.00
03-14	03-13	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	618.00
03-14	03-14	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	109.99
03-16	03-14	[redacted]	AUGUST SCHELL (301) 907-947 MD	21,921.90

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$37,150.00	$0.00	$37,150.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-25	02-24	[redacted]	INFINITY CONFERENCE GR 07039259455 VA	495.00
02-26	02-25	[redacted]	WASHINGTON U STL 314-9355797 MO	1,300.00
02-29	02-26	[redacted]	AMERICAN BAR ASSOCIATI 08002852221 IL	375.00
02-29	02-26	[redacted]	AMERICAN BAR ASSOCIATI 08002852221 IL	375.00
03-02	03-01	[redacted]	THEREGGROUP 2024663205 VA	10,625.00
03-04	03-03	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	510.00
03-04	03-03	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	510.00
03-04	03-03	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	510.00
03-04	03-03	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	510.00
03-04	03-03	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	510.00
03-04	03-03	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	510.00
03-04	03-03	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	510.00
03-09	03-08	[redacted]	CVENT* DTCC EVENT 07032263500 VA	795.00
03-10	03-09	[redacted]	NATIONAL CAPITAL AREA 202-731-4837 VA	90.00
03-10	03-09	[redacted]	PBI*ACCESS INTELLIGENC 301-354-1455 MD	1,020.00
03-10	03-08	[redacted]	THE INSTITUTE FOR FINA 202-223-1528 DC	575.00
03-10	03-08	[redacted]	THE INSTITUTE FOR FINA 202-223-1528 DC	575.00
03-10	03-08	[redacted]	THE INSTITUTE FOR FINA 202-223-1528 DC	1,150.00
03-10	03-08	[redacted]	THE INSTITUTE FOR FINA 202-223-1528 DC	575.00
03-10	03-08	[redacted]	THE INSTITUTE FOR FINA 202-223-1528 DC	575.00
03-10	03-08	[redacted]	THE INSTITUTE FOR FINA 202-223-1528 DC	575.00
03-10	03-08	[redacted]	THE INSTITUTE FOR FINA 202-223-1528 DC	575.00
03-11	03-10	[redacted]	ROBERT H SMITH SCHL OF 03012093552 MD	200.00
03-11	03-10	[redacted]	ROBERT H SMITH SCHL OF 03012093552 MD	200.00
03-11	03-10	[redacted]	FIN MARKET WORLD 8888701975 NJ	995.00
03-11	03-10	[redacted]	FIN MARKET WORLD 8888701975 NJ	995.00
03-11	03-10	[redacted]	FIN MARKET WORLD 8888701975 NJ	995.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 03-18-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-11	03-10	[redacted]	IAPP 06034279200 NH	1,495.00
03-11	03-10	[redacted]	IAPP 06034279200 NH	1,495.00
03-11	03-09	[redacted]	THE INSTITUTE FOR FINA 202-223-1528 DC	575.00
03-11	03-09	[redacted]	THE INSTITUTE FOR FINA 202-223-1528 DC	575.00
03-14	03-11	[redacted]	AMERICAN BAR ASSOCIATI 08002852221 IL	425.00
03-14	03-11	[redacted]	AMERICAN BAR ASSOCIATI 08002852221 IL	425.00
03-14	03-11	[redacted]	AMERICAN BAR ASSOCIATI 08002852221 IL	425.00
03-14	03-11	[redacted]	AMERICAN BAR ASSOCIATI 08002852221 IL	425.00
03-14	03-11	[redacted]	AMERICAN BAR ASSOCIATI 08002852221 IL	425.00
03-14	03-12	[redacted]	SAS INSTITUTE INC 919-5315401 NC	1,755.00
03-18	03-17	[redacted]	DEPT INTERIOR/DOIU DC 703-390-6691 DC	2,500.00
			Department: 05009 Total:	$84,606.33

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$22,109.78	$0.00	$22,109.78

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-22	02-19	[redacted]	BLUE TECH INC 06194976060 CA	1,946.67
02-22	02-18	[redacted]	WHITLOCK RICHMOND VA	1,905.00
02-23	02-22	[redacted]	DUPONT COMPUTERS, INC. WASHINGTON DC	300.00
02-29	02-26	[redacted]	AMAZON.COM AMZN.COM/BILL WA	137.09
02-29	02-26	[redacted]	AMAZON.COM AMZN.COM/BILL WA	144.48
03-03	03-02	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	22.96
03-08	03-08	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	22.27
03-09	03-09	[redacted]	DELL SALES & SERVICE 866-393-9460 TX	248.51
03-10	03-09	[redacted]	WOW IMAGING PRODUCTS ROSEVILLE CA	1,431.00
03-10	03-09	[redacted]	TIME ENTERPRISES LLC ROSEVILLE CA	1,575.00
03-10	03-09	[redacted]	CRIMSON IMAGING SUPPLI TORRANCE CA	461.04
03-11	03-10	[redacted]	TIME ENTERPRISES LLC ROSEVILLE CA	1,926.93
03-11	03-10	[redacted]	MAGNETFOREN USA 8015929801 UT	1,500.00
03-11	03-10	[redacted]	BLACKBAGTEC 4088448890 CA	2,680.00
03-11	03-09	[redacted]	ALL CITI TONER TEL8882376002 NY	1,366.93
03-14	03-12	[redacted]	APL*APPLEONLINESTOREUS 800-676-2775 CA	158.00
03-14	03-12	[redacted]	APL*APPLEONLINESTOREUS 800-676-2775 CA	99.90
03-15	03-14	[redacted]	APL*APPLEONLINESTOREUS 800-676-2775 CA	2,987.00
03-15	03-14	[redacted]	APL*APPLEONLINESTOREUS 800-676-2775 CA	2,987.00
03-17	03-15	[redacted]	DUPONT COMPUTERS, INC. WASHINGTON DC	210.00
			Department: 05010 Total:	$22,109.78
			Division: 00005 Total:	$106,716.11

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$8,495.00	$0.00	$8,495.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-16	03-15	55429506075894031053746	PAYPAL *JSTOR 4029357733 NY	1,850.00
03-16	03-15	55432866075000276548704	IN *JOHN J. LOTHIAN & 312-2035515 IL	4,600.00
03-16	03-15	55480776076207888700091	ILTA 05127954671 TX	700.00
03-16	03-15	55536076076556018274602	CHICAGO BOOKS & JOU 800-6212736 IL	350.00
03-16	03-15	85177496075001173185691	PP*SCUDDER PUBLISHING CROWNSVILLE MD	995.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 03-18-2016

NEW ACTIVITY

Department: 05013 Total: $8,495.00
Division: 00007 Total: $8,495.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$3,700.34	$0.00	$3,700.34

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-11	03-10	55444366070083149489472	CROWN AWARDS INC 08002271557 NY	160.12
03-11	03-10	55444366070083149645073	CROWN AWARDS INC 08002271557 NY	51.22
03-18	03-17	55457026078206960800016	HOLLOWELL FOSTER HERRI 04046589900 GA	3,489.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$13,072.30	$0.00	$13,072.30

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-22	02-19	[redacted]	NIPA 312-673-5981 IL	3,450.00
02-24	02-24	[redacted]	PARAMOUNT CONVENTION S 314-621-6677 MO	508.35
02-26	02-25	[redacted]	EXHIB-IT! 05059991878 NM	1,794.58
03-02	03-01	[redacted]	COMMODITY CLASSIC 636-7339004 MO	240.00
03-04	03-03	[redacted]	4IMPRINT 877-4467746 WI	3,006.84
03-14	03-11	[redacted]	EXPO CNVTN CNTRCTRS IN 03057511234 FL	549.53
03-16	03-15	[redacted]	ABF*TRANSPORTATION SVC 479-785-6411 AR	288.00
03-18	03-17	[redacted]	BLUETRACK 8007906090 NJ	3,235.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$7,864.46	$0.00	$7,864.46

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-22	02-21	[redacted]	FEDEXOFFICE 00056671 NEW YORK NY	155.00
02-22	02-21	[redacted]	FEDEXOFFICE 00056671 NEW YORK NY	24.98
02-22	02-21	[redacted]	BEST BUY 00010280 NEW YORK NY	76.18
02-22	02-21	[redacted]	STAPLES 00115360 MANHATTAN NY	19.27
02-22	02-21	[redacted]	STAPLES 00115360 MANHATTAN NY	5.69
02-24	02-23	[redacted]	FEDEXOFFICE 00056671 NEW YORK NY	7.00
02-25	02-24	[redacted]	FEDEX 870181504346 MEMPHIS TN	58.78
02-25	02-23	[redacted]	MARRIOTT 33789 NY MARQ NEW YORK NY M05673 ARRIVAL: 02-23-16	1,103.64
02-26	02-25	05410196056741233622902	FEDEX 782443792220 MEMPHIS TN	49.99
02-26	02-25	55500366056286817200019	EAX WORLDWIDE, LLC 06196681565 CA	279.20
02-29	02-25	55432866057000277876486	MARRIOTT 33789 NY MARQ NEW YORK NY M05838 ARRIVAL: 02-25-16	587.93
03-03	03-02	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	40.99
03-07	03-02	[redacted]	RICOH RMS-DISNEY ORLANDO FL	40.00
03-07	03-04	[redacted]	T3 EXPO LLC 0886983397 MA	288.90
03-08	03-08	[redacted]	PSAV PRESENTATION SVCS 847-222-9800 IL	3,240.00
03-08	03-08	[redacted]	PSAV PRESENTATION SVCS 847-222-9800 IL	295.00
03-08	03-05	[redacted]	RICOH RMS-DISNEY ORLANDO FL	16.92
03-09	03-08	[redacted]	EAX WORLDWIDE, LLC 06196681565 CA	463.61
03-09	03-07	[redacted]	SMART CITY SOLUTIONS - 407-828-6900 FL	1,111.38

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 03-18-2016

Department: 05015 Total:	$24,637.10
Division: 00008 Total:	$24,637.10

U.S. BANKCORP
P.O. BOX 6347
FARGO ND 58125-6347

ACCOUNT NUMBER	[redacted]
STATEMENT DATE	04-19-2016
AMOUNT DUE	$14,149.39
NEW BALANCE	$14,149.39

PAYMENT DUE IN ACCORDANCE WITH PROMPT PAYMENT ACT

CFTC
[redacted]
1155 21ST STREET NW
WASHINGTON DC 20581-0002

AMOUNT ENCLOSED
$

Please make check payable to "U.S. Bank"

U.S. BANKCORP
PO BOX 6313
FARGO ND 58125-6313

[redacted]

Please tear payment coupon at perforation.

ACCOUNT MESSAGES

Foreign transactions include a 1% foreign currency conversion fee incorporated in the exchange rate.

BILLING ACCOUNT SUMMARY

CFTC [redacted]	Previous Balance	Purchases And Other Charges +	Self Assessed Interest Penalty +	Checks +	Check Fee +	Credits -	Current Activity =	Payments	Account Balance
Company Total	$10,411.36	$233,165.04	$0.00	$7,778.54	$132.25	$1,461.00	$239,614.83	$235,876.80	$14,149.39

Default Accounting Code:		
CUSTOMER SERVICE CALL 888-994-6722	**ACCOUNT NUMBER** [redacted]	**ACCOUNT SUMMARY**
	STATEMENT DATE: 04/19/16 — DISPUTED AMOUNT: .00	PREVIOUS BALANCE 10,411.36 PURCHASES & OTHER CHARGES 233,165.04 SELF ASSESSED INTEREST PENALTY .00 CHECKS 7,778.54 CHECK FEE 132.25 CREDITS 1,461.00 CURRENT BILLING ACTIVITY 239,614.83 PAYMENTS 235,876.80 **ACCOUNT BALANCE** 14,149.39
SEND BILLING INQUIRIES TO: U.S. Bank Government Services P.O. Box 6335 Fargo, ND 58125-6335	**AMOUNT DUE** **14,149.39**	

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 04-19-2016

CORPORATE ACCOUNT ACTIVITY

CFTC [redacted]

TOTAL CORPORATE ACTIVITY
$235,876.80CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-21	03-21	[redacted]1111140	WIRE PAYMENT	10,411.36 PY
03-22	03-22	[redacted]1111246	WIRE PAYMENT	4,800.49 PY
03-23	03-23	[redacted]1111128	WIRE PAYMENT	3,562.54 PY
03-24	03-24	[redacted]1111133	WIRE PAYMENT	255.00 PY
03-25	03-25	[redacted]1111121	WIRE PAYMENT	8,665.43 PY
03-28	03-28	[redacted]1111122	WIRE PAYMENT	5,521.11 PY
03-29	03-29	[redacted]1111129	WIRE PAYMENT	6,221.68 PY
03-30	03-30	[redacted]1111140	WIRE PAYMENT	3,458.15 PY
03-31	03-31	[redacted]1111121	WIRE PAYMENT	19,149.92 PY
04-04	04-04	[redacted]1111185	WIRE PAYMENT	9,782.02 PY
04-04	04-01	[redacted]1111201	WIRE PAYMENT	19,956.18 PY
04-05	04-05	[redacted]1111125	WIRE PAYMENT	14,093.54 PY
04-06	04-06	[redacted]1111171	WIRE PAYMENT	18,491.70 PY
04-07	04-07	[redacted]1111129	WIRE PAYMENT	14,532.98 PY
04-08	04-08	[redacted]1111126	WIRE PAYMENT	5,137.39 PY
04-11	04-11	[redacted]1111123	WIRE PAYMENT	2,300.59 PY
04-12	04-12	[redacted]1111120	WIRE PAYMENT	17,456.40 PY
04-13	04-13	[redacted]1111143	WIRE PAYMENT	17,411.87 PY
04-14	04-14	[redacted]1111149	WIRE PAYMENT	3,176.67 PY
04-15	04-15	[redacted]1111120	WIRE PAYMENT	7,387.79 PY
04-18	04-18	[redacted]1111121	WIRE PAYMENT	15,932.82 PY
04-19	04-19	[redacted]1111126	WIRE PAYMENT	28,171.17 PY

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,044.32	$0.00	$2,044.32

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-24	03-23	55480776084200292900118	ATKINSON-BAKER INC 08185517310 CA	2,044.32

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$247.29	$6,544.49	$0.00	$6,297.20

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-06	04-05	55310206097286117200536	SMART CITY NETWORKS 08884466911 NV	2,054.00
04-07	04-07	55432866098000477970841	FREEMAN DENVER 303-329-3442 CO	2,312.04
04-11	04-07	85180896099980184172263	IMAGE AUDIOVISUALS DENVER CO	2,178.45
04-19	04-19	55432866110000933958707	FREEMAN DENVER 303-329-3442 CO	247.29 CR

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$8.49	$0.00	$8.49

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 04-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-21	03-19	05410196080105183021558	STAPLES DIRECT 800-3333330 MA	8.49

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$4,217.25	$0.00	$4,217.25

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-11	04-08	55419376101666168735941	VERIZON WRLS 72133-01 LAUREL MD	4,217.25

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$8,000.00	$0.00	$8,000.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-21	03-19	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
03-22	03-21	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
03-24	03-23	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
03-28	03-25	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
03-29	03-28	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
03-31	03-30	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
04-04	04-02	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
04-04	04-03	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
04-06	04-05	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
04-08	04-07	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
04-11	04-08	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
04-12	04-11	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
04-14	04-13	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
04-15	04-14	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
04-18	04-16	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
04-19	04-18	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00

Department: 00000 Total: $20,567.26
Division: 00000 Total: $20,567.26

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,490.44	$0.00	$1,490.44

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-24	03-23	55541966084264000041114	THE FINANCIAL SERVICE LONDON E14 (FOREIGN CURRENCY) 514.08 GBP 03/24 (RATE) 0.6973	737.24
03-24	03-23	55541966084264000041122	THE FINANCIAL SERVICE LONDON E14 (FOREIGN CURRENCY) 514.08 GBP 03/24 (RATE) 0.6973	737.24
04-07	04-06	55546556097471583261030	INUMBR SACRAMENTO CA	15.96

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,811.33	$6,892.25	$9,703.58

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 04-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-23	03-22	05436846082200056704667	COURTS/USDC-FL-S-3 WEST PALM BEA FL	57.50
03-25	03-24	00000000004600003024000	*FINANCE CHARGE* CASH ADVANCE FEE	1.12
03-25	03-24	00000000004600003024000	CASH ADVANCE FROM - PATRICIA STARKIE 001068 -ST. PAUL -MN	65.70
03-29	03-28	00000000004600002023000	*FINANCE CHARGE* CASH ADVANCE FEE	2.55
03-29	03-28	00000000004600002023000	CASH ADVANCE FROM - THOMAS COURT SERVI001075 -ST. PAUL -MN	150.00
03-29	03-28	00000000004600004025000	*FINANCE CHARGE* CASH ADVANCE FEE	4.61
03-29	03-28	00000000004600004025000	CASH ADVANCE FROM - BANK OF AMERICA 001070 -ST. PAUL -MN	271.00
03-31	03-30	00000000004600005025000	*FINANCE CHARGE* CASH ADVANCE FEE	28.32
03-31	03-30	00000000004600005025000	CASH ADVANCE FROM - MARY MASLOWSKI CSR001067 -ST. PAUL -MN	1,666.00
03-31	03-30	00000000004600005026000	*FINANCE CHARGE* CASH ADVANCE FEE	13.89
03-31	03-30	00000000004600005026000	CASH ADVANCE FROM - MARY MASLOWSKI CSR001076 -ST. PAUL -MN	817.20
03-31	03-30	00000000004600005027000	*FINANCE CHARGE* CASH ADVANCE FEE	30.07
03-31	03-30	00000000004600005027000	CASH ADVANCE FROM - MARY MASLOWSKI CSR001074 -ST. PAUL -MN	1,768.60
03-31	03-30	00000000004600005028000	*FINANCE CHARGE* CASH ADVANCE FEE	30.71
03-31	03-30	00000000004600005028000	CASH ADVANCE FROM - MARY MASLOWSKI CSR001072 -ST. PAUL -MN	1,806.40
04-05	04-04	00000000004600002014000	*FINANCE CHARGE* CASH ADVANCE FEE	0.23
04-05	04-04	00000000004600002014000	CASH ADVANCE FROM - JOSEPH A RICKHOFF 001079 -ST. PAUL -MN	13.50
04-05	04-04	00000000004600002015000	*FINANCE CHARGE* CASH ADVANCE FEE	0.24
04-05	04-04	00000000004600002015000	CASH ADVANCE FROM - JOSEPH A RICKHOFF 001078 -ST. PAUL -MN	14.40
04-05	04-04	00000000004600002018000	*FINANCE CHARGE* CASH ADVANCE FEE	1.03
04-05	04-04	00000000004600002018000	CASH ADVANCE FROM - PAMELA S WARREN CS001077 -ST. PAUL -MN	60.30
04-11	04-08	55506296099207275700029	US LEGAL SUPPORT 02816688568 TX	1,548.09
04-11	04-08	55506296099207275700037	US LEGAL SUPPORT 02816688568 TX	1,088.56
04-14	04-13	00000000004600002025000	*FINANCE CHARGE* CASH ADVANCE FEE	4.41
04-14	04-13	00000000004600002025000	CASH ADVANCE FROM - TRACY WEIR OMO CRR001071 -ST. PAUL -MN	259.15

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$258.00	$20,845.40	$0.00	$20,587.40

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-05	04-04	[redacted]	[redacted]	1,139.20
04-05	04-04	[redacted]	[redacted]	1,510.05
04-05	04-04	[redacted]	[redacted] LA	979.55
04-05	04-04	[redacted]	[redacted] IL	2,006.20
04-05	04-04	[redacted]	[redacted] IL	1,385.20
04-05	04-04	[redacted]	[redacted] IL	2,563.80
04-05	04-04	[redacted]	[redacted] IL	729.15
04-05	04-04	[redacted]	[redacted] IL	1,021.95
04-06	04-05	[redacted]	[redacted]	881.20
04-06	04-05	[redacted]	[redacted]	95.00
04-06	04-05	[redacted]	[redacted] NY	2,320.35
04-06	04-05	[redacted]	[redacted] DC	891.36
04-06	04-05	[redacted]	[redacted] DC	612.14
04-06	04-05	[redacted]	[redacted] DC	1,134.90
04-06	04-05	[redacted]	[redacted] DC	470.00
04-06	04-05	[redacted]	[redacted] DC	817.65
04-06	04-05	[redacted]	[redacted] DC	1,318.98
04-06	04-05	[redacted]	[redacted] DC	452.72

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 04-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-11	04-07	85180896099980152690813	MLQ ATTORNEY SERVICES 770-984-7007 GA	258.00 CR
04-11	04-07	85180896099980152690813	MLQ ATTORNEY SERVICES 770-984-7007 GA	129.00
04-11	04-07	85180896099980152690862	MLQ ATTORNEY SERVICES 770-984-7007 GA	258.00
04-11	04-07	85180896099980152690888	MLQ ATTORNEY SERVICES 770-984-7007 GA	129.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$32.43	$436.80	$469.23

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-08	04-07	75263596098144101611143	MCLE BOARD 312-9242420 IL	25.00
04-14	04-13	00000000004600005035000	*FINANCE CHARGE* CASH ADVANCE FEE	7.43
04-14	04-13	00000000004600005035000	CASH ADVANCE FROM - JOSEPH RICKHOFF 001027 -ST. PAUL -MN	436.80
			Department: 05002 Total:	$32,250.65
			Division: 00001 Total:	$32,250.65

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$15,541.75	$0.00	$15,541.75

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-21	03-18	[redacted]	VARIDESK 08002072587 TX	395.00
03-21	03-18	[redacted]	CABLE MARKERS CO INC 9496991636 CA	222.00
03-21	03-17	[redacted]	ERGO DEPOT INC PORTLAND OR	799.00
03-28	03-25	[redacted]	BEST BUY MHT 00004937 ALEXANDRIA VA	229.99
03-29	03-28	[redacted]	BEST BUY 00002766 ARLINGTON VA	229.99
03-30	03-29	[redacted]	AVIO GALLERIES, INC. LURAY VA	1,145.18
04-04	04-02	[redacted]	ULINE *SHIP SUPPLIES 800-295-5510 IL	307.94
04-04	04-02	[redacted]	NBF*NATL BIZ FURNITURE 800-626-6060 WI	888.00
04-04	04-01	[redacted]	PAXTON VAN LINES SPRINGFIELD VA	10,650.10
04-05	04-04	[redacted]	EQUIFAX INC 800-6855000 GA	5.05
04-12	04-11	[redacted]	OMNIFICS 07035484040 VA	669.50

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,076.52	$0.00	$2,076.52

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-31	03-30	55432866090000220689266	IN *PREMIERE-PAINTING 202-9660090 DC	877.00
04-04	03-31	85504996092900018278797	DOMINION MECHANICAL 703-9929588 VA	825.52
04-05	04-04	25265086096000019706655	BALDINOS LOCK AND KEY LORTO VA	374.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,415.00	$0.00	$2,415.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 04-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-14	04-13	55421356104330175327797	PAR PLUMBING CO. INC. LYNBROOK NY	2,415.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$4,521.41	$0.00	$4,521.41

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-06	04-04	25247806096000446217734	GARVEYS OFFICE PRODUCT NILES IL	840.97
04-06	04-04	25247806096000446217742	GARVEYS OFFICE PRODUCT NILES IL	899.00
04-12	04-08	25247806102001083112925	GARVEYS OFFICE PRODUCT NILES IL	209.97
04-18	04-15	25247806106001486113971	GARVEYS OFFICE PRODUCT NILES IL	426.47
04-18	04-15	25247806106001486114144	GARVEYS OFFICE PRODUCT NILES IL	2,145.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2.17	$127.50	$129.67

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-24	03-23	00000000004600003019000	*FINANCE CHARGE* CASH ADVANCE FEE	2.17
03-24	03-23	00000000004600003019000	CASH ADVANCE FROM - LIFEFITNESS 001072 -ST. PAUL -MN	127.50

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$5.47	$321.99	$327.46

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-01	03-31	00000000004600003022000	*FINANCE CHARGE* CASH ADVANCE FEE	5.47
04-01	03-31	00000000004600003022000	CASH ADVANCE FROM - KNIGHT ELECTRICAL 001052 -ST. PAUL -MN	321.99

Department: 05004 Total: $25,011.81

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$167.49	$0.00	$167.49

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-12	04-11	85260886102900017153913	AVIO GALLERIES, INC. LURAY VA	167.49

Department: 05006 Total: $167.49
Division: 00003 Total: $25,179.30

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 04-19-2016

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$9,077.85	$0.00	$9,077.85

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-25	03-24	25536066085101025404596	ALIEXPRESS DOVER DE	237.10
04-05	04-04	55432866095000899862561	SQ *MARY MASLOWSKI, CS CHICAGO IL	5,214.05
04-06	04-05	05123486096300170420260	ISAVELA ENTERPRISES IN 956-483-5310 TX	261.65
04-19	04-18	55480776110200292000032	ATKINSON-BAKER INC 08185517310 CA	3,365.05

Department: 05007 Total: $9,077.85
Division: 00004 Total: $9,077.85

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$32.18	$46,535.91	$0.00	$46,503.73

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-22	03-21	[redacted]	DTV*DIRECTV SERVICE 800-347-3288 CA	286.98
03-22	03-22	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	816.76
03-22	03-21	[redacted]	EKOAM SYSTEMS INC 703-4405901 VA	1,958.80
03-23	03-22	[redacted]	TELECOM TECHNOLOGIES I 06514565800 MN	197.50
03-25	03-24	[redacted]	SOLARWINDS 866-530-8100 TX	1,053.00
03-25	03-25	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	199.99
03-28	03-26	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	40.79
03-29	03-28	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	90.00
03-29	03-27	[redacted]	AUTOPAY/DISH NTWK 800-894-9131 CO	210.00
03-30	03-29	[redacted]	GRASSHOPPER GROUP, LLC NEEDHAM MA	66.28
03-30	03-30	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	276.46
03-30	03-28	[redacted]	CAPRICE ELECTRONICS TEL7182220436 NY	17,363.00
04-04	04-01	[redacted]	STK*SHUTTERSTOCK, INC. 866-663-3954 NY	199.00
04-04	04-03	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	89.09
04-04	04-03	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	43.89
04-04	04-03	[redacted]	HPE*SERVICES 800-277-8988 CA	90.00
04-05	04-04	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	85.00
04-05	04-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	124.90
04-05	04-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	84.90
04-08	04-06	[redacted]	AUTOPAY/DISH NTWK 800-894-9131 CO	142.00
04-11	04-11	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	618.00
04-12	04-11	[redacted]	WEBCAST 2066525360 WA	2,950.00
04-12	04-12	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	109.99
04-12	04-11	[redacted]	COMPUTECH INTERNATIONA 516-4870101 NY	378.90
04-12	04-11	[redacted]	RICOH USA, INC 08005650283 PA	11,328.00
04-13	04-12	[redacted]	DRI*DRG*BLACKBERRY ORDERFIND.COM MN	591.78
04-13	04-12	[redacted]	APL* ITUNES.COM/BILL 866-712-7753 CA	126.89
04-15	04-14	[redacted]	DRI*DRG*BLACKBERRY ORDERFIND.COM MN	32.18 CR
04-18	04-15	[redacted]	INTUIT *QUICKBOOKS 800-446-8848 CA	5,849.00
04-19	04-19	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	816.76
04-19	04-18	[redacted]	WWW.CLEVERBRIDGE.NET 18007999570. DEU	348.25

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$320.00	$74,794.26	$0.00	$74,474.26

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-24	03-22	25247706084007803506506	SIFMA - CONF/PUBS NEW YORK NY	445.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 04-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-24	03-23	[redacted]	CVENT* DTCC EVENT 07032263500 VA	795.00
03-24	03-23	[redacted]	FEDERAL BUSINESS COUNC 03012062940 MD	420.00
03-24	03-23	[redacted]	FREDPRYOR CAREERTRACK 800-5563012 KS	128.00
03-25	03-23	[redacted]	MANAGEMENT CONCEPTS TYSONS CORNER VA	1,099.00
03-25	03-24	[redacted]	ACT*ACTIVE EVENTS REG 800-516-6582 UT	995.00
03-25	03-23	[redacted]	FEDERAL RESERVE BANK O ATLANTA GA	500.00
03-28	03-24	[redacted]	AMERICAN BAR ASSOCIATI 08002852221 IL	320.00 CR
03-28	03-25	[redacted]	EVENTCORE 02067840626 WA	2,220.00
03-28	03-24	[redacted]	AMERICAN BAR ASSOCIATI 08002852221 IL	745.00
03-28	03-24	[redacted]	AMERICAN BAR ASSOCIATI 08002852221 IL	425.00
03-28	03-24	[redacted]	HUMAN RESOURCES INSTI 301-749-5600 MD	965.00
03-30	03-29	[redacted]	SKILLPATH NATIONAL 913-3623900 KS	299.00
03-31	03-30	[redacted]	EVENTCORE 02067840626 WA	2,220.00
03-31	03-29	[redacted]	AMERICAN MGMT ASSOC SARANAC LAKE NY	1,809.00
03-31	03-29	[redacted]	AMERICAN MGMT ASSOC SARANAC LAKE NY	1,795.00
03-31	03-30	[redacted]	TIXQUANTCON2016TIX 8559970447 NY	626.33
03-31	03-30	[redacted]	ISC 2 WWW.ISC2.ORG FL	1,899.00
04-01	03-31	[redacted]	REV OF FINANCIAL STUDI LOS ANGELES CA	140.00
04-01	03-31	[redacted]	REV OF FINANCIAL STUDI LOS ANGELES CA	140.00
04-01	03-31	[redacted]	MSU-BZ-ECON BOZEMAN MT	170.00
04-01	03-31	[redacted]	SAS INSTITUTE INC 919-5315401 NC	2,020.69
04-05	04-04	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	1,079.00
04-07	04-06	[redacted]	ACT*CISCOLIVE16 800-516-6582 UT	2,095.00
04-08	04-07	[redacted]	AINS INC 03016702300 MD	750.00
04-08	04-07	[redacted]	EB LEADING TO WELL-BE 8014137200 CA	370.24
04-11	04-07	[redacted]	LEARNING TREE INTERNAT HERNDON VA	2,659.00
04-11	04-07	[redacted]	AMERICAN MGMT ASSOC SARANAC LAKE NY	1,620.00
04-11	04-07	[redacted]	AMERICAN MGMT ASSOC SARANAC LAKE NY	862.00
04-11	04-07	[redacted]	MSU-BZ-ECON BOZEMAN MT	170.00
04-11	04-08	[redacted]	THE INSTITUTE FOR FINA 202-223-1528 DC	575.00
04-13	04-12	[redacted]	INSYTE, LLC 07035358600 VA	2,458.00
04-14	04-13	[redacted]	OPM-HRS-EMDC 202-606-0260 WV	2,995.00
04-14	04-13	[redacted]	GRAPHICS PRESS LLC 08008222454 CT	420.00
04-15	04-14	[redacted]	MER CONFERENCE 3125271551 IL	1,795.00
04-15	04-14	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	13,500.00
04-15	04-14	[redacted]	MSU-BZ-ECON BOZEMAN MT	170.00
04-18	04-16	[redacted]	LRP PUBLICATIONS 05616226520 FL	12,300.00
04-18	04-15	[redacted]	ONLC TRAINING CENTERS 08002888221 DE	345.00
04-18	04-15	[redacted]	INTEROP LAS VEGAS SAN FRANCISCO CA	3,099.00
04-18	04-14	[redacted]	COINDESKCOM 02034054075 GBR	499.00
04-19	04-18	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	1,099.00
04-19	04-18	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	1,099.00
04-19	04-18	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	979.00
04-19	04-13	[redacted]	SUPERINTENDENCIA DEL M LIMA	2,000.00
04-19	04-13	[redacted]	SUPERINTENDENCIA DEL M LIMA	2,000.00
			Department: 05009 Total:	$120,977.99

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$8,195.79	$0.00	$8,195.79

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-24	03-23	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	174.75
03-24	03-24	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	54.21
03-25	03-24	[redacted]	MONOPRICE COM 9099896887 CA	411.46
03-28	03-26	[redacted]	THURSBY COM 08174785070 TX	1,415.90
04-14	04-12	[redacted]	DUPONT COMPUTERS, INC. WASHINGTON DC	350.00
04-18	04-14	[redacted]	AUTOMATION AIDS INC 02154449100 PA	3,599.85

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 04-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-19	04-18	55310206110200998500057	IAMNER INC 08662649937 MD	2,189.62

Department: 05010 Total: $8,195.79
Division: 00005 Total: $129,173.78

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$14,635.43	$0.00	$14,635.43

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-21	03-19	[redacted]	[redacted]	851.00
03-25	03-25	[redacted]	[redacted] WA	680.12
03-25	03-25	[redacted]	[redacted] WA	278.62
03-31	03-30	[redacted]	[redacted]	4,000.00
04-01	03-30	[redacted]	[redacted]	3,000.00
04-01	03-30	[redacted]	[redacted]	3,800.00
04-07	04-06	[redacted]	[redacted] WA	129.80
04-07	04-06	[redacted]	[redacted] WA	584.59
04-08	04-07	[redacted]	[redacted] WA	45.59
04-08	04-07	[redacted]	[redacted] WA	352.76
04-11	04-10	[redacted]	[redacted] WA	519.78
04-11	04-10	[redacted]	[redacted] WA	393.17

Department: 05013 Total: $14,635.43
Division: 00007 Total: $14,635.43

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,025.00	$0.00	$2,025.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-21	03-18	55480776078206131700013	ELIZABETH LEADER 02027234071 DC	2,025.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,376.33	$0.00	$2,376.33

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-01	03-31	[redacted]	UPS*616812125 813-432-3700 GA	195.25
04-05	04-04	[redacted]	FEDEXOFFICE 00055285 LAS VEGAS NV	100.00
04-06	04-06	[redacted]	BREDE ARIZONA PHOENIX AZ	983.06
04-12	04-12	[redacted]	GLOBAL EXPERIENCE SPEC 800-475-2098 NV	756.02
04-12	04-12	[redacted]	GLOBAL EXPERIENCE SPEC 800-475-2098 NV	342.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$603.53	$4,932.76	$0.00	$4,329.23

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 04-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-24	03-22	[redacted]	AMER LIBRARY ASSOC ACR CHICAGO IL	2,500.00
03-29	03-27	[redacted]	AMER LIBRARY ASSOC ACR CHICAGO IL	2,000.00
03-31	03-30	[redacted]	STAPLES 00115329 WASHINGTON DC	68.66
04-01	03-30	[redacted]	SMART CITY SOLUTIONS 407-828-6900 FL	11.38 CR
04-08	04-07	[redacted]	SMG - COLORADO CONVENT DENVER CO	115.00
04-11	04-08	[redacted]	THE UPS STORE #6611 DENVER CO	249.10
04-18	04-16	[redacted]	MARRIOTT NY MARQUIS 866-435-7627 NY 019100 ARRIVAL: 04-16-16	544.22 CR
04-18	04-16	55432866107000462654508	MARRIOTT NY MARQUIS 866-435-7627 NY 019234 ARRIVAL: 04-16-16	47.93 CR

Department: 05015 Total: $8,730.56
Division: 00008 Total: $8,730.56

U.S. BANKCORP
P.O. BOX 6347
FARGO ND 58125-6347

ACCOUNT NUMBER	[redacted]
STATEMENT DATE	05-19-2016
AMOUNT DUE	$5,838.97
NEW BALANCE	$5,838.97

PAYMENT DUE IN ACCORDANCE WITH PROMPT PAYMENT ACT

AMOUNT ENCLOSED
$

Please make check payable to"U.S. Bank"

[redacted]
CFTC
[redacted]
1155 21ST STREET NW
WASHINGTON DC 20581-0002

U.S. BANKCORP
PO BOX 6313
FARGO ND 58125-6313

[redacted]

Please tear payment coupon at perforation.

ACCOUNT MESSAGES

Foreign transactions include a 1% foreign currency conversion fee incorporated in the exchange rate.

BILLING ACCOUNT SUMMARY

CFTC [redacted]	Previous Balance	Purchases And Other Charges +	Self Assessed Interest Penalty +	Checks +	Check Fee +	Credits -	= Current Activity	Payments	Account Balance
Company Total	$14,149.39	$283,624.81	$0.00	$29,845.49	$507.36	$4,223.65	$309,754.01	$318,064.43	$5,838.97

Default Accounting Code:

CUSTOMER SERVICE CALL

888-994-6722

SEND BILLING INQUIRIES TO:

U.S. Bank Government Services
P.O. Box 6335
Fargo, ND 58125-6335

ACCOUNT NUMBER [redacted]	
STATEMENT DATE	DISPUTED AMOUNT
05/19/16	.00

AMOUNT DUE

5,838.97

ACCOUNT SUMMARY	
PREVIOUS BALANCE	14,149.39
PURCHASES & OTHER CHARGES	283,624.81
SELF ASSESSED INTEREST PENALTY	.00
CHECKS	29,845.49
CHECK FEE	507.36
CREDITS	4,223.65
CURRENT BILLING ACTIVITY	309,754.01
PAYMENTS	318,064.43
ACCOUNT BALANCE	5,838.97

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 05-19-2016

CORPORATE ACCOUNT ACTIVITY

CFTC [redacted]

TOTAL CORPORATE ACTIVITY $318,064.43CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-20	04-20	75569636111111111111123	WIRE PAYMENT	14,149.39 PY
04-21	04-21	75569636112112111111120	WIRE PAYMENT	11,184.06 PY
04-22	04-22	75569636113113111111127	WIRE PAYMENT	19,501.96 PY
04-25	04-25	75569636116116111111127	WIRE PAYMENT	4,269.56 PY
04-26	04-26	75569636117117111111181	WIRE PAYMENT	77,491.86 PY
04-27	04-27	75569636118118111111121	WIRE PAYMENT	13,822.77 PY
04-28	04-28	75569636119119111111128	WIRE PAYMENT	1,760.19 PY
04-29	04-29	75569636120120111111123	WIRE PAYMENT	1,769.22 PY
05-02	05-02	75569636123123111111124	WIRE PMT	15,085.17 PY
05-03	05-03	75569636124124111111147	WIRE PAYMENT	29,973.87 PY
05-04	05-04	75569636125125111111127	WIRE PAYMENT	19,878.30 PY
05-05	05-05	75569636127127111111147	WIRE PAYMENT	14,544.16 PY
05-09	05-06	75569636130130111111120	WIRE PAYMENT	17,159.29 PY
05-09	05-09	75569636130130111111120	WIRE PAYMENT	22,032.22 PY
05-10	05-10	75569636131131111111127	WIRE PAYMENT	6,592.50 PY
05-11	05-11	75569636132132111111124	WIRE PAYMENT	9,568.87 PY
05-12	05-12	75569636133133111111121	WIRE PAYMENT	12,496.74 PY
05-13	05-13	75569636134134111111136	POST WIRE PAYMENT	4,464.81 PY
05-16	05-16	75569636137137111111128	WIRE PAYMENT	2,297.69 PY
05-18	05-18	75569636139139111111122	WIRE PAYMENT	13,323.17 PY
05-19	05-19	75569636140140111111127	POST WIRE PAYMENT	6,698.63 PY

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,139.76	$0.00	$1,139.76

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-02	04-29	55480776121206081700143	FUTURES INDUSTRY ASSOC 02024665460 DC	200.00
05-02	04-29	55480776121206081700150	FUTURES INDUSTRY ASSOC 02024665460 DC	200.00
05-06	05-06	55432866127000314270160	JOHN E. REID AND ASSOC 312-732-4289 IL	730.00
05-19	05-18	05410196140105003339139	STAPLES 00115329 WASHINGTON DC	9.76

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$2,661.79	$3,756.76	$0.00	$1,094.97

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-21	04-19	55419376111666128558696	VERIZON WRLS 72133-01 LAUREL MD	2,661.79
05-04	05-02	55421356124627149932776	FOUNDATION ACCOUNTING NEW YORK NY	510.00
05-05	05-03	55421356125627179417960	FOUNDATION ACCOUNTING NEW YORK NY	510.00
05-11	05-10	05410196132105006628199	STAPLES 00115329 WASHINGTON DC	74.97
05-16	05-12	55419376134666194630919	VERIZON WRLS 40000-50 FORT WORTH TX	2,661.79 CR

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$500.00	$6,535.00	$0.00	$6,035.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 05-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-21	04-20	[redacted]	[redacted] COM CA	500.00
04-25	04-22	[redacted]	[redacted] COM CA	500.00
04-25	04-24	[redacted]	[redacted] COM CA	500.00
04-27	04-26	[redacted]	[redacted] COM CA	500.00
04-29	04-28	[redacted]	[redacted] COM CA	500.00
05-02	05-01	[redacted]	[redacted] COM CA	500.00
05-04	05-03	[redacted]	[redacted] COM CA	500.00
05-05	04-24	[redacted]	[redacted] COM CA	500.00 CR
05-05	05-04	[redacted]	[redacted] COM CA	500.00
05-09	05-06	[redacted]	[redacted] COM CA	500.00
05-11	05-10	[redacted]	[redacted] VA	35.00
05-13	05-12	[redacted]	[redacted] COM CA	500.00
05-16	05-14	[redacted]	[redacted] COM CA	500.00
05-17	05-16	[redacted]	[redacted] COM CA	500.00
05-17	05-16	[redacted]	[redacted] COM CA	500.00

Department: 00000 Total: $8,269.73
Division: 00000 Total: $8,269.73

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$15.96	$0.00	$15.96

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-05	05-04	75337006125414700951623	INUMBR SACRAMENTO CA	15.96

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$8,566.43	$17,593.14	$26,159.57

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-20	04-19	55429506110894867492395	PAYPAL *TRANSLATION 4029357733 CA	770.00
04-29	04-28	00000000004600001008000	*FINANCE CHARGE* CASH ADVANCE FEE	3.39
04-29	04-28	00000000004600001008000	CASH ADVANCE FROM - CLICKS DOCUMENT MA001080 -ST. PAUL -MN	199.64
04-29	04-28	00000000004600004016000	*FINANCE CHARGE* CASH ADVANCE FEE	25.93
04-29	04-28	00000000004600004016000	CASH ADVANCE FROM - TSG REPORTING 001096 -ST. PAUL -MN	1,525.00
04-29	04-28	00000000004600004017000	*FINANCE CHARGE* CASH ADVANCE FEE	29.52
04-29	04-28	00000000004600004017000	CASH ADVANCE FROM - TSG REPORTING 001086 -ST. PAUL -MN	1,736.60
04-29	04-28	00000000004600004021000	*FINANCE CHARGE* CASH ADVANCE FEE	15.55
04-29	04-28	00000000004600004021000	CASH ADVANCE FROM - MARY MASLOWSKI CSR001083 -ST. PAUL -MN	914.80
04-29	04-28	00000000004600004022000	*FINANCE CHARGE* CASH ADVANCE FEE	8.12
04-29	04-28	00000000004600004022000	CASH ADVANCE FROM - MARY MASLOWSKI CSR001089 -ST. PAUL -MN	477.40
04-29	04-28	00000000004600004023000	*FINANCE CHARGE* CASH ADVANCE FEE	38.33
04-29	04-28	00000000004600004023000	CASH ADVANCE FROM - MARY MASLOWSKI CSR001095 -ST. PAUL -MN	2,254.60
04-29	04-28	00000000004600004024000	*FINANCE CHARGE* CASH ADVANCE FEE	36.26
04-29	04-28	00000000004600004024000	CASH ADVANCE FROM - MARY MASLOWSKI CSR001087 -ST. PAUL -MN	2,133.00
04-29	04-28	00000000004600004025000	*FINANCE CHARGE* CASH ADVANCE FEE	22.63

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 05-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-29	04-28	00000000004600004025000	CASH ADVANCE FROM - MARY MASLOWSKI CSR001085 -ST. PAUL -MN	1,331.20
05-05	05-04	55480776125200071600013	COPYSCAN INC 9954632551 FL	7,427.35
05-05	05-04	00000000004600001023000	*FINANCE CHARGE* CASH ADVANCE FEE	0.55
05-05	05-04	00000000004600001023000	CASH ADVANCE FROM - JOSEPH RICKOFF 001081 -ST. PAUL -MN	32.40
05-05	05-04	00000000004600004008000	*FINANCE CHARGE* CASH ADVANCE FEE	1.28
05-05	05-04	00000000004600004008000	CASH ADVANCE FROM - JENNY WILLIAMS 001097 -ST. PAUL -MN	75.25
05-05	05-04	00000000004600005005000	*FINANCE CHARGE* CASH ADVANCE FEE	25.96
05-05	05-04	00000000004600005005000	CASH ADVANCE FROM - A-1 LEGAL VIDEO 001091 -ST. PAUL -MN	1,527.00
05-05	05-04	00000000004600005006000	*FINANCE CHARGE* CASH ADVANCE FEE	22.98
05-05	05-04	00000000004600005006000	CASH ADVANCE FROM - A-1 LEGAL VIDEO 001090 -ST. PAUL -MN	1,352.00
05-05	05-04	00000000004600005007000	*FINANCE CHARGE* CASH ADVANCE FEE	23.32
05-05	05-04	00000000004600005007000	CASH ADVANCE FROM - A-1 LEGAL VIDEO 001094 -ST. PAUL -MN	1,372.00
05-05	05-04	00000000004600005008000	*FINANCE CHARGE* CASH ADVANCE FEE	23.39
05-05	05-04	00000000004600005008000	CASH ADVANCE FROM - A-1 LEGAL VIDEO 001092 -ST. PAUL -MN	1,376.00
05-05	05-04	00000000004600005009000	*FINANCE CHARGE* CASH ADVANCE FEE	20.18
05-05	05-04	00000000004600005009000	CASH ADVANCE FROM - A-1 LEGAL VIDEO 001093 -ST. PAUL -MN	1,187.00
05-09	05-05	55421356127987140393692	ATTORNEY SUBPOENA SERV FORT MYERS FL	70.00
05-12	05-11	00000000004600004033000	*FINANCE CHARGE* CASH ADVANCE FEE	1.69
05-12	05-11	00000000004600004033000	CASH ADVANCE FROM - HOMEBANC 001084 -ST. PAUL -MN	99.25

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$45,139.05	$6,988.70	$52,127.75

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-02	04-29	55506296120207275500257	US LEGAL SUPPORT 02816688568 TX	1,483.10
05-02	04-29	00000000004600002037000	*FINANCE CHARGE* CASH ADVANCE FEE	0.15
05-02	04-29	00000000004600002037000	CASH ADVANCE FROM - FLORIDA DEPT OF ST001026 -ST. PAUL -MN	8.75
05-03	05-02	[redacted]	ESQUIRE SOLUTIONS ATLANTA GA	2,104.04
05-03	05-02	[redacted]	ESQUIRE SOLUTIONS ATLANTA GA	3,306.77
05-03	05-02	[redacted]	SQ *MARY MASLOWSKI, CS CHICAGO IL	1,201.60
05-03	05-02	[redacted]	SQ *MARY MASLOWSKI, CS CHICAGO IL	958.00
05-03	05-02	[redacted]	CLICKS DOCUMENT MANAGE 412-3911218 PA	365.75
05-03	05-02	[redacted]	PLATE KRUSE & ASSOCIAT 03123451500 IL	3,133.55
05-03	05-02	[redacted]	PLATE KRUSE & ASSOCIAT 03123451500 IL	2,827.75
05-03	05-02	[redacted]	PLATE KRUSE & ASSOCIAT 03123451500 IL	905.00
05-03	05-02	[redacted]	PLATE KRUSE & ASSOCIAT 03123451500 IL	1,254.45
05-03	05-02	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	401.50
05-04	05-03	[redacted]	TRANSPERFECT 2126895555 NY	100.00
05-04	05-03	[redacted]	DNH*GODADDY.COM 480-5058855 AZ	1,061.25
05-04	05-02	[redacted]	ALDERSON REPORTING 202-289-2260 DC	486.60
05-04	05-02	[redacted]	ALDERSON REPORTING 202-289-2260 DC	235.00
05-04	05-02	[redacted]	ALDERSON REPORTING 202-289-2260 DC	968.27
05-04	05-02	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,155.46
05-04	05-02	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,150.85
05-04	05-02	[redacted]	ALDERSON REPORTING 202-289-2260 DC	898.71
05-04	05-02	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,063.22
05-04	05-02	[redacted]	ALDERSON REPORTING 202-289-2260 DC	832.28
05-04	05-02	[redacted]	ALDERSON REPORTING 202-289-2260 DC	925.19
05-04	05-02	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,040.14

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 05-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-04	05-02	85443926124700210189625	ALDERSON REPORTING 202-289-2260 DC	957.19
05-04	05-02	85486146124980032161654	HUSEBY INC CHARLOTTE NC	2,378.00
05-05	05-04	55432866125000299407136	SQ *MARY MASLOWSKI, CS TINLEY PARK IL	936.40
05-05	05-04	00000000004600001021000	*FINANCE CHARGE* CASH ADVANCE FEE	3.40
05-05	05-04	00000000004600001021000	CASH ADVANCE FROM - JOSEPH RICKOFF 001035 -ST. PAUL -MN	199.80
05-05	05-04	00000000004600001022000	*FINANCE CHARGE* CASH ADVANCE FEE	0.18
05-05	05-04	00000000004600001022000	CASH ADVANCE FROM - JOSEPH A RICKOFF 001033 -ST. PAUL -MN	10.80
05-06	05-05	55429506126894256869122	PAYPAL *GREYHOUNDLE 4029357733 CA	85.00
05-06	05-04	85443926126700210180457	ALDERSON REPORTING 202-289-2260 DC	1,163.17
05-09	05-06	00000000004600001014000	*FINANCE CHARGE* CASH ADVANCE FEE	2.38
05-09	05-06	00000000004600001014000	CASH ADVANCE FROM - A PROCESS SERVICE 001036 -ST. PAUL -MN	140.00
05-10	05-09	00000000004600003018000	*FINANCE CHARGE* CASH ADVANCE FEE	1.61
05-10	05-09	00000000004600003018000	CASH ADVANCE FROM - JP MORGAN CHASE NA001042 -ST. PAUL -MN	94.50
05-11	05-10	00000000004600002030000	*FINANCE CHARGE* CASH ADVANCE FEE	3.79
05-11	05-10	00000000004600002030000	CASH ADVANCE FROM - LASALLE PROCESS 001034 -ST. PAUL -MN	223.00
05-11	05-10	00000000004600003029000	*FINANCE CHARGE* CASH ADVANCE FEE	14.90
05-11	05-10	00000000004600003029000	CASH ADVANCE FROM - TSG REPORTING INC 001029 -ST. PAUL -MN	876.40
05-11	05-10	00000000004600003030000	*FINANCE CHARGE* CASH ADVANCE FEE	17.13
05-11	05-10	00000000004600003030000	CASH ADVANCE FROM - TSG REPORTING 001030 -ST. PAUL -MN	1,007.90
05-11	05-10	00000000004600003031000	*FINANCE CHARGE* CASH ADVANCE FEE	27.62
05-11	05-10	00000000004600003031000	CASH ADVANCE FROM - TSG REPORTING 001027 -ST. PAUL -MN	1,624.80
05-11	05-10	00000000004600004038000	*FINANCE CHARGE* CASH ADVANCE FEE	19.41
05-11	05-10	00000000004600004038000	CASH ADVANCE FROM - A-1 LEGAL VIDEO 001041 -ST. PAUL -MN	1,142.00
05-11	05-10	00000000004600004039000	*FINANCE CHARGE* CASH ADVANCE FEE	22.13
05-11	05-10	00000000004600004039000	CASH ADVANCE FROM - A-1 LEGAL VIDEO 001040 -ST. PAUL -MN	1,302.00
05-12	05-11	00000000004600004022000	*FINANCE CHARGE* CASH ADVANCE FEE	2.53
05-12	05-11	00000000004600004022000	CASH ADVANCE FROM - LORI L BUNDY RMR 001031 -ST. PAUL -MN	148.75
05-17	05-16	[redacted]	ESQUIRE SOLUTIONS ATLANTA GA	1,293.45
05-17	05-16	[redacted]	ESQUIRE SOLUTIONS ATLANTA GA	1,041.70
05-17	05-16	[redacted]	ESQUIRE SOLUTIONS ATLANTA GA	667.66
05-17	05-16	[redacted]	ESQUIRE SOLUTIONS ATLANTA GA	548.30
05-17	05-16	[redacted]	CLICKS DOCUMENT MANAGE 412-3911218 PA	1,059.87
05-17	05-16	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	695.20
05-17	05-16	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	1,283.80
05-17	05-16	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	2,544.70
05-17	05-16	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	559.40
05-17	05-16	[redacted]	ALDERSON REPORTING 202-289-2260 DC	245.35
05-17	05-16	[redacted]	ALDERSON REPORTING 202-289-2260 DC	381.84
05-17	05-16	[redacted]	ALDERSON REPORTING 202-289-2260 DC	581.64
05-17	05-16	[redacted]	ALDERSON REPORTING 202-289-2260 DC	739.10
05-17	05-16	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	1.87
05-17	05-16	[redacted]	CASH ADVANCE FROM - ACCREDITED PROCESS001037 -ST. PAUL -MN	110.00
05-18	05-17	00000000004600003038000	*FINANCE CHARGE* CASH ADVANCE FEE	1.70
05-18	05-17	00000000004600003038000	CASH ADVANCE FROM - ELITE PROCESS SERV001038 -ST. PAUL -MN	100.00

[redacted]	CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
	$0.00	$42.50	$2,500.00	$2,542.50

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 05-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-29	04-28	00000000004600004019000	*FINANCE CHARGE* CASH ADVANCE FEE	42.50
04-29	04-28	00000000004600004019000	CASH ADVANCE FROM - SAUL STEINBERG 001026 -ST. PAUL -MN	2,500.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$123.78	$46.10	$169.88

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-05	05-04	00000000004600001024000	*FINANCE CHARGE* CASH ADVANCE FEE	0.44
05-05	05-04	00000000004600001024000	CASH ADVANCE FROM - JOSEPH RICKOFF 001105 -ST. PAUL -MN	26.10
05-09	05-05	55310206127002127490874	ORANGE CO SUPERIOR CRT 08007089832 CA	123.00
05-13	05-12	00000000004600005002000	*FINANCE CHARGE* CASH ADVANCE FEE	0.34
05-13	05-12	00000000004600005002000	CASH ADVANCE FROM - DELEWANCE SECRETAR001106 -ST. PAUL -MN	20.00
			Department: 05002 Total:	$81,015.66
			Division: 00001 Total:	$81,015.66

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,309.75	$0.00	$2,309.75

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-20	04-19	05410196111105003316041	STAPLES 00115329 WASHINGTON DC	124.89
04-27	04-26	05410196118105132752895	STAPLES 00115329 WASHINGTON DC	10.74
04-28	04-27	05410196119105006603496	STAPLES 00115329 WASHINGTON DC	64.68
05-10	05-09	55457026130200892500030	OMNIFICS 07035484040 VA	2,109.44

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$11,934.00	$0.00	$11,934.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-21	04-20	55432866111000694590235	IN *PREMIERE-PAINTING 202-9660090 DC	2,463.00
05-02	04-29	85432906120701431062988	W.E. BOWERS INC TEL3014192488 MD	1,758.00
05-02	04-29	85432906120701431062988	W.E. BOWERS INC TEL3014192488 MD	3,283.00
05-11	05-10	55432866131000827271113	IN *PREMIERE-PAINTING 202-9660090 DC	3,400.00
05-18	05-17	55432866138000576960349	IN *PREMIERE-PAINTING 202-9660090 DC	1,030.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$332.80	$2,517.55	$2,850.35

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-21	04-20	00000000004600005004000	*FINANCE CHARGE* CASH ADVANCE FEE	35.70

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 05-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-21	04-20	00000000004600005004000	CASH ADVANCE FROM - P.J. MECHANICAL 001089 -ST. PAUL -MN	2,100.00
04-22	04-21	00000000004600004008000	*FINANCE CHARGE* CASH ADVANCE FEE	7.10
04-22	04-21	00000000004600004008000	CASH ADVANCE FROM - KNIGHT ELECTRICAL 001088 -ST. PAUL -MN	417.55
05-12	05-10	85101596132980006520639	59 CHINA CAFE INC. NEW YORK NY	290.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,089.54	$0.00	$1,089.54

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-28	04-25	25247806118002679088521	GARVEYS OFFICE PRODUCT NILES IL	1,089.54

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$383.88	$0.00	$383.88

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-21	04-20	55417346111271113489588	LIFE FITNESS 800-7353867 IL	37.40
05-11	05-10	55500806132556012803830	6 FIVE CHINESE REST CHICAGO IL	336.48
05-12	05-11	55500806133556012903621	6 FIVE CHINESE REST CHICAGO IL	10.00
			Department: 05004 Total:	$18,567.52

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$246.85	$0.00	$246.85

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-12	05-11	55500366133556016424611	BO LINGS CHINESE RESTA 08167531718 MO	246.85
			Department: 05006 Total:	$246.85
			Division: 00003 Total:	$18,814.37

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$4,645.09	$200.00	$4,845.09

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-29	04-28	00000000004600003019000	*FINANCE CHARGE* CASH ADVANCE FEE	1.70
04-29	04-28	00000000004600003019000	CASH ADVANCE FROM - AIBA 001281 -ST. PAUL -MN	100.00
05-03	05-02	55429506123894174617838	PAYPAL *SOUTHWIND 4029357733 CA	3,000.00
05-05	05-04	00000000004600003018000	*FINANCE CHARGE* CASH ADVANCE FEE	1.70

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 05-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-05	05-04	00000000004600003018000	CASH ADVANCE FROM - IAPP 001282 -ST. PAUL -MN	100.00
05-09	05-05	85504996127900013872098	ANDERSON COURT REPORTI 703-5197180 VA	1,641.69
			Department: 05007 Total:	$4,845.09
			Division: 00004 Total:	$4,845.09

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$103.33	$100,004.61	$0.00	$99,901.28

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-20	04-19	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	431.75
04-20	04-20	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	371.66
04-20	04-19	[redacted]	ADORAMA INC 212-74104017 NY	869.70
04-21	04-20	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	17.99
04-21	04-21	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	299.85
04-21	04-20	[redacted]	COMPONENTSOURCE.COM WOODSTOCK GA	5,039.93
04-22	04-21	[redacted]	INSPERITY PMGMT& ORGPL KINGWOOD TX	1,602.99
04-22	04-21	[redacted]	DTV*DIRECTV SERVICE 800-347-3288 CA	286.98
04-22	04-21	[redacted]	DEVELOPER EXPRESS INC 07022620609 CA	1,954.94
04-25	04-22	[redacted]	GOOGOZCOMIN 8772140699 CA	4,807.20
04-25	04-22	[redacted]	VINITECHINC 7032315122 VA	21,194.00
04-25	04-25	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	199.99
04-25	04-21	[redacted]	IMMIXTECHNOLOGY, IN 703-750-0610 VA	2,271.82
04-25	04-21	[redacted]	IMMIXTECHNOLOGY, IN 703-750-0610 VA	17,378.61
04-25	04-23	[redacted]	CARAHSOFT TECHNOLOGY C 703-8718500 VA	17,955.75
04-26	04-26	[redacted]	DMI* DELL FEDERAL 800-727-1100 TX	12,230.08
04-26	04-26	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	40.79
04-27	04-26	[redacted]	ALLIANCE TECHNOLOGY GR HANOVER MD	350.00
04-28	04-27	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	90.00
04-29	04-27	[redacted]	AUTOPAY/DISH NTWK 800-894-9131 CO	210.00
05-02	05-01	[redacted]	DRI*AQUAFOREST LIMITE 952-3922584 MN	103.33 CR
05-02	04-29	[redacted]	GRASSHOPPER GROUP, LLC NEEDHAM MA	66.20
05-02	04-30	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	276.51
05-02	05-01	[redacted]	STK*SHUTTERSTOCK, INC. 866-663-3954 NY	199.00
05-02	04-30	[redacted]	DRI*AQUAFOREST LIMITE 952-3922584 MN	1,900.33
05-03	05-02	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	85.00
05-03	05-03	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	43.89
05-04	05-04	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	89.09
05-05	05-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	124.90
05-05	05-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	84.90
05-06	05-04	[redacted]	TEEL TECHNOLOGIES NORWALK CT	1,800.00
05-09	05-05	[redacted]	DLT SOLUTIONS 703-773- HERNDON VA	708.03
05-09	05-07	[redacted]	AUTOPAY/DISH NTWK 800-894-9131 CO	142.00
05-10	05-09	[redacted]	KPAUL - SDVOSB 317-271-4651 IN	2,340.00
05-10	05-09	[redacted]	SOLARWINDS 866-530-8100 TX	2,513.00
05-10	05-10	[redacted]	DMI* DELL BUS ONLINE 800-456-3355 TX	1,020.79
05-12	05-12	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	618.00
05-13	05-13	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	199.99
05-18	05-18	[redacted]	CRUCIAL.COM 800-336-8915 ID	278.95

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$26,440.76	$0.00	$26,440.76

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 05-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-20	04-19	[redacted]	ROBERT H SMITH SCHL OF 03012093552 MD	50.00
04-20	04-19	[redacted]	ROBERT H SMITH SCHL OF 03012093552 MD	50.00
04-20	04-19	[redacted]	WORLDATWORK 8779519191 AZ	2,200.00
04-20	04-19	[redacted]	ASHRAE 04046368400 GA	1,214.00
04-20	04-18	[redacted]	FUTURES INDUSTRY AS WASHINGTON DC	739.25
04-20	04-18	[redacted]	KCURA LLC 312-648-6864 IL	2,250.00
04-21	04-19	[redacted]	HUMAN RESOURCES INSTI 301-749-5600 MD	425.00
04-25	04-21	[redacted]	MANAGEMENT CONCEPTS TYSONS CORNER VA	949.00
04-25	04-23	[redacted]	AMERICAN ASSOC LAW LIB 312-205-8012 IL	599.00
04-25	04-20	[redacted]	SUPERINTENDENCIA DEL M LIMA	2,000.00
04-28	04-27	[redacted]	TREASURY FMS - GWA 202-874-9613 MD	100.00
04-28	04-27	[redacted]	TREASURY FMS - GWA 202-874-9613 MD	100.00
04-28	04-27	[redacted]	TREASURY FMS - GWA 202-874-9613 MD	100.00
04-29	04-28	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	979.00
05-02	04-28	[redacted]	MANAGEMENT CONCEPTS TYSONS CORNER VA	959.00
05-02	04-28	[redacted]	MANAGEMENT CONCEPTS TYSONS CORNER VA	789.00
05-02	04-28	[redacted]	MANAGEMENT CONCEPTS TYSONS CORNER VA	979.00
05-02	04-28	[redacted]	MANAGEMENT CONCEPTS TYSONS CORNER VA	979.00
05-06	05-05	[redacted]	INFORMA UK MOTO GB COLCHESTER	1,862.23
			(FOREIGN CURRENCY) 1,270.00 GBP 05/06 (RATE) 0.6820	
05-11	05-09	[redacted]	MANAGEMENT CONCEPTS TYSONS CORNER VA	919.00
05-12	05-12	[redacted]	GOVDELIVERY, INC. 651-726-7314 MN	725.00
05-13	05-12	[redacted]	NARA NRHSR REC MGMT 817-551-2004 CA	1,350.00
05-17	05-16	[redacted]	MCGRAW-HILL COMPAN HIGHTSTOWN NJ	1,095.00
05-19	05-17	[redacted]	PARTNERSHIP FOR PUBLIC 202-775-9111 DC	2,500.00
05-19	05-18	[redacted]	THE HASTINGS GROUP LLC 703-276-3255 VA	475.00
05-19	05-18	[redacted]	EB ADVANCED CERTIFIED 8014137200 CA	1,300.00
05-19	05-18	[redacted]	FUTURES INDUSTRY AS WASHINGTON DC	753.28
			Department: 05009 Total:	$126,342.04

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$809.04	$45,522.15	$0.00	$44,713.11

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-20	04-18	[redacted]	COMPUTER MISSION INC 703-2728148 VA	1,183.35
04-21	04-20	[redacted]	KPAUL - SDVOSB 317-271-4651 IN	1,011.30
04-21	04-19	[redacted]	OFFICE SOLUTIONS TERRYB1@KC.RR MO	4,710.00
04-25	04-22	[redacted]	STAPLES DIRECT 800-3333330 MA	851.70
04-25	04-22	[redacted]	TIME ENTERPRISES LLC ROSEVILLE CA	1,072.50
04-25	04-23	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	15.49
04-25	04-23	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	3.77
04-25	04-23	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	7.95
04-25	04-23	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	4.58
04-25	04-24	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	41.62
04-25	04-25	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	8.50
04-25	04-22	[redacted]	CRIMSON IMAGING SUPPLI TORRANCE CA	7,143.30
04-26	04-25	[redacted]	SBM SALES@CALLSBM IL	1,551.90
04-27	04-26	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	74.92
05-02	04-29	[redacted]	WEBCAST 2066525360 WA	2,950.00
05-02	04-30	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	67.65
05-02	04-30	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	1,823.85
05-02	05-02	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	810.60
05-02	05-02	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	743.05
05-02	04-29	[redacted]	SCB SOLUTIONS INC. ARLINGTON VA	9,198.00
05-03	05-02	[redacted]	BAHFED CORP 05032088410 OR	91.00
05-05	05-05	[redacted]	AMAZON.COM AMZN.COM/BILL WA	209.10
05-05	05-05	[redacted]	AMAZON.COM AMZN.COM/BILL WA	243.95

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 05-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-06	05-05	[redacted]	STAPLES DIRECT 800-3333330 MA	265.58
05-06	05-05	[redacted]	IN *CHARGETECH ENTERPR 888-2508756 CA	3,263.00
05-06	05-06	[redacted]	AMAZON.COM AMZN.COM/BILL WA	418.20
05-09	05-06	[redacted]	KPAUL - SDVOSB 317-271-4651 IN	809.04 CR
05-09	05-06	[redacted]	PARTS PEOPLE.COM INC AUSTIN TX	678.72
05-09	05-07	[redacted]	LASER EXPERTS 801-9779898 UT	2,371.50
05-09	05-07	[redacted]	SUPPLIES NOW 08887505223 FL	497.20
05-09	05-06	[redacted]	GRAYBAR ELECTRIC COMPA 03145739200 MO	388.03
05-12	05-11	[redacted]	CABLEORGANIZER.COM 08662220030 FL	68.26
05-18	05-16	[redacted]	NET 100 CHANTILLY VA	2,495.43
05-18	05-17	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	154.90
05-18	05-17	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	898.50
05-18	05-18	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	99.90
05-19	05-18	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	41.94
05-19	05-18	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	34.95
05-19	05-19	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	27.96

Department: 05010 Total: $44,713.11
Division: 00005 Total: $171,055.15

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$12.92	$19,384.47	$0.00	$19,371.55

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-20	04-19	[redacted]	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	95.17
04-20	04-19	[redacted]	BARNES&NOBLE.COM-BN 800-843-2665 NY	136.42
04-20	04-20	[redacted]	BARNES&NOBLE.COM-BN 800-843-2665 NY	326.38
04-20	04-20	[redacted]	AMAZON.COM AMZN.COM/BILL WA	371.49
04-25	04-22	[redacted]	BARNES&NOBLE.COM-BN 800-843-2665 NY	12.92 CR
04-27	04-27	[redacted]	D J*BARRON'S 800-568-7625 MA	210.44
05-02	05-01	[redacted]	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	310.44
05-02	05-01	[redacted]	AMAZON.COM AMZN.COM/BILL WA	298.57
05-04	05-04	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	192.91
05-06	05-05	[redacted]	LEADERSHIP DIRECTORIES NEW YORK NY	5,650.00
05-06	05-05	[redacted]	PP*SCUDDER PUBLISHING CROWNSVILLE MD	6,500.00
05-09	05-06	[redacted]	ALIBRIS BOOKS 05105944586 CA	48.99
05-10	05-09	[redacted]	FINANCIAL TIMES-AD LONDON SE1	1,435.00
05-11	05-10	[redacted]	ADI*ASPEN PUBLISHERS 800-234-1660 MD	349.00
05-11	05-10	[redacted]	ADI*ASPEN PUBLISHERS 800-234-1660 MD	239.00
05-11	05-10	[redacted]	ADI*ASPEN PUBLISHERS 800-234-1660 MD	727.00
05-11	05-10	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	66.46
05-11	05-10	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	68.75
05-12	05-11	[redacted]	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	79.99
05-12	05-12	[redacted]	TCD*GALE 248-699-4253 MI	1,360.63
05-13	05-13	[redacted]	AMAZON.COM AMZN.COM/BILL WA	120.00
05-13	05-13	[redacted]	AMAZON.COM AMZN.COM/BILL WA	197.36
05-16	05-14	[redacted]	AMAZON.COM AMZN.COM/BILL WA	251.47
05-19	05-19	[redacted]	ADI*ASPEN PUBLISHERS 800-234-1660 MD	349.00

Department: 05013 Total: $19,371.55
Division: 00007 Total: $19,371.55

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$136.57	$6,225.03	$0.00	$6,088.46

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 05-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-21	04-20	[redacted]	BLUETRACK 8007906090 NJ	200.00
04-27	04-27	[redacted]	GLOBAL EXPERIENCE SPEC 800-475-2098 NV	389.09
04-27	04-26	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	225.00
04-28	04-27	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	225.00
05-03	05-02	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	200.00
05-05	05-05	[redacted]	PSAV PRESENTATION SVCS 847-222-9800 IL	150.00
05-05	05-05	[redacted]	PSAV PRESENTATION SVCS 847-222-9800 IL	75.00
05-06	05-04	[redacted]	THE UPS STORE# 6266 BALTIMORE MD	155.00
05-06	05-06	[redacted]	YRC INC. 800-610-6500 OH	140.04
05-09	05-06	[redacted]	THE UPS STORE# 6266 BALTIMORE MD	90.00
05-10	05-10	[redacted]	GLOBAL EXPERIENCE SPEC 800-475-2098 NV	136.57 CR
05-10	05-10	[redacted]	GLOBAL EXPERIENCE SPEC 800-475-2098 NV	191.10
05-12	05-11	[redacted]	FREEMAN EXPOSITIONSLTD 416-252-3361 ON (FOREIGN CURRENCY) 1,042.54 CAD 05/12 (RATE) 1.2810	813.86
05-16	05-13	55547506134034382625596	EXHIB-IT! 05059991878 NM	1,217.00
05-17	05-16	55490536137000044767127	FREEMAN EXPOSITIONSLTD 416-252-3361 ON (FOREIGN CURRENCY) 214.70 CAD 05/17 (RATE) 1.2809	167.61
05-18	05-17	55480776139200755100151	NATIONAL PORK PRODUCER 05152788012 IA	750.00
05-18	05-16	75265866138458100214460	J AND J EXHIBITORS SER 312-2253323 IL	889.25
05-19	05-17	55181366139549452111099	METRO TORONTO CONVENTI TORONTO ON (FOREIGN CURRENCY) 446.35 CAD 05/19 (RATE) 1.2860	347.08

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$294.00	$0.00	$294.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-02	04-30	55432866121000626317960	DEPOSITION SERVICES, I 301-881-3344 MD	199.00
05-02	04-30	55432866121000626318000	DEPOSITION SERVICES, I 301-881-3344 MD	95.00

Department: 05015 Total: $6,382.46
Division: 00008 Total: $6,382.46

usbank.

U.S. BANKCORP
P.O. BOX 6347
FARGO ND 58125-6347

ACCOUNT NUMBER	[redacted]
STATEMENT DATE	06-17-2016
AMOUNT DUE	$58,045.21
NEW BALANCE	$58,045.21

PAYMENT DUE IN ACCORDANCE WITH PROMPT PAYMENT ACT

AMOUNT ENCLOSED
$

Please make check payable to"U.S. Bank"

[redacted]
[redacted]
CFTC
[redacted]
1155 21ST STREET NW
WASHINGTON DC 20581-0002

U.S. BANKCORP
PO BOX 6313
FARGO ND 58125-6313

[redacted]

Please tear payment coupon at perforation.

ACCOUNT MESSAGES

Foreign transactions include a 1% foreign currency conversion fee incorporated in the exchange rate.

BILLING ACCOUNT SUMMARY

CFTC [redacted]	Previous Balance	Purchases And Other Charges +	Self Assessed Interest Penalty +	Checks +	Check Fee +	Credits -	Current Activity =	Payments	Account Balance
Company Total	$5,838.97	$330,060.82	$0.00	$2,381.97	$40.50	$4,408.99	$328,074.30	$275,868.06	$58,045.21

Default Accounting Code:

CUSTOMER SERVICE CALL

888-994-6722

ACCOUNT NUMBER
[redacted]

STATEMENT DATE	DISPUTED AMOUNT
06/19/16	.00

SEND BILLING INQUIRIES TO:

U.S. Bank Government Services
P.O. Box 6335
Fargo, ND 58125-6335

AMOUNT DUE

58,045.21

ACCOUNT SUMMARY

PREVIOUS BALANCE	5,838.97
PURCHASES & OTHER CHARGES	330,060.82
SELF ASSESSED INTEREST PENALTY	.00
CHECKS	2,381.97
CHECK FEE	40.50
CREDITS	4,408.99
CURRENT BILLING ACTIVITY	328,074.30
PAYMENTS	275,868.06
ACCOUNT BALANCE	58,045.21

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 06-17-2016

CORPORATE ACCOUNT ACTIVITY

CFTC [redacted]

TOTAL CORPORATE ACTIVITY $275,868.06CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-20	05-20	75569636141141111111140	POST WIRE PYMT	5,838.97 PY
05-23	05-23	75569636144144111111125	PAYMENT	15,363.32 PY
05-24	05-24	75569636145145111111121	WIRE PAYMENT	12,614.21 PY
05-26	05-26	75569636147147111111125	WIRE PAYMENT	4,168.86 PY
05-27	05-27	75569636148148111111148	POST WIRE PAYMENT	18,642.32 PY
05-31	05-31	75569636152152111111127	WIRE PAYMENT	5,935.99 PY
05-31	05-31	75569636152152111111135	WIRE PAYMENT	1,126.69 PY
06-01	06-01	75569636153153111111124	WIRE PAYMENT	852.29 PY
06-03	06-03	75569636155155111111127	POST WIRE PAYMENT	4,538.42 PY
06-03	06-02	75569636155155111111127	WIRE PAYMENT	11,229.49 PY
06-06	06-06	75569636158158111111144	WIRE PAYMENT	1,312.78 PY
06-07	06-07	75569636159159111111125	WIRE PAYMENT	11,927.94 PY
06-08	06-08	75569636160160111111120	WIRE PAYMENT	26,259.22 PY
06-09	06-09	75569636161161111111127	WIRE PAYMENT	1,391.97 PY
06-10	06-10	75569636162162111111124	POST WIRE PAYMENT	23,935.40 PY
06-13	06-13	75569636165165111111124	WIRE PAYMENT	9,076.52 PY
06-14	06-14	75569636166166111111121	WIRE PAYMENT	22,547.62 PY
06-15	06-15	75569636167167111111128	WIRE PAYMENT	20,263.30 PY
06-16	06-16	75569636168168111111125	WIRE PAYMENT	6,142.07 PY
06-17	06-17	75569636169169111111270	POST WIRE PYMT	72,700.68 PY

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$22,350.00	$0.00	$22,350.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-07	06-06	55457026159200738400086	THE MONEY SHOW 09419550323 FL	11,175.00
06-07	06-06	55457026159200738400094	THE MONEY SHOW 09419550323 FL	11,175.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$370.25	$0.00	$370.25

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-03	06-03	55432866155000262590390	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	37.93
06-13	06-12	55432866164000507641031	AMAZON.COM AMZN.COM/BILL WA	32.32
06-16	06-15	05436846168600078446444	TREASURY FMS - GWA 202-874-9613 MD	300.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$11,500.00	$0.00	$11,500.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-26	05-25	55429506146894726823549	ASC X9 4102677707 MD	11,500.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 06-17-2016

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$500.00	$0.00	$500.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-16	06-14	55541866168072028705995	HYATT PARK WASHINGTON WASHINGTON DC 000005568 ARRIVAL: 06-14-16	500.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,000.00	$0.00	$2,000.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-13	04-24	55432866115000855498992	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
06-13	06-11	55432866163000160788963	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
06-14	06-13	55432866165000180328426	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
06-16	06-15	55432866167000290051494	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
			Department: 00000 Total:	$36,720.25
			Division: 00000 Total:	$36,720.25

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$15.96	$0.00	$15.96

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-02	06-01	75337006153418900894256	INUMBR SACRAMENTO CA	15.96

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$13.55	$796.60	$810.15

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-26	05-25	00000000004600002016000	*FINANCE CHARGE* CASH ADVANCE FEE	11.33
05-26	05-25	00000000004600002016000	CASH ADVANCE FROM - HOLLAND & KNIGHT 001099 -ST. PAUL -MN	666.60
06-07	06-06	00000000004600001027000	*FINANCE CHARGE* CASH ADVANCE FEE	1.28
06-07	06-06	00000000004600001027000	CASH ADVANCE FROM - ALBERMARLE COUNTY 001100 -ST. PAUL -MN	75.00
06-14	06-13	00000000004600003016000	*FINANCE CHARGE* CASH ADVANCE FEE	0.94
06-14	06-13	00000000004600003016000	CASH ADVANCE FROM - REGIONS BANK 001098 -ST. PAUL -MN	55.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$19,466.55	$0.00	$19,466.55

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 06-17-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-23	05-20	[redacted]	PLATE KRUSE & ASSOCIAT 03123451500 IL	568.00
05-23	05-20	[redacted]	PLATE KRUSE & ASSOCIAT 03123451500 IL	480.00
05-23	05-20	[redacted]	HUSEBY INC CHARLOTTE NC	1,058.50
05-27	05-26	[redacted]	ATKINSON-BAKER INC 08185517310 CA	2,652.15
06-13	06-10	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,974.05
06-13	06-10	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,940.80
06-14	06-13	[redacted]	SQ *MARY MASLOWSKI, CS TINLEY PARK IL	1,023.40
06-14	06-13	[redacted]	SQ *MARY MASLOWSKI, CS TINLEY PARK IL	1,428.40
06-14	06-13	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	2,553.35
06-17	06-16	[redacted]	PAYPAL *DENVERATTOR 4029357733 CA	98.00
06-17	06-16	[redacted]	PAYPAL *DPSERVER 6313436331 CA	170.00
06-17	06-16	[redacted]	PAYPAL *CAPITOLPROC 2026670050 CA	120.00
06-17	06-16	[redacted]	SQ *MARY MASLOWSKI, CS TINLEY PARK IL	774.40
06-17	06-16	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	1,292.50
06-17	06-16	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	2,866.80
06-17	06-16	[redacted]	ALDERSON REPORTING 202-289-2260 DC	466.20

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$50.00	$0.00	$50.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-06	06-03	75263596155597401886717	MCLE BOARD 312-9242420 IL	50.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2.87	$168.78	$171.65

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-10	06-09	00000000004600004010000	*FINANCE CHARGE* CASH ADVANCE FEE	2.87
06-10	06-09	00000000004600004010000	CASH ADVANCE FROM - MIRANDA ALGORAI 001107 -ST. PAUL -MN	168.78
			Department: 05002 Total:	$20,514.31
			Division: 00001 Total:	$20,514.31

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,117.13	$0.00	$1,117.13

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-23	05-20	[redacted]	BEST MESSENGER, INC WASHINGTON DC	89.00
05-27	05-26	[redacted]	STAPLES DIRECT 800-3333330 MA	19.84
05-31	05-29	[redacted]	IDENTICARD 07175695797 PA	525.00
05-31	05-29	[redacted]	IDENTICARD 07175695797 PA	54.00
05-31	05-29	[redacted]	IDENTICARD 07175695797 PA	33.29
06-01	05-31	[redacted]	AVIO GALLERIES, INC. LURAY VA	396.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 06-17-2016

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$4,579.94	$0.00	$4,579.94

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-01	05-31	[redacted]	BALDINOS LOCK AND KEY LORTO VA	1,409.64
06-06	06-03	[redacted]	COMMERCIAL FOODSERVICE 08643823076 SC	255.05
06-07	06-06	[redacted]	EATON ELECTRICAL 09198703363 PA	1,854.00
06-08	06-08	[redacted]	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	266.99
06-08	06-08	[redacted]	AMAZON.COM AMZN.COM/BILL WA	266.99
06-08	06-08	[redacted]	AMAZON.COM AMZN.COM/BILL WA	266.99
06-15	06-13	[redacted]	2/90 SIGN SYSTEMS GRAND RAPIDS MI	260.28

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$600.00	$0.00	$600.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-14	06-13	55499676166286921500017	PROTECTIVE COUNTERMEAS 09146974777 NY	600.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2.57	$151.34	$153.91

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-02	06-01	00000000004600002018000	*FINANCE CHARGE* CASH ADVANCE FEE	2.57
06-02	06-01	00000000004600002018000	CASH ADVANCE FROM - LIFE FITNESS 001073 -ST. PAUL -MN	151.34
			Department: 05004 Total:	$6,450.98

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$3,122.76	$0.00	$3,122.76

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-09	06-08	25247706161008017469453	CROSS MATCH TECHNOLOGI PALM BEACH GA FL	3,122.76

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$12.01	$706.25	$718.26

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-14	06-13	00000000004600001031000	*FINANCE CHARGE* CASH ADVANCE FEE	12.01
06-14	06-13	00000000004600001031000	CASH ADVANCE FROM - ROCKWEL SECURITY 001001 -ST. PAUL -MN	706.25

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 06-17-2016

NEW ACTIVITY

Department: 05006 Total: $3,841.02
Division: 00003 Total: $10,292.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$3.69	$0.00	$3.69

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-30	05-27	05410196148105262000184	STAPLES DIRECT 800-3333330 MA	3.69

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$60,849.98	$559.00	$61,408.98

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-25	05-24	[redacted]	ATKINSON-BAKER INC 08185517310 CA	3,904.40
05-27	05-25	[redacted]	DISCOVERY DOCUMENT SOL WASHINGTON DC	270.00
06-02	06-01	[redacted]	AVIO GALLERIES, INC. LURAY VA	1,170.00
06-06	06-03	[redacted]	NETWORK INNOVATIONS US 954-9733100 FL	5,946.08
06-16	06-15	[redacted]	BARCLAY HEDGE LTD 641-472-3456 IA	18,750.00
06-16	06-15	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	30,800.00
06-17	06-16	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	9.50
06-17	06-16	[redacted]	CASH ADVANCE FROM - DESIGN POND 001256 -ST. PAUL -MN	559.00

Department: 05007 Total: $61,412.67
Division: 00004 Total: $61,412.67

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$2,368.98	$104,405.29	$0.00	$102,036.31

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-20	05-19	[redacted]	CAPP USA 610-394-1100 PA	297.97
05-20	05-19	[redacted]	CARAHSOFT TECHNOLOGY C 703-8718500 VA	13,286.22
05-23	05-20	[redacted]	KPAUL - SDVOSB 317-271-4651 IN	2,208.00
05-23	05-21	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	816.76
05-23	05-21	[redacted]	DTV*DIRECTV SERVICE 800-347-3288 CA	286.98
05-25	05-25	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	199.99
05-26	05-26	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	44.73
05-27	05-26	[redacted]	PRIMEARRAY SYSTEMS, IN 09784559488 MA	824.00
05-30	05-28	[redacted]	DRI*FARONICS WWW.ESLR8.COM MN	28.98 CR
05-30	05-27	[redacted]	DRI*FARONICS WWW.ESLR8.COM MN	532.98
05-30	05-29	[redacted]	GRASSHOPPER GROUP, LLC NEEDHAM MA	66.20
05-30	05-28	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	90.00
05-30	05-30	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	285.22
05-30	05-27	[redacted]	AUTOPAY/DISH NTWK 800-894-9131 CO	210.00
05-31	05-30	[redacted]	ESTIMA EVANSTON IL	240.00
06-01	05-31	[redacted]	AINS INC 03016702300 MD	8,635.00
06-02	06-01	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	85.00
06-02	06-01	[redacted]	STK*SHUTTERSTOCK, INC. 866-663-3954 NY	199.00
06-06	06-03	[redacted]	KPAUL - SDVOSB 317-271-4651 IN	2,340.00 CR
06-06	06-03	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	89.09
06-06	06-03	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	43.89
06-06	06-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	124.90

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 06-17-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-06	06-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	84.90
06-06	06-05	[redacted]	AMAZON.COM AMZN.COM/BILL WA	110.13
06-07	06-06	[redacted]	VSN*DOTGOVREGISTRATION 877-734-4688 VA	125.00
06-07	06-06	[redacted]	WWW.CLEVERBRIDGE.NET 18007999570. DEU	210.00
06-07	06-06	[redacted]	WWW.CLEVERBRIDGE.NET 18007999570. DEU	1,037.00
06-08	06-06	[redacted]	AUTOPAY/DISH NTWK 800-894-9131 CO	142.00
06-09	06-07	[redacted]	IMMIXTECHNOLOGY, IN 703-750-0610 VA	1,658.56
06-09	06-07	[redacted]	IMMIXTECHNOLOGY, IN 703-750-0610 VA	4,699.72
06-09	06-07	[redacted]	IMMIXTECHNOLOGY, IN 703-750-0610 VA	14,159.36
06-10	06-08	[redacted]	DLT SOLUTIONS 703-773- HERNDON VA	8,761.54
06-13	06-10	[redacted]	TELESTREAM INC NEVADA CITY CA	286.00
06-13	06-11	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	618.00
06-13	06-12	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	109.99
06-13	06-10	[redacted]	STATACORP LP 09796964600 TX	3,655.00
06-13	06-10	[redacted]	CITY COMPUTER & SUP 800-759-6868 OH	1,618.80
06-13	06-10	[redacted]	CITY COMPUTER & SUP 800-759-6868 OH	1,618.80
06-13	06-10	[redacted]	CITY COMPUTER & SUP 800-759-6868 OH	1,618.80
06-16	06-16	[redacted]	DMI* DELL FEDERAL 800-727-1100 TX	17,685.76
06-16	06-14	[redacted]	PARABEN CORPORATION PLEASANT GROV UT	160.00
06-17	06-15	[redacted]	AUGUST SCHELL (301) 907-947 MD	17,480.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$998.64	$59,544.19	$0.00	$58,545.55

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-20	05-19	[redacted]	FUTURES INDUSTRY AS WASHINGTON DC	755.19
05-23	05-20	[redacted]	MANAGEMENT CONCEPTS TYSONS CORNER VA	669.00
05-23	05-20	[redacted]	MANAGEMENT CONCEPTS TYSONS CORNER VA	979.00
05-23	05-20	[redacted]	MANAGEMENT CONCEPTS TYSONS CORNER VA	579.00
05-23	05-20	[redacted]	THEREGGROUP 2024663205 VA	488.00
05-23	05-20	[redacted]	THEREGGROUP 2024663205 VA	488.00
05-23	05-20	[redacted]	THEREGGROUP 2024663205 VA	488.00
05-26	05-24	[redacted]	FUTURES INDUSTRY AS WASHINGTON DC	758.64 CR
05-26	05-25	[redacted]	PAYPAL *QUALITYPLUS 4029357733 CA	1,950.00
05-27	05-25	[redacted]	NAGCONLINE.ORG FALLS CHURCH VA	775.00
05-27	05-25	[redacted]	VMWORLD CONFERENCE 01800365245 CT	1,395.00
06-02	06-01	[redacted]	ACT*GARTNER EVENTS USD 888-443-8693 FL	2,750.00
06-06	06-03	[redacted]	THE HASTINGS GROUP LLC ARLINGTON VA	240.00 CR
06-09	06-08	[redacted]	ONLC TRAINING CENTERS 08002888221 DE	295.00
06-13	06-10	[redacted]	GLOBALKNOWLEDGETRAININ CARY NC	2,275.00
06-14	06-13	[redacted]	THEREGGROUP 2024663205 VA	5,120.00
06-14	06-13	[redacted]	THEREGGROUP 2024663205 VA	8,100.00
06-15	06-14	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	649.00
06-15	06-14	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	939.00
06-15	06-14	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	1,099.00
06-15	06-14	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	979.00
06-15	06-14	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	899.00
06-15	06-14	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	649.00
06-15	06-14	[redacted]	GRAPHICS PRESS LLC 08008222454 CT	420.00
06-16	06-15	[redacted]	GMU OCPE HERNDON 703-9934803 VA	1,495.00
06-16	06-15	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	1,499.00
06-17	06-16	[redacted]	IN *AEC / ENERGY MGMT 732-7970154 NJ	23,235.00
06-17	06-15	[redacted]	THE INSTITUTE FOR FINA 202-223-1528 DC	575.00

Department: 05009 Total: $160,581.86

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 06-17-2016

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$982.20	$19,729.12	$0.00	$18,746.92

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-20	05-19	[redacted]	AMAZONPRIME MEMBERSHIP AMZN.COM/PRME WA	99.00
05-20	05-19	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	6.99
05-20	05-19	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	788.69
05-20	05-19	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	129.26
05-23	05-20	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	155.36
05-23	05-21	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	11.61
05-25	05-24	[redacted]	CAPITOL SUPPLY INC SUNRISE FL	64.47
05-26	05-25	[redacted]	AMAZON.COM AMZN.COM/BILL WA	517.93
05-26	05-25	[redacted]	AMAZON.COM AMZN.COM/BILL WA	961.87
05-26	05-25	[redacted]	SUPPLIES NOW 08887505223 FL	95.50
05-26	05-25	[redacted]	SUPPLIES NOW 08887505223 FL	3,653.00
05-30	05-27	[redacted]	AMAZONPRIME MEMBERSHIP AMZN.COM/PRME WA	99.00 CR
06-06	06-03	[redacted]	CARAHSOFT TECHNOLOGY C 703-8718500 VA	7,709.08
06-13	06-10	[redacted]	IN *INNOFACE SYSTEMS 410-7214040 MD	883.20 CR
06-13	06-10	[redacted]	TORGUARD 8002760433 FL	59.99
06-13	06-10	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	98.37
06-13	06-12	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	240.80
06-13	06-10	[redacted]	ALL CITI TONER TEL8882376002 NY	4,973.25
06-14	06-13	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	163.95

Department: 05010 Total: $18,746.92
Division: 00005 Total: $179,328.78

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$11,047.62	$0.00	$11,047.62

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-23	05-22	[redacted]	AMAZONPRIME MEMBERSHIP AMZN.COM/PRME WA	99.00
05-30	05-27	[redacted]	WORLD BANK BOOK STORE WASHINGTON DC	66.58
06-10	06-09	[redacted]	WILLIAM S HEIN & CO IN 716-882-2600 NY	143.33
06-15	06-14	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	112.31
06-15	06-15	[redacted]	BARNES&NOBLE.COM-BN 800-843-2665 NY	135.48
06-16	06-15	[redacted]	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	655.93
06-16	06-15	[redacted]	AMAZON.COM AMZN.COM/BILL WA	204.99
06-17	06-15	[redacted]	THE INSTITUTE FOR FINA 202-223-1528 DC	4,815.00
06-17	06-15	[redacted]	THE INSTITUTE FOR FINA 202-223-1528 DC	4,815.00

Department: 05013 Total: $11,047.62
Division: 00007 Total: $11,047.62

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,900.00	$0.00	$2,900.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-23	05-20	55453706141207399300028	LEE KRAMER LLC 02026673137 DC	2,900.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 06-17-2016

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$59.17	$5,468.84	$0.00	$5,409.67

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-23	05-20	75265866143493200329705	J AND J EXHIBITORS SER 312-2253323 IL	250.00
06-01	05-31	55490536152000972566491	FREEMAN EXPOSITIONSLTD 416-252-3361 ON	788.85
			(FOREIGN CURRENCY) 1,023.00 CAD 06/01 (RATE) 1.2968	
06-02	06-01	55310206154286117900127	SMART CITY NETWORKS 08884466911 NV	164.55
06-03	06-03	55432866155000413008250	GLOBAL EXPERIENCE SPEC 800-475-2098 NV	367.50
06-03	06-03	55432866155000413008938	GLOBAL EXPERIENCE SPEC 800-475-2098 NV	160.14
06-03	06-03	55432866155000413009241	GLOBAL EXPERIENCE SPEC 800-475-2098 NV	747.21
06-06	06-04	55432866156000023737743	GLOBAL EXPERIENCE SPEC 800-475-2098 NV	59.17 CR
06-06	06-04	55432866156000023736323	GLOBAL EXPERIENCE SPEC 800-475-2098 NV	153.99
06-07	06-06	25425156159060074920957	THE BREWERY ON CHISWEL LONDON GBR	606.94
			(FOREIGN CURRENCY) 415.21 GBP 06/07 (RATE) 0.6841	
06-13	06-10	55432866162000332752534	FREEMAN DES MOINES 515-265-5601 IA	1,310.85
06-16	06-14	85186886167980019086033	IOWA STATE FAIR DES MOINES IA	150.00
06-17	06-16	25425156169040047087108	GLOBAL EXPERIENCE SPEC COVENTRY GBR	768.81
			(FOREIGN CURRENCY) 535.87 GBP 06/17 (RATE) 0.6970	

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$449.00	$0.00	$449.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-08	06-07	55457026160200739200409	GRADUATE SCHOOL REG 08887444723 DC	449.00

Department: 05015 Total: $8,758.67
Division: 00008 Total: $8,758.67

U.S. BANKCORP
P.O. BOX 6347
FARGO ND 58125-6347

ACCOUNT NUMBER	[redacted]
STATEMENT DATE	07-19-2016
AMOUNT DUE	$4,904.92
NEW BALANCE	$4,904.92

PAYMENT DUE IN ACCORDANCE WITH PROMPT PAYMENT ACT

AMOUNT ENCLOSED
$

Please make check payable to"U.S. Bank"

[redacted]
CFTC
[redacted]
1155 21ST STREET NW
WASHINGTON DC 20581-0002

U.S. BANKCORP
PO BOX 6313
FARGO ND 58125-6313

[redacted]

Please tear payment coupon at perforation.

ACCOUNT MESSAGES

Foreign transactions include a 1% foreign currency conversion fee incorporated in the exchange rate.

BILLING ACCOUNT SUMMARY

CFTC [redacted]	Previous Balance	Purchases And Other Charges +	Self Assessed Interest Penalty +	Checks +	Check Fee +	Credits -	Current Activity =	Payments	Account Balance
Company Total	$58,045.21	$191,483.29	$0.00	$8,565.25	$145.61	$2,665.00	$197,529.15	$250,669.44	$4,904.92

Default Accounting Code:		
CUSTOMER SERVICE CALL 888-994-6722	**ACCOUNT NUMBER** [redacted] STATEMENT DATE: 07/19/16 — DISPUTED AMOUNT: .00	**ACCOUNT SUMMARY**
SEND BILLING INQUIRIES TO: U.S. Bank Government Services P.O. Box 6335 Fargo, ND 58125-6335	**AMOUNT DUE** **4,904.92**	PREVIOUS BALANCE 58,045.21 PURCHASES & OTHER CHARGES 191,483.29 SELF ASSESSED INTEREST PENALTY .00 CHECKS 8,565.25 CHECK FEE 145.61 CREDITS 2,665.00 CURRENT BILLING ACTIVITY 197,529.15 PAYMENTS 250,669.44 **ACCOUNT BALANCE** 4,904.92

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 07-19-2016

CORPORATE ACCOUNT ACTIVITY

CFTC [redacted]

TOTAL CORPORATE ACTIVITY $250,669.44CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-20	06-20	75569636172172111111121	WIRE PAYMENT	58,045.21 PY
06-21	06-21	75569636173173111111128	WIRE PAYMENT	4,532.58 PY
06-23	06-23	75569636175175111111121	WIRE PAYMENT	12,107.92 PY
06-24	06-24	75569636176176111111128	WIRE PAYMENT	10,000.12 PY
06-27	06-27	75569636179179111111129	WIRE PAYMENT	8,731.78 PY
06-28	06-28	75569636180180111111124	WIRE PAYMENT	8,889.25 PY
06-29	06-29	75569636181181111111121	WIRE PAYMENT	5,729.94 PY
06-30	06-30	75569636182182111111128	WIRE PAYMENT	17,639.41 PY
07-01	07-01	75569636183183111111125	POST WIRE PAYMENT	21,830.43 PY
07-05	07-04	75569636187187111111122	POST WIRE PAYMENT	1,819.73 PY
07-05	07-05	75569636187187111111130	POST WIRE PAYMENT	11,020.40 PY
07-06	07-06	75569636188188111111129	POST WIRE PAYMENT	209.80 PY
07-07	07-07	75569636189189111111126	POST WIRE PAYMENT	1,594.95 PY
07-08	07-08	75569636190190111111154	POST WIRE PAYMENT	25,110.00 PY
07-11	07-11	75569636193193111111122	WIRE PAYMENT	78.77 PY
07-12	07-12	75569636194194111111129	WIRE PAYMENT	24,498.43 PY
07-13	07-13	75569636195195111111125	WIRE PAYMENT	2,221.76 PY
07-14	07-14	75569636196196111111122	WIRE PAYMENT	11,615.93 PY
07-15	07-15	75569636197197111111129	POST WIRE PAYMENT	5,140.61 PY
07-18	07-18	75569636200200111111142	WIRE PAYMENT	7,316.98 PY
07-19	07-19	75569636201201111111123	WIRE PAYMENT	12,535.44 PY

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$900.00	$0.00	$900.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-27	06-26	05436846179600064352611	TREASURY FMS - GWA 202-874-9613 MD	300.00
06-28	06-27	05436846180000243836633	TREASURY FMS - GWA 202-874-9613 MD	300.00
06-28	06-27	05436846180000243836716	TREASURY FMS - GWA 202-874-9613 MD	300.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$7,500.00	$0.00	$7,500.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-22	06-21	55480776174206081500101	FUTURES INDUSTRY ASSOC 02024665460 DC	7,500.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$8,500.00	$0.00	$8,500.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-20	06-17	55432866169000426757319	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
06-20	06-19	55432866171000506437341	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 07-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-22	06-21	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
06-23	06-22	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
06-27	06-24	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
06-27	06-26	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
06-29	06-28	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
07-01	06-30	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
07-04	07-03	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
07-06	07-05	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
07-07	07-06	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
07-11	07-08	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
07-11	07-10	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
07-13	07-12	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
07-15	07-14	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
07-18	07-16	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
07-19	07-18	[redacted]	GOOGLE *ADWS3516181587 [redacted] CA	500.00
			Department: 00000 Total:	$16,900.00
			Division: 00000 Total:	$16,900.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$17.24	$75.00	$92.24

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-24	06-23	00000000004600001032000	*FINANCE CHARGE* CASH ADVANCE FEE	1.28
06-24	06-23	00000000004600001032000	CASH ADVANCE FROM - ALBAMARIE COUNTY S001013 -ST. PAUL -MN	75.00
06-30	06-29	75337006181412600862149	INUMBR SACRAMENTO CA	15.96

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$8,400.00	$0.00	$8,400.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-29	06-29	55432866181000663273859	TELVENT DTN LLC 402-390-2328 NE	8,400.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$21,436.16	$6,885.84	$28,322.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-27	06-25	55547506177122074010025	COOPER MOELLER, LLC 08774763376 MO	1,190.10
06-27	06-24	00000000004600002001000	*FINANCE CHARGE* CASH ADVANCE FEE	0.77
06-27	06-24	00000000004600002001000	CASH ADVANCE FROM - CLAIM FOX INC 001045 -ST. PAUL -MN	45.45
06-27	06-24	00000000004600002002000	*FINANCE CHARGE* CASH ADVANCE FEE	2.15
06-27	06-24	00000000004600002002000	CASH ADVANCE FROM - CLAIM FOX INC 001044 -ST. PAUL -MN	126.30
06-28	06-27	00000000004600003005000	*FINANCE CHARGE* CASH ADVANCE FEE	0.94
06-28	06-27	00000000004600003005000	CASH ADVANCE FROM - WELLS FARGO 001047 -ST. PAUL -MN	55.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 07-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-29	06-28	00000000004600001040000	*FINANCE CHARGE* CASH ADVANCE FEE	23.98
06-29	06-28	00000000004600001040000	CASH ADVANCE FROM - TSG REPORTING 001003 -ST. PAUL -MN	1,410.80
06-29	06-28	00000000004600002001000	*FINANCE CHARGE* CASH ADVANCE FEE	3.70
06-29	06-28	00000000004600002001000	CASH ADVANCE FROM - TSG REPORTING 001002 -ST. PAUL -MN	217.50
06-29	06-28	00000000004600002002000	*FINANCE CHARGE* CASH ADVANCE FEE	18.85
06-29	06-28	00000000004600002002000	CASH ADVANCE FROM - TSG REPORTING 001001 -ST. PAUL -MN	1,108.55
06-29	06-28	00000000004600002036000	*FINANCE CHARGE* CASH ADVANCE FEE	3.94
06-29	06-28	00000000004600002036000	CASH ADVANCE FROM - LASALLE PROCESS 001048 -ST. PAUL -MN	232.00
06-30	06-29	[redacted]	TRANSPERFECT 2126895555 NY	420.36
06-30	06-29	[redacted]	SQ *MARY MASLOWSKI, CS 877-417-4551 IL	1,552.60
06-30	06-29	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,574.90
06-30	06-29	[redacted]	ALDERSON REPORTING 202-289-2260 DC	527.35
06-30	06-29	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,200.25
06-30	06-29	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,179.51
06-30	06-28	[redacted]	COUNTER INTELLIGENC 954-764-7393 FL	1,162.00
07-01	06-30	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	2,086.25
07-01	06-30	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	2,276.15
07-01	06-29	[redacted]	HUSEBY INC CHARLOTTE NC	635.25
07-01	06-29	[redacted]	HUSEBY INC CHARLOTTE NC	646.75
07-01	06-29	[redacted]	HUSEBY INC CHARLOTTE NC	603.75
07-01	06-29	[redacted]	HUSEBY INC CHARLOTTE NC	684.50
07-01	06-29	[redacted]	HUSEBY INC CHARLOTTE NC	520.50
07-01	06-29	[redacted]	HUSEBY INC CHARLOTTE NC	590.25
07-08	07-07	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	0.77
07-08	07-07	[redacted]	CASH ADVANCE FROM - PULASKI COUNTY SHE001004 -ST. PAUL -MN	45.00
07-11	07-08	85443926190700210185002	ALDERSON REPORTING 202-289-2260 DC	931.62
07-11	07-08	00000000004600004025000	*FINANCE CHARGE* CASH ADVANCE FEE	1.10
07-11	07-08	00000000004600004025000	CASH ADVANCE FROM - CITIGOUP MGMT CORP001050 -ST. PAUL -MN	64.69
07-12	07-11	[redacted]	PAYPAL *CAPITOLPROC 2026670050 CA	258.25
07-12	07-11	[redacted]	ACE INC 5614477638 FL	541.00
07-12	07-11	[redacted]	ALDERSON REPORTING 202-289-2260 DC	804.51
07-14	07-13	[redacted]	US LEGAL SUPPORT HOUSTON TX	1,933.25
07-18	07-15	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	5.52
07-18	07-15	[redacted]	CASH ADVANCE FROM - STEPHEN W.FRANKLIN001009 -ST. PAUL -MN	324.95
07-19	07-18	00000000004600001030000	*FINANCE CHARGE* CASH ADVANCE FEE	30.28
07-19	07-18	00000000004600001030000	CASH ADVANCE FROM - TSG 001006 -ST. PAUL -MN	1,781.10
07-19	07-18	00000000004600001031000	*FINANCE CHARGE* CASH ADVANCE FEE	20.44
07-19	07-18	00000000004600001031000	CASH ADVANCE FROM - TSG 001007 -ST. PAUL -MN	1,202.50
07-19	07-18	00000000004600002007000	*FINANCE CHARGE* CASH ADVANCE FEE	4.62
07-19	07-18	00000000004600002007000	CASH ADVANCE FROM - LASALLE PROCESS SE001005 -ST. PAUL -MN	272.00

Department: 05002 Total: $36,814.24
Division: 00001 Total: $36,814.24

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$33.29	$2,932.85	$0.00	$2,899.56

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 07-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-24	06-24	05436846176500107707040	GSA/FAS 800-488-3111 VA	10.50
06-30	06-28	55458856180069386195179	IDENTICARD 07175695797 PA	33.29 CR
07-04	07-02	55310206184026961102741	VARIDESK 08002072587 TX	395.00
07-13	07-12	55436876195731956520445	EQUIFAX INC 800-6855000 GA	25.25
07-18	07-15	55457026197286029700387	IDSTRONGHOLD 08006102770 FL	2,502.10

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$594.67	$0.00	$594.67

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-01	06-30	55460296183074467010075	EATON ELECTRICAL 09198703363 PA	257.00
07-04	07-01	25265086184000015602430	BALDINOS LOCK AND KEY LORTO VA	313.00
07-15	07-13	25247806196001415002627	2/90 SIGN SYSTEMS GRAND RAPIDS MI	24.67

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$3,285.00	$0.00	$3,285.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-11	07-08	55547506190254203010015	CALDERON LOCKSMITH NEW YORK NY	250.00
07-11	07-08	55547506190254203010056	CALDERON LOCKSMITH NEW YORK NY	365.00
07-15	07-14	55436876196271963356615	MOVEWAY TRANSFER AND S 718-8528505 NY	2,670.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$899.47	$604.41	$1,503.88

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-22	06-21	25247706174008049879591	NOBLE SUPPLY & LOGISTI ROCKLAND MA	394.20
07-07	07-06	55421356188330148065606	PAR PLUMBING CO. INC. LYNBROOK NY	495.00
07-14	07-13	00000000004600002034000	*FINANCE CHARGE* CASH ADVANCE FEE	10.27
07-14	07-13	00000000004600002034000	CASH ADVANCE FROM - KNIGHT ELLECTRIC 001053 -ST. PAUL -MN	604.41
			Department: 05004 Total:	$8,283.11

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$79.98	$0.00	$79.98

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-23	06-22	05436846175500102134324	OFFICE DEPOT #5910 800-463-3768 PA	79.98

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 07-19-2016

NEW ACTIVITY

Department: 05006 Total: $79.98
Division: 00003 Total: $8,363.09

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$11,915.26	$1,000.00	$12,915.26

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-20	06-17	00000000004600001011000	*FINANCE CHARGE* CASH ADVANCE FEE	17.00
06-20	06-17	00000000004600001011000	CASH ADVANCE FROM - LIVESTOCK MARKETIN001284 -ST. PAUL -MN	1,000.00
06-24	06-23	55480776176286543800032	LULAC NAT'L CONVENTION 02028336130 DC	2,500.00
06-30	06-29	55480776182200292600057	ATKINSON-BAKER INC 08185517310 CA	1,641.65
07-13	07-11	85504996194900016660126	ANDERSON COURT REPORTI 703-5197180 VA	1,162.66
07-18	07-15	55480776198200292800071	ATKINSON-BAKER INC 08185517310 CA	6,593.95

Department: 05007 Total: $12,915.26
Division: 00004 Total: $12,915.26

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$2,538.00	$39,361.90	$0.00	$36,823.90

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-20	06-20	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	825.56
06-20	06-16	[redacted]	IMMIXTECHNOLOGY, IN 703-750-0610 VA	950.45
06-22	06-21	[redacted]	KPAUL - SDVOSB 317-271-4651 IN	2,538.00 CR
06-22	06-21	[redacted]	WWW.MUHIMBI.COM INTERNET GBR	899.40
06-22	06-21	[redacted]	DTV*DIRECTV SERVICE 800-347-3288 CA	286.98
06-22	06-21	[redacted]	B&H PHOTO, 800-606-69 800-2215743 NY	2,710.34
06-23	06-21	[redacted]	ADORAMA INC 212-74104017 NY	733.40
06-23	06-21	[redacted]	ADORAMA INC 212-74104017 NY	299.95
06-27	06-23	[redacted]	DLT SOLUTIONS 703-773- HERNDON VA	2,666.55
06-27	06-25	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	199.99
06-27	06-26	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	44.73
06-28	06-27	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	90.00
06-28	06-27	[redacted]	REI*MATTHEW BENDER &CO 800-833-9844 OH	744.00
06-28	06-27	[redacted]	DOMAIN TOOLS 02068389024 WA	995.00
06-29	06-28	[redacted]	APPLIED SATELLITE TECH 04802472439 AZ	2,481.68
06-29	06-27	[redacted]	AUTOPAY/DISH NTWK 800-894-9131 CO	210.00
06-30	06-29	[redacted]	GRASSHOPPER GROUP, LLC NEEDHAM MA	66.20
06-30	06-30	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	285.22
07-04	07-01	[redacted]	STK*SHUTTERSTOCK, INC. 866-663-3954 NY	199.00
07-04	07-02	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	85.00
07-04	07-03	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	43.91
07-04	07-04	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	89.91
07-05	07-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	84.90
07-05	07-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	124.90
07-11	07-07	[redacted]	AUTOPAY/DISH NTWK 800-894-9131 CO	142.00
07-11	07-07	[redacted]	IMMIXTECHNOLOGY, IN 703-750-0610 VA	653.61
07-11	07-07	[redacted]	IMMIXTECHNOLOGY, IN 703-750-0610 VA	14,831.46
07-12	07-12	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	618.00
07-14	07-13	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	109.99
07-14	07-13	[redacted]	B&H PHOTO, 800-606-69 800-2215743 NY	98.00
07-14	07-13	[redacted]	B&H PHOTO, 800-606-69 800-2215743 NY	508.99
07-14	07-13	[redacted]	B&H PHOTO, 800-606-69 800-2215743 NY	1,715.51
07-15	07-14	[redacted]	B&H PHOTO MOTO 800-606-6969 NY	183.29
07-15	07-14	[redacted]	B&H PHOTO MOTO 800-606-6969 NY	2,613.36
07-18	07-16	[redacted]	DMI* DELL FEDERAL 800-727-1100 TX	2,036.52

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 07-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-19	07-18	55432866200000682855592	AMAZON.COM AMZN.COM/BILL WA	734.10

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$56,187.00	$0.00	$56,187.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-22	06-21	[redacted]	TREASURY FMS - GWA 202-874-9613 MD	300.00
06-22	06-21	[redacted]	TREASURY FMS - GWA 202-874-9613 MD	300.00
06-22	06-21	[redacted]	SAS INSTITUTE INC 919-5315401 NC	1,755.00
06-23	06-21	[redacted]	AMERICAN MGMT ASSOC SARANAC LAKE NY	1,605.00
06-23	06-22	[redacted]	ILLINOIS CPASOCIETY 8009930407 IL	315.00
06-23	06-22	[redacted]	PCI LLC 2027757240 DC	895.50
06-23	06-22	[redacted]	AICPA *AICPA 888-777-7077 NC	1,070.00
06-23	06-22	[redacted]	GMU OCPE HERNDON 703-9934803 VA	1,095.00
06-23	06-21	[redacted]	BLACKS IN GOVERNMENT WASHINGTON DC	850.00
06-23	06-21	[redacted]	BLACKS IN GOVERNMENT WASHINGTON DC	850.00
06-24	06-23	[redacted]	PAYPAL *ARPM 4029357733 NY	1,700.00
06-24	06-23	[redacted]	ONLC TRAINING CENTERS 08002888221 DE	1,195.00
06-24	06-22	[redacted]	BLACKS IN GOVERNMENT WASHINGTON DC	850.00
06-27	06-25	[redacted]	EVENTCORE 02067840626 WA	2,220.00
06-27	06-23	[redacted]	HUMAN RESOURCES INSTI 301-749-5600 MD	765.00
06-28	06-27	[redacted]	ONLC TRAINING CENTERS 08002888221 DE	295.00
06-29	06-28	[redacted]	EVENTCORE 02067840626 WA	2,220.00
06-30	06-29	[redacted]	SIMPLILEARN TEXAS TX	699.00
06-30	06-29	[redacted]	LULAC NAT'L CONVENTION 02028336130 DC	500.00
06-30	06-29	[redacted]	SAS INSTITUTE INC 919-5315401 NC	1,818.62
06-30	06-29	[redacted]	SAS INSTITUTE INC 919-5315401 NC	990.00
07-01	06-30	[redacted]	EVENTCORE 02067840626 WA	2,220.00
07-06	07-05	[redacted]	ONLC TRAINING CENTERS 08002888221 DE	995.00
07-07	07-06	[redacted]	NARA NWML TRAINING 817-551-2004 MD	1,350.00
07-07	07-06	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
07-07	07-06	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
07-07	07-06	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
07-07	07-06	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
07-07	07-06	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
07-07	07-06	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
07-07	07-06	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
07-07	07-06	[redacted]	LANDINGGROU 2023707714 DC	20,000.00
07-11	07-08	[redacted]	MIT SLOAN EXECED OEP CAMBRIDGE MA	3,300.00
07-11	07-08	[redacted]	PAYPAL *IMPROVINGCO 4029357733 NY	630.50
07-11	07-08	[redacted]	PAYPAL *IMPROVINGCO 4029357733 NY	630.50
07-11	07-08	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	649.00
07-11	07-08	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	999.00
07-19	07-18	[redacted]	LYNDA.COM, INC. 888-3359632 CA	359.88

Department: 05009 Total: $93,010.90

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$22,086.72	$0.00	$22,086.72

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-27	06-24	55432866176000101159998	AMAZON.COM AMZN.COM/BILL WA	328.21
06-28	06-27	55429506180894501713342	WEBCAST 2066525360 WA	2,950.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 07-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-29	06-28	[redacted]	B&H PHOTO, 800-606-69 800-2215743 NY	808.41
06-30	06-30	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	22.41
06-30	06-29	[redacted]	B&H PHOTO, 800-606-69 800-2215743 NY	61.60
06-30	06-28	[redacted]	PREMIER OP 800-7276534 CA	1,215.12
06-30	06-28	[redacted]	ALL CITI TONER TEL8882376002 NY	6,930.97
07-13	07-12	[redacted]	APRISA TECHNOLOGY LLC 516-629-4771 NY	9,770.00

Department: 05010 Total: $22,086.72
Division: 00005 Total: $115,097.62

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$7,338.74	$0.00	$7,338.74

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-20	06-19	[redacted]	AMAZON.COM AMZN.COM/BILL WA	566.51
06-20	06-20	[redacted]	AMAZON.COM AMZN.COM/BILL WA	173.06
06-23	06-22	[redacted]	IN *GEO GRAIN 406-5873343 MT	1,800.00
06-24	06-23	[redacted]	CATLEFAX 03036940323 CO	2,400.00
07-06	06-30	[redacted]	WEST ACADEMIC 651-2024700 MN	99.95
07-08	07-07	[redacted]	REITERS BOOKS WASHINGTON DC	33.00
07-11	07-09	[redacted]	WEST ACADEMIC 651-2024700 MN	49.95
07-13	07-12	[redacted]	AMAZON.COM AMZN.COM/BILL WA	158.02
07-14	07-13	[redacted]	REITERS BOOKS WASHINGTON DC	122.19
07-14	07-13	[redacted]	WILEY ARTICLE PDF 8887442823 MA	38.00
07-15	07-13	[redacted]	MARQUIS WHOS WHO LLC NEW PROVIDENC NJ	345.00
07-15	07-14	[redacted]	THOMSON WEST*TCD 800-328-4880 MN	118.24
07-15	07-12	[redacted]	AMERICAN BAR ASSOCIATI 0800285222 1 IL	481.75
07-15	07-14	[redacted]	WILLIAM S HEIN & CO IN 716-882-2600 NY	380.67
07-18	07-15	[redacted]	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	120.00
07-18	07-17	[redacted]	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	452.40

Department: 05013 Total: $7,338.74
Division: 00007 Total: $7,338.74

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$93.71	$193.91	$0.00	$100.20

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-23	06-23	55432866175000346684876	GLOBAL EXPERIENCE SPEC 800-475-2098 NV	93.71 CR
07-04	07-01	55432866183000795351290	FREEMAN DES MOINES 515-265-5601 IA	193.91

Department: 05015 Total: $100.20
Division: 00008 Total: $100.20

usbank.

U.S. BANKCORP
P.O. BOX 6347
FARGO ND 58125-6347

ACCOUNT NUMBER	[redacted]
STATEMENT DATE	08-19-2016
AMOUNT DUE	$3,092.35
NEW BALANCE	$3,092.35

PAYMENT DUE IN ACCORDANCE WITH PROMPT PAYMENT ACT

AMOUNT ENCLOSED
$

Please make check payable to "U.S. Bank"

[redacted]
CFTC
[redacted]
1155 21ST STREET NW
WASHINGTON DC 20581-0002

U.S. BANKCORP
PO BOX 6313
FARGO ND 58125-6313

[redacted]

Please tear payment coupon at perforation.

ACCOUNT MESSAGES

Foreign transactions include a 1% foreign currency conversion fee incorporated in the exchange rate.

BILLING ACCOUNT SUMMARY

CFTC [redacted]	Previous Balance	Purchases And Other Charges +	Self Assessed Interest Penalty +	Checks +	Check Fee +	Credits -	Current Activity =	Payments	Account Balance
Company Total	$4,904.92	$256,184.34	$0.00	$1,179.77	$20.06	$2,008.06	$255,376.11	$257,188.68	$3,092.35

Default Accounting Code:		
CUSTOMER SERVICE CALL 888-994-6722	**ACCOUNT NUMBER** [redacted]	**ACCOUNT SUMMARY**
	STATEMENT DATE: 08/19/16 — **DISPUTED AMOUNT**: .00	PREVIOUS BALANCE 4,904.92 PURCHASES & OTHER CHARGES 256,184.34 SELF ASSESSED INTEREST PENALTY .00 CHECKS 1,179.77 CHECK FEE 20.06 CREDITS 2,008.06 CURRENT BILLING ACTIVITY 255,376.11 PAYMENTS 257,188.68 **ACCOUNT BALANCE** 3,092.35
SEND BILLING INQUIRIES TO: U.S. Bank Government Services P.O. Box 6335 Fargo, ND 58125-6335	**AMOUNT DUE** **3,092.35**	

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 08-19-2016

CORPORATE ACCOUNT ACTIVITY

CFTC
[redacted]

TOTAL CORPORATE ACTIVITY
$257,188.68CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-20	07-20	[redacted]1203	WIRE PAYMENT	4,904.92 PY
07-21	07-21	[redacted]1127	WIRE PAYMENT	3,329.45 PY
07-22	07-22	[redacted]1124	POST WIRE PAYMENT	9,504.87 PY
07-25	07-25	[redacted]1124	WIRE PAYMENT	18,302.94 PY
07-26	07-26	[redacted]1121	WIRE PAYMENT	22,990.07 PY
07-27	07-27	[redacted]1128	WIRE PAYMENT	4,395.33 PY
07-28	07-28	[redacted]1123	WIRE PAYMENT	12,722.00 PY
07-29	07-29	[redacted]1120	POST WIRE PAYMENT	17,301.07 PY
08-01	08-01	[redacted]1121	WIRE PAYMENT	1,832.57 PY
08-02	08-02	[redacted]1127	WIRE PAYMENT	12,098.08 PY
08-03	08-03	[redacted]1124	WIRE PAYMENT	558.88 PY
08-04	08-04	[redacted]1121	WIRE PAYMENT	13,224.98 PY
08-05	08-04	[redacted]1151	POST WIRE PYMT	9,457.68 PY
08-08	08-08	[redacted]1127	WIRE PAYMENT	14,393.65 PY
08-09	08-09	[redacted]1165	WIRE PAYMENT	5,731.52 PY
08-10	08-10	[redacted]1139	WIRE PAYMENT	1,637.19 PY
08-11	08-11	[redacted]1128	WIRE PAYMENT	18,065.91 PY
08-12	08-12	[redacted]1124	WIRE PAYMENT	12,724.97 PY
08-15	08-15	[redacted]1125	WIRE PAYMENT	2,144.09 PY
08-16	08-16	[redacted]1122	POST WIRE PAYMENT	19,806.81 PY
08-17	08-17	[redacted]1135	WIRE PAYMENT	34.07 PY
08-18	08-18	[redacted]1124	WIRE PAYMENT	23,432.27 PY
08-19	08-19	[redacted]1121	POST WIRE PAYMENT	28,595.36 PY

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$317.24	$0.00	$317.24

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-25	07-23	05436846206100171132334	OFFICE DEPOT #5910 800-463-3768 PA	317.24

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,553.00	$0.00	$1,553.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-22	07-20	55541866204072030620444	HYATT PARK WASHINGTON WASHINGTON DC 000005568 ARRIVAL: 00-00-00	1,553.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$8,000.00	$0.00	$8,000.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-21	07-20	55432866202000761302308	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 08-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-22	07-21	[redacted]	GOOGLE *[redacted].COM CA	500.00
07-25	07-24	[redacted]	GOOGLE *[redacted].COM CA	500.00
07-27	07-26	[redacted]	GOOGLE *[redacted].COM CA	500.00
07-28	07-27	[redacted]	GOOGLE *[redacted].COM CA	500.00
08-01	07-29	[redacted]	GOOGLE *[redacted].COM CA	500.00
08-01	08-01	[redacted]	GOOGLE *[redacted].COM CA	500.00
08-03	08-03	[redacted]	GOOGLE *[redacted].COM CA	500.00
08-05	08-04	[redacted]	GOOGLE *[redacted].COM CA	500.00
08-08	08-06	[redacted]	GOOGLE *[redacted].COM CA	500.00
08-09	08-08	[redacted]	GOOGLE *[redacted].COM CA	500.00
08-11	08-10	[redacted]	GOOGLE *[redacted].COM CA	500.00
08-15	08-12	[redacted]	GOOGLE *[redacted].COM CA	500.00
08-15	08-14	[redacted]	GOOGLE *[redacted].COM CA	500.00
08-17	08-16	[redacted]	GOOGLE *[redacted].COM CA	500.00
08-19	08-18	[redacted]	GOOGLE *[redacted].COM CA	500.00

Department: 00000 Total: $9,870.24
Division: 00000 Total: $9,870.24

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,500.14	$70.00	$1,570.14

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-28	07-27	75337006209416500778543	INUMBR SACRAMENTO CA	15.96
08-01	07-22	75569636208600002019001	*FINANCE CHARGE* CASH ADVANCE FEE	0.85
08-01	07-22	75569636208600002019001	CASH ADVANCE FROM - GWINETT COUNTY SHE001014 -ST. PAUL -MN	50.00
08-05	08-03	85181176217900018800011	KOREA TIMES NY LONG ISLAND C NY	1,400.00
08-05	08-03	85428146217980021439565	GWINNETT DAILY POST LAWRENCEVILLE GA	80.00
08-08	08-05	75337006218417700898049	INUMBR SACRAMENTO CA	2.99
08-16	08-15	00000000004600002005000	*FINANCE CHARGE* CASH ADVANCE FEE	0.34
08-16	08-15	00000000004600002005000	CASH ADVANCE FROM - FULTON COUNTY 001016 -ST. PAUL -MN	20.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$3,505.56	$0.00	$3,505.56

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-05	08-04	55432866217000407810980	IN *ROBIN DISPENZIERI 305-7335497 FL	3,505.56

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$14,410.34	$121.25	$14,531.59

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-22	07-21	85347036203980002579014	ALLIANCE REPORTING SER MINEOLA NY	2,421.40
07-22	07-21	85347036203980002579048	ALLIANCE REPORTING SER MINEOLA NY	1,129.15
07-25	07-22	55429506204894080611109	ACE INC 5614477638 FL	270.00
07-25	07-22	55432866204000915691711	IN *ELITE PROCESS SERV 630-2994600 IL	135.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 08-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-25	07-21	85486146204980032161640	HUSEBY INC CHARLOTTE NC	1,274.50
07-26	07-25	00000000004600002037000	*FINANCE CHARGE* CASH ADVANCE FEE	2.06
07-26	07-25	00000000004600002037000	CASH ADVANCE FROM - LORI L BUNDY 001010 -ST. PAUL -MN	121.25
08-01	07-28	[redacted]	INTEGRITY LEGAL CORP. 949-296-1243 CA	1,973.31
08-10	08-09	[redacted]	ALDERSON REPORTING 202-289-2260 DC	605.05
08-10	08-09	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,149.21
08-10	08-09	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,386.61
08-11	08-09	[redacted]	HUSEBY INC CHARLOTTE NC	471.00
08-11	08-09	[redacted]	HUSEBY INC CHARLOTTE NC	775.50
08-11	08-09	[redacted]	HUSEBY INC CHARLOTTE NC	661.00
08-11	08-09	[redacted]	HUSEBY INC CHARLOTTE NC	667.25
08-11	08-09	[redacted]	HUSEBY INC CHARLOTTE NC	391.00
08-11	08-09	[redacted]	HUSEBY INC CHARLOTTE NC	477.75
08-12	08-10	[redacted]	HUSEBY INC CHARLOTTE NC	620.55

[redacted] CREDITS $0.00 PURCHASES $0.23 CASH ADV $13.50 TOTAL ACTIVITY $13.73

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-16	08-15	00000000004600001022000	*FINANCE CHARGE* CASH ADVANCE FEE	0.23
08-16	08-15	00000000004600001022000	CASH ADVANCE FROM - JOSEPH RICKHOFF 001029 -ST. PAUL -MN	13.50

[redacted] CREDITS $0.00 PURCHASES $14.82 CASH ADV $871.74 TOTAL ACTIVITY $886.56

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-26	07-25	00000000004600003019000	*FINANCE CHARGE* CASH ADVANCE FEE	0.26
07-26	07-25	00000000004600003019000	CASH ADVANCE FROM - COMM OF MA 001108 -ST. PAUL -MN	15.00
08-11	08-10	00000000004600001032000	*FINANCE CHARGE* CASH ADVANCE FEE	14.56
08-11	08-10	00000000004600001032000	CASH ADVANCE FROM - JIZELLA BACK-PROUL001109 -ST. PAUL -MN	856.74

Department: 05002 Total: $20,507.58
Division: 00001 Total: $20,507.58

[redacted] CREDITS $0.00 PURCHASES $7,070.19 CASH ADV $0.00 TOTAL ACTIVITY $7,070.19

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-22	07-21	[redacted]	[redacted] NC	152.90
07-25	07-22	[redacted]	[redacted] CA	3,992.00
07-25	07-23	[redacted]	[redacted] NC	92.00
08-11	08-10	[redacted]	[redacted]	395.00
08-11	08-11	[redacted]	[redacted] CA	1,419.04
08-12	08-11	[redacted]	[redacted] VA	120.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 08-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-15	08-12	75504996227900015400021	PAXTON VAN LINES SPRINGFIELD VA	899.25

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$1,558.06	$4,028.38	$0.00	$2,470.32

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-28	07-26	[redacted]	THE HOME DEPOT [redacted] WASHINGTON DC	1,791.23
08-04	08-02	[redacted]	THE HOME DEPOT [redacted] WASHINGTON DC	1,791.23
08-10	08-09	[redacted]	[redacted]	371.00
08-11	08-09	[redacted]	THE HOME DEPOT [redacted] WASHINGTON DC	779.03 CR
08-11	08-09	[redacted]	THE HOME DEPOT [redacted] WASHINGTON DC	779.03 CR
08-12	08-10	[redacted]	[redacted]	74.92

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1.76	$103.28	$105.04

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-29	07-28	00000000004600002001000	*FINANCE CHARGE* CASH ADVANCE FEE	1.76
07-29	07-28	00000000004600002001000	CASH ADVANCE FROM - KNIGHT ELECTRICAL 001090 -ST. PAUL -MN	103.28

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$84.00	$0.00	$84.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-22	07-21	55500806204206665322869	CUBICLE KEYS.COM 05026344228 KY	84.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,597.29	$0.00	$1,597.29

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-21	07-20	[redacted]	SUNRISE CLEANERS 212-227-5002 NY	270.00
07-22	07-20	[redacted]	PROFESSIONAL BINDING P AGOURA HILLS CA	260.30
07-25	07-22	[redacted]	NEOPOST USA 02033013400 CT	166.99
07-26	07-22	[redacted]	ALL STATE LEGAL CRANFORD NJ	768.00
08-12	08-11	[redacted]	ABLE FIRE PREVENTION NEW YORK NY	132.00

Department: 05004 Total: $11,326.84

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 08-19-2016

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$9,769.66	$0.00	$9,769.66

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-20	07-19	[redacted]	CORNER BAKERY WASHINGTON DC	81.00
07-20	07-19	[redacted]	CORNER BAKERY WASHINGTON DC	692.00
07-28	07-26	[redacted]	METROTALK, INC. 7033374637 VA	2,330.00
08-03	08-02	[redacted]	AVIO GALLERIES, INC. LURAY VA	2,994.65
08-03	08-02	[redacted]	AVIO GALLERIES, INC. LURAY VA	1,838.77
08-03	08-02	[redacted]	AVIO GALLERIES, INC. LURAY VA	1,833.24

Department: 05006 Total: $9,769.66
Division: 00003 Total: $21,096.50

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$250.00	$4,943.49	$0.00	$4,693.49

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-22	07-20	75188226203552902020843	CNDP OFF SHORE E-COM RABAT 504 (FOREIGN CURRENCY) 800.00 EUR 07/22 (RATE) 0.8954	893.49
08-05	08-04	55480776218206081000035	FUTURES INDUSTRY ASSOC 02024665460 DC	250.00 CR
08-10	08-09	55419186223000464612305	AG COMMODITY RESEARCH NORTH VANCOUV BC	2,500.00
08-17	08-16	55429506229894667500221	ATD 7036838100 VA	1,550.00

Department: 05007 Total: $4,693.49
Division: 00004 Total: $4,693.49

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$80,997.95	$0.00	$80,997.95

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-20	07-19	[redacted]	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	74.90
07-20	07-19	[redacted]	AMAZON.COM AMZN.COM/BILL WA	81.65
07-20	07-20	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	179.90
07-21	07-20	[redacted]	OFFICE DEPOT #5910 800-463-3768 PA	102.27
07-21	07-20	[redacted]	OFFICE DEPOT #5910 800-463-3768 PA	370.26
07-21	07-21	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	826.60
07-21	07-21	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	779.85
07-21	07-21	[redacted]	DMI* DELL FEDERAL 800-727-1100 TX	5,450.89
07-22	07-21	[redacted]	DTV*DIRECTV SERVICE 800-347-3288 CA	286.98
07-25	07-22	[redacted]	DRI*PENTALOGIC ELEMENT5.INFO MN	995.00
07-25	07-23	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	57.00
07-25	07-24	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	399.60
07-25	07-25	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	1,299.75
07-25	07-25	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	199.99
07-26	07-26	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	44.73
07-26	07-25	[redacted]	EN NET SERVICES LLC 301-846-9901 MD	3,444.03
07-27	07-25	[redacted]	SHI INTERNATIONAL CORP SOMERSET NJ	10,962.00
07-28	07-27	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	90.00
07-29	07-28	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	278.00
07-29	07-29	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	349.50
07-29	07-27	[redacted]	AUTOPAY/DISH NTWK ENGLEWOOD CO	210.03

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 08-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-01	07-29	[redacted]	GLOBALSCAPE INC 210-308-8267 TX	803.37
08-01	07-29	[redacted]	GRASSHOPPER GROUP, LLC NEEDHAM MA	66.20
08-01	07-29	[redacted]	APL*APPLEONLINESTOREUS 800-676-2775 CA	475.00
08-01	07-29	[redacted]	APL*APPLEONLINESTOREUS 800-676-2775 CA	475.00
08-01	07-29	[redacted]	APL*APPLEONLINESTOREUS 800-676-2775 CA	2,175.00
08-01	07-30	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	285.22
08-02	08-01	[redacted]	STK*SHUTTERSTOCK, INC. 866-663-3954 NY	199.00
08-03	08-02	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	85.00
08-03	08-03	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	89.91
08-03	08-03	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	43.91
08-05	08-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	124.90
08-05	08-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	84.90
08-08	08-04	[redacted]	RED RIVER CLAREMONT NH	2,700.00
08-08	08-06	[redacted]	AUTOPAY/DISH NTWK ENGLEWOOD CO	142.03
08-11	08-10	[redacted]	IN *PRESENTATION PROD 212-7366350 NY	4,767.60
08-11	08-11	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	618.00
08-11	08-09	[redacted]	IMMIXTECHNOLOGY, IN 703-750-0610 VA	2,205.65
08-12	08-12	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	109.99
08-15	08-15	[redacted]	DMI* DELL FEDERAL 800-727-1100 TX	5,979.56
08-17	08-16	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	296.89
08-17	08-16	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	118.76
08-17	08-16	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	80.97
08-17	08-16	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	107.96
08-17	08-17	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	448.00
08-17	08-15	[redacted]	GIT SATELLITE LLC 512-9189502 TX	6,535.51
08-18	08-15	[redacted]	IMMIXTECHNOLOGY, IN 703-750-0610 VA	24,420.00
08-18	08-16	[redacted]	DUPONT COMPUTERS, INC. WASHINGTON DC	600.00
08-19	08-18	[redacted]	OFFICE DEPOT #5910 800-463-3768 PA	306.00
08-19	08-18	[redacted]	OFFICE DEPOT #5910 800-463-3768 PA	170.69

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$200.00	$58,688.36	$0.00	$58,488.36

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-20	07-19	[redacted]	EVENTCORE 02067840626 WA	2,220.00
07-21	07-21	[redacted]	DC BAR 02027374700 DC	10.00
07-21	07-20	[redacted]	IAPP 06034279200 NH	1,195.00
07-22	07-21	[redacted]	FED LAW ENF TRNG 912-267-2066 GA	4,408.83
07-22	07-20	[redacted]	MANAGEMENT CONCEPTS TYSONS CORNER VA	1,529.00
07-22	07-20	[redacted]	MANAGEMENT CONCEPTS TYSONS CORNER VA	1,099.00
07-22	07-21	[redacted]	CAREERSTONE GROUP LLC 202-9651144 DC	2,986.00
07-22	07-20	[redacted]	NATIONAL BUSINESS INST 07158358525 WI	216.95
07-22	07-20	[redacted]	NATIONAL BUSINESS INST 07158358525 WI	231.00
07-22	07-21	[redacted]	PAYPAL *FINTECHWORL 35314369001 GBR	550.94
07-25	07-22	[redacted]	EVENTCORE 02067840626 WA	2,220.00
07-25	07-21	[redacted]	LEARNING TREE INTERNAT HERNDON VA	490.00
07-25	07-22	[redacted]	CAREERSTONE GROUP LLC 202-9651144 DC	2,986.00
07-25	07-21	[redacted]	GLOBALKNOWLEDGETRAININ CARY NC	4,295.00
07-27	07-26	[redacted]	SAS INSTITUTE INC 919-5315401 NC	1,260.00
07-28	07-26	[redacted]	MANAGEMENT CONCEPTS TYSONS CORNER VA	669.00
07-28	07-26	[redacted]	LEARNING TREE INTERNAT HERNDON VA	2,550.00
07-28	07-27	[redacted]	LANDINGGROU 2023707714 DC	8,000.00
07-28	07-27	[redacted]	LYNDA.COM, INC. 888-3359632 CA	359.88
07-28	07-26	[redacted]	HUMAN RESOURCES INSTI 301-749-5600 MD	995.00
07-29	07-27	[redacted]	STANDARDS ENGI00 OF 00 603-9260750 NH	890.00
08-01	07-28	[redacted]	LEARNING TREE INTERNAT HERNDON VA	520.00
08-01	07-29	[redacted]	LINKEDIN-287*7328594 888-335-9632 CA	359.88
08-02	08-01	[redacted]	LYNDA.COM, INC. 888-3359632 CA	359.88
08-03	08-02	[redacted]	ACT*GARTNER EVENTS USD 888-443-8693 FL	4,000.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 08-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-04	08-03	[redacted]	SKILLPATH NATIONAL 913-3623900 KS	149.00
08-04	08-03	[redacted]	SKILLPATH NATIONAL 913-3623900 KS	149.00
08-04	08-03	[redacted]	ESI INTERNATIONAL 08666878082 CO	1,030.00
08-05	08-04	[redacted]	ACFE 800-2453321 TX	2,295.00
08-05	08-04	[redacted]	ACFE 800-2453321 TX	2,295.00
08-05	08-04	[redacted]	ACFE 800-2453321 TX	945.00
08-08	08-05	[redacted]	PAYPAL *SOURCECODE 4029357733 WA	1,600.00
08-09	08-04	[redacted]	STANDARDS ENGI00 OF 00 6039260750 NH	925.00
08-10	08-09	[redacted]	ACFE 800-2453321 TX	100.00 CR
08-10	08-09	[redacted]	ACFE 800-2453321 TX	100.00 CR
08-10	08-08	[redacted]	MANAGEMENT CONCEPTS TYSONS CORNER VA	1,099.00
08-18	08-17	[redacted]	DEPT INTERIOR/DOIU DC 703-390-6691 DC	2,500.00
08-19	08-18	[redacted]	EB ADVANCED CERTIFIED 8014137200 CA	1,300.00

Department: 05009 Total: $139,486.31

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$40,146.48	$0.00	$40,146.48

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-01	07-28	[redacted]	ADVANCED AV, LLC 06106967700 PA	1,800.00
08-03	08-01	[redacted]	VERIZON WRLS 72133-01 LAUREL MD	1,124.50
08-04	08-03	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	573.05
08-04	08-02	[redacted]	AXISCORE LLC EKENEU@AXISCO MD	230.40
08-08	08-05	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	399.90
08-08	08-06	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	386.60
08-09	08-08	[redacted]	OFFICEMAX CT*IN#395520 877-969-8629 IL	212.19
08-10	08-10	[redacted]	DMI* DELL FEDERAL 800-727-1100 TX	10,613.91
08-11	08-10	[redacted]	AMAZON.COM AMZN.COM/BILL WA	62.94
08-12	08-11	[redacted]	CHARGETECH 8882508756 CA	285.00
08-12	08-11	[redacted]	MONOPRICE COM 9099896887 CA	520.93
08-12	08-11	[redacted]	B&H PHOTO, 800-606-69 800-2215743 NY	280.70
08-15	08-14	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	45.87
08-15	08-11	[redacted]	CARAHSOFT TECHNOLOGY C 703-8718500 VA	11,882.13
08-17	08-17	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	297.00
08-17	08-17	[redacted]	DELL SALES & SERVICE 866-393-9460 TX	2,801.85
08-17	08-17	[redacted]	AMAZON.COM AMZN.COM/BILL WA	34.99
08-17	08-16	[redacted]	EKOAM SYSTEMS INC 703-4405901 VA	7,698.50
08-18	08-18	[redacted]	DELL SALES & SERVICE 866-393-9460 TX	80.36
08-19	08-18	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	59.89
08-19	08-18	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	510.86
08-19	08-19	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	244.91

Department: 05010 Total: $40,146.48
Division: 00005 Total: $179,632.79

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,410.00	$0.00	$1,410.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-01	07-29	55432866211000867445653	EBE*ENCY. BRITANNICA 800-554-9862 IL	695.00
08-03	08-02	55429506215637005501252	AGRESOURCE.COM 3124080045 IL	715.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 08-19-2016

NEW ACTIVITY

Department: 05013 Total: $1,410.00
Division: 00007 Total: $1,410.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$5,714.25	$0.00	$5,714.25

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-25	07-20	55500366204502015008678	NAPS 02123090157 NY	3,300.00
08-01	07-29	75456676212009907238227	SIR SPEEDY, INC WASHINGTON DC	1,419.25
08-18	08-17	55263526231207825836127	WWW.ANA.NET 02126975950 NY	995.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$12,451.26	$0.00	$12,451.26

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-04	08-03	[redacted]	BLUETRACK 8007906090 NJ	3,235.00
08-04	08-03	[redacted]	GOVERNMENT FINANCE 312-977-9700 IL	2,300.00
08-05	08-04	[redacted]	INKHEAD INC 08005540127 GA	3,413.29
08-10	08-10	[redacted]	ULINE *SHIP SUPPLIES 800-295-5510 IL	541.13
08-17	08-16	[redacted]	4IMPRINT 877-4467746 WI	2,961.84

Department: 05015 Total: $18,165.51
Division: 00008 Total: $18,165.51

U.S. BANKCORP
P.O. BOX 6347
FARGO ND 58125-6347

ACCOUNT NUMBER	[redacted]
STATEMENT DATE	09-19-2016
AMOUNT DUE	$2,986.10
NEW BALANCE	$2,986.10

PAYMENT DUE IN ACCORDANCE WITH PROMPT PAYMENT ACT

AMOUNT ENCLOSED
$

Please make check payable to "U.S. Bank"

[redacted]
CFTC
[redacted]
1155 21ST STREET NW
WASHINGTON DC 20581-0002

U.S. BANKCORP
PO BOX 6313
FARGO ND 58125-6313

[redacted]

Please tear payment coupon at perforation.

ACCOUNT MESSAGES

Foreign transactions include a 1% foreign currency conversion fee incorporated in the exchange rate.

BILLING ACCOUNT SUMMARY

CFTC [redacted]	Previous Balance	Purchases And Other Charges +	Self Assessed Interest Penalty	+ Checks	Check + Fee	- Credits	= Current Activity	Payments	Account Balance
Company Total	$3,092.35	$495,781.59	$0.00	$13,435.37	$228.42	$970.00	$508,475.38	$508,581.63	$2,986.10

Default Accounting Code:		
CUSTOMER SERVICE CALL 888-994-6722	**ACCOUNT NUMBER** [redacted]	**ACCOUNT SUMMARY**
	STATEMENT DATE 09/19/16 / **DISPUTED AMOUNT** .00	PREVIOUS BALANCE 3,092.35 PURCHASES & OTHER CHARGES 495,781.59 SELF ASSESSED INTEREST PENALTY .00 CHECKS 13,435.37 CHECK FEE 228.42 CREDITS 970.00 CURRENT BILLING ACTIVITY 508,475.38 PAYMENTS 508,581.63 **ACCOUNT BALANCE** 2,986.10
SEND BILLING INQUIRIES TO: U.S. Bank Government Services P.O. Box 6335 Fargo, ND 58125-6335	**AMOUNT DUE** **2,986.10**	

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 09-19-2016

CORPORATE ACCOUNT ACTIVITY

CFTC
[redacted]

TOTAL CORPORATE ACTIVITY
$508,581.63CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-22	08-22	75569636235235111111121	POST WIRE PAYMENT	3,092.35 PY
08-23	08-23	75569636236236111111128	WIRE PAYMENT	7,416.13 PY
08-24	08-24	75569636237237111111125	WIRE PAYMENT	2,032.89 PY
08-25	08-25	75569636238238111111122	POST WIRE PAYMENT	9,331.63 PY
08-26	08-26	75569636239239111111129	WIRE PAYMENT	42,819.26 PY
08-29	08-29	75569636242242111111128	WIRE PAYMENT	5,941.56 PY
08-30	08-30	75569636243243111111125	WIRE PAYMENT	47,428.52 PY
08-31	08-31	75569636244244111111122	WIRE PAYMENT	1,470.76 PY
09-01	09-01	75569636245245111111151	WIRE PAYMENT	42,672.14 PY
09-02	09-02	75569636246248111111133	POST WIRE PAYMENT	30,070.24 PY
09-07	09-06	75569636251250111111129	XFR PMT	22,866.83 PY
09-07	09-06	75569636251250111111137	XFR PMT	40,746.80 PY
09-07	09-07	75569636251251111111127	WIRE PAYMENT	500.00 PY
09-08	09-08	75569636252252111111132	WIRE PAYMENT	14,365.26 PY
09-09	09-09	75569636253253111111121	POST WIRE PAYMENT	20,243.36 PY
09-12	09-12	75569636256256111111121	POST WIRE PAYMENT	90,817.40 PY
09-13	09-13	75569636257257111111128	POST WIRE PAYMENT	26,287.97 PY
09-14	09-14	75569636258258111111125	POST WIRE PAYMENT	28,891.34 PY
09-15	09-15	75569636259259111111122	WIRE PAYMENT	28,618.37 PY
09-16	09-16	75569636260260111111127	POST WIRE PAYMENT	24,459.86 PY
09-19	09-19	75569636263263111111151	WIRE PAYMENT	18,508.96 PY

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$9,682.25	$0.00	$9,682.25

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-26	08-25	55457026238200738700019	THE MONEY SHOW 09419550323 FL	5,000.00
09-02	09-01	55429506245894079176917	PAYPAL *PT MONEY 4029357733 TX	3,682.25
09-09	09-08	55500366253200000000020	HUNTSMAN WORLD SR GAME 04356740550 UT	1,000.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$677.87	$0.00	$677.87

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-15	09-15	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	69.98
09-16	09-15	[redacted]	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	150.00
09-16	09-15	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	107.89
09-16	09-16	[redacted]	AMAZON.COM AMZN.COM/BILL WA	175.00
09-19	09-18	[redacted]	AMAZON.COM AMZN.COM/BILL WA	175.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$8,511.90	$700.00	$9,211.90

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 09-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-22	08-20	55432866233000238872431	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
08-23	08-22	55432866235000271782198	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
08-23	08-19	75569636236600003012001	*FINANCE CHARGE* CASH ADVANCE FEE	11.90
08-23	08-19	75569636236600003012001	CASH ADVANCE FROM - HASAA 001026 -ST. PAUL -MN	700.00
08-25	08-24	[redacted]	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
08-29	08-26	[redacted]	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
08-29	08-28	[redacted]	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
08-31	08-30	[redacted]	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
09-02	09-02	[redacted]	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
09-05	09-03	[redacted]	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
09-06	09-05	[redacted]	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
09-08	09-07	[redacted]	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
09-09	09-09	[redacted]	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
09-12	09-11	[redacted]	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
09-13	09-12	[redacted]	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
09-15	09-14	[redacted]	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
09-19	09-16	[redacted]	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
09-19	09-17	[redacted]	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
09-19	09-18	[redacted]	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00

Department: 00000 Total: $19,572.02
Division: 00000 Total: $19,572.02

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$21.94	$0.00	$21.94

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-25	08-24	75337006237410800821323	INUMBR SACRAMENTO CA	18.95
09-09	09-08	75337006252418900839475	INUMBR SACRAMENTO CA	2.99

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$7,359.55	$3,650.00	$11,009.55

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-01	08-31	55506296244207275600207	US LEGAL SUPPORT HOUSTON TX	6,630.30
09-01	08-31	55506296244207275600223	US LEGAL SUPPORT HOUSTON TX	215.45
09-01	08-31	55506296244207275600231	US LEGAL SUPPORT HOUSTON TX	451.75
09-01	08-31	00000000004600006012000	*FINANCE CHARGE* CASH ADVANCE FEE	2.55
09-01	08-31	00000000004600006012000	CASH ADVANCE FROM - MANY MASLOWSKI 001153 -ST. PAUL -MN	150.00
09-07	09-06	00000000004600002010000	*FINANCE CHARGE* CASH ADVANCE FEE	59.50
09-07	09-06	00000000004600002010000	CASH ADVANCE FROM - RANDY CHEN 001151 -ST. PAUL -MN	3,500.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$20,577.99	$4,478.27	$25,056.26

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 09-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-24	08-23	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	1,509.00
08-24	08-23	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	1,667.25
08-24	08-23	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	1,929.25
08-24	08-23	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	911.40
08-24	08-23	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	3,031.05
08-24	08-23	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	0.46
08-24	08-23	[redacted]	CASH ADVANCE FROM - COOK COUNTY CURCUI001011 -ST. PAUL -MN	27.00
08-29	08-26	85443926239700210180378	ALDERSON REPORTING 202-289-2260 DC	1,878.75
08-29	08-26	85443926239700210180840	ALDERSON REPORTING 202-289-2260 DC	1,657.40
09-05	09-02	00000000004600001006000	*FINANCE CHARGE* CASH ADVANCE FEE	7.82
09-05	09-02	00000000004600001006000	CASH ADVANCE FROM - CLICKS 001017 -ST. PAUL -MN	459.84
09-07	09-06	00000000004600003022000	*FINANCE CHARGE* CASH ADVANCE FEE	1.70
09-07	09-06	00000000004600003022000	CASH ADVANCE FROM - TRANSPERFECT 001020 -ST. PAUL -MN	100.00
09-07	09-06	00000000004600003023000	*FINANCE CHARGE* CASH ADVANCE FEE	2.69
09-07	09-06	00000000004600003023000	CASH ADVANCE FROM - TRASPERFECT 001022 -ST. PAUL -MN	158.48
09-07	09-06	00000000004600003027000	*FINANCE CHARGE* CASH ADVANCE FEE	0.15
09-07	09-06	00000000004600003027000	CASH ADVANCE FROM - JOSEPH A RICKOFF 001013 -ST. PAUL -MN	9.00
09-07	09-06	00000000004600003028000	*FINANCE CHARGE* CASH ADVANCE FEE	0.31
09-07	09-06	00000000004600003028000	CASH ADVANCE FROM - JOSEPH RICKOFF 001021 -ST. PAUL -MN	18.00
09-08	09-07	[redacted]	ALDERSON REPORTING 202-289-2260 DC	2,487.95
09-08	09-07	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,634.56
09-08	09-07	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,600.80
09-08	09-07	[redacted]	ALDERSON REPORTING 202-289-2260 DC	997.45
09-08	09-07	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	31.49
09-08	09-07	[redacted]	CASH ADVANCE FROM - LIGHTER LAW FIRM 001018 -ST. PAUL -MN	1,852.50
09-08	09-07	00000000004600005029000	*FINANCE CHARGE* CASH ADVANCE FEE	6.98
09-08	09-07	00000000004600005029000	CASH ADVANCE FROM - MARY MASLOWSKI 001014 -ST. PAUL -MN	410.60
09-09	09-08	85347036252980002579030	ALLIANCE REPORTING SER MINEOLA NY	1,197.00
09-12	09-09	00000000004600003005000	*FINANCE CHARGE* CASH ADVANCE FEE	12.71
09-12	09-09	00000000004600003005000	CASH ADVANCE FROM - TSG 001019 -ST. PAUL -MN	747.65
09-13	09-09	75569636257251764836008	*FINANCE CHARGE* CASH ADVANCE FEE	4.45
09-13	09-09	75569636257251764836008	CASH ADVANCE FROM - CHECK 001012 -ST. PAUL -MN	261.90
09-15	09-14	00000000004600003003000	*FINANCE CHARGE* CASH ADVANCE FEE	2.30
09-15	09-14	00000000004600003003000	CASH ADVANCE FROM - AGENCY FOR CIVIL E001024 -ST. PAUL -MN	135.00
09-15	09-14	00000000004600003014000	*FINANCE CHARGE* CASH ADVANCE FEE	5.07
09-15	09-14	00000000004600003014000	CASH ADVANCE FROM - DTI 001025 -ST. PAUL -MN	298.30

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$8,109.29	$0.00	$8,109.29

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-29	08-25	85486146239980032161607	HUSEBY INC CHARLOTTE NC	1,610.50
09-09	09-08	55432866252000111322088	D J*NY POST ADVERTISNG 212-930-8100 NY	2,422.40
09-09	09-08	85347036252980002579063	ALLIANCE REPORTING SER MINEOLA NY	2,756.85
09-09	09-08	85443926252700210185676	ALDERSON REPORTING 202-289-2260 DC	1,319.54

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 09-19-2016

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$35.17	$2,068.50	$2,103.67

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-22	08-19	00000000004600002017000	*FINANCE CHARGE* CASH ADVANCE FEE	25.50
08-22	08-19	00000000004600002017000	CASH ADVANCE FROM - LUCCHTER LAW FIRM 001030 -ST. PAUL -MN	1,500.00
08-23	08-22	00000000004600001027000	*FINANCE CHARGE* CASH ADVANCE FEE	0.60
08-23	08-22	00000000004600001027000	CASH ADVANCE FROM - FL DEPT OF STATE 001028 -ST. PAUL -MN	35.00
08-29	08-26	00000000004600001016000	*FINANCE CHARGE* CASH ADVANCE FEE	9.07
08-29	08-26	00000000004600001016000	CASH ADVANCE FROM - FRENLIM COUNT DEPO001031 -ST. PAUL -MN	533.50

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$13.41	$788.82	$802.23

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-25	08-24	00000000004600001038000	[redacted] ADVANCE FEE	11.62
08-25	08-24	00000000004600001038000	[redacted] 110 -ST. PAUL -MN	683.82
08-26	08-25	00000000004600003039000	[redacted] ADVANCE FEE	1.79
08-26	08-25	00000000004600003039000	[redacted] 111 -ST. PAUL -MN	105.00

Department: 05002 Total:	$47,102.94
Division: 00001 Total:	$47,102.94

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,949.01	$0.00	$1,949.01

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-30	08-29	[redacted]	BEST MESSENGER, INC WASHINGTON DC	69.00
08-31	08-29	[redacted]	SAFETYSIGN.COM GARFIELD NJ	340.76
09-05	09-03	[redacted]	VARIDESK 08002072587 TX	375.00
09-05	09-01	[redacted]	SHOPTRN*PHYSICIANSCAR 877-4127467 CA	328.90
09-12	09-09	[redacted]	IN *REFRIGERANT RECOVE 703-7313377 VA	225.00
09-12	09-09	[redacted]	OPTP 1-800-367-7393 763-5530452 MN	37.35
09-16	09-15	[redacted]	BEST MESSENGER, INC WASHINGTON DC	56.00
09-19	09-17	[redacted]	VARIDESK 08002072587 TX	395.00
09-19	09-16	[redacted]	BEST MESSENGER, INC WASHINGTON DC	42.00
09-19	09-16	[redacted]	BEST MESSENGER, INC WASHINGTON DC	80.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$129.28	$251.53	$380.81

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-23	08-22	00000000004600001028000	*FINANCE CHARGE* CASH ADVANCE FEE	1.76

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 09-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-23	08-22	00000000004600001028000	CASH ADVANCE FROM - KNIGHT ELECTRICAL 001091 -ST. PAUL -MN	103.28
09-05	09-01	85353536246001872489587	PAC PLUMBING HEATIN STATEN ISLAND NY	125.00
09-16	09-15	00000000004600002004000	*FINANCE CHARGE* CASH ADVANCE FEE	2.52
09-16	09-15	00000000004600002004000	CASH ADVANCE FROM - KNIGHT ELECTRICAL 001092 -ST. PAUL -MN	148.25

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,425.00	$0.00	$1,425.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-12	09-07	85504996253900011720972	S ALBERT GLASS CO INC BELTSVILLE MD	750.00
09-19	09-16	55432866260000604507328	IN *PREMIERE-PAINTING 202-9660090 DC	675.00

Department: 05004 Total: $3,754.82

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,714.94	$0.00	$2,714.94

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-23	08-22	85260886235900010054324	AVIO GALLERIES, INC. LURAY VA	339.73
09-07	09-06	55432866250000969328536	IN *MASTERCRAFT AWARDS 703-3694666 VA	1,345.00
09-09	09-08	25536066253102007630139	SUN CLEANERS WASHINGTON DC	744.00
09-15	09-14	05436846259500188053538	OFFICE DEPOT #5910 800-463-3768 PA	256.63
09-19	09-16	05436846261200063968225	OFFICE DEPOT #5910 800-463-3768 PA	29.58

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,622.00	$0.00	$1,622.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-22	08-18	85426236232980003925450	LINEAGE LENEXA KS	157.00
09-02	09-01	55506296245608851556193	DESIGN MECHANICAL, INC 09132817200 KS	1,465.00

Department: 05006 Total: $4,336.94
Division: 00003 Total: $8,091.76

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$53,297.53	$1,498.25	$54,795.78

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-26	08-25	00000000004600002011000	*FINANCE CHARGE* CASH ADVANCE FEE	2.30

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 09-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-26	08-25	00000000004600002011000	CASH ADVANCE FROM - GEORGETOWN UNIVLAW001285 -ST. PAUL -MN	135.00
08-29	08-26	25247706240008227237257	HEDGE FUND RESEARCH, I CHICAGO IL	14,000.00
09-01	08-30	55207396244635722081979	MANAGEMENT CONCEPTS TYSONS CORNER VA	579.00
09-01	08-30	85504996244900019088788	ANDERSON COURT REPORTI 703-5197180 VA	968.05
09-01	08-31	00000000004600006011000	*FINANCE CHARGE* CASH ADVANCE FEE	16.80
09-01	08-31	00000000004600006011000	CASH ADVANCE FROM - MARY MASLOWSKI 001258 -ST. PAUL -MN	988.25
09-05	09-02	00000000004600001024000	*FINANCE CHARGE* CASH ADVANCE FEE	6.38
09-05	09-02	00000000004600001024000	CASH ADVANCE FROM - CUNA PAIGE 001286 -ST. PAUL -MN	375.00
09-08	09-07	[redacted]	DAN KAIN TROPHIES FAIRFAX VA	135.00
09-08	09-07	[redacted]	DAN KAIN TROPHIES FAIRFAX VA	70.00
09-08	09-07	[redacted]	ASSOCIATION OF GOVERNM 703-6846931 VA	5,000.00
09-09	09-08	[redacted]	IN *FIRSTGRAIN, INC. 512-3450497 TX	16,500.00
09-15	09-14	[redacted]	RIDGEWELL CATERING BETHESDA MD	16,020.00

Department: 05007 Total: $54,795.78
Division: 00004 Total: $54,795.78

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$119,708.93	$0.00	$119,708.93

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-22	08-20	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	826.60
08-22	08-21	[redacted]	DTV*DIRECTV SERVICE 800-347-3288 CA	286.98
08-23	08-23	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	159.80
08-25	08-25	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	199.99
08-25	08-23	[redacted]	IMMIXTECHNOLOGY, IN 703-750-0610 VA	1,189.60
08-26	08-26	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	44.73
08-29	08-25	[redacted]	DLT SOLUTIONS 703-773- HERNDON VA	24,999.27
08-29	08-27	[redacted]	AUTOPAY/DISH NTWK ENGLEWOOD CO	210.03
08-30	08-29	[redacted]	GRASSHOPPER GROUP, LLC NEEDHAM MA	66.20
08-30	08-29	[redacted]	MAGNETFOREN USA 8015929801 UT	312.50
08-30	08-29	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	90.00
08-30	08-30	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	579.34
08-30	08-30	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	285.22
08-31	08-30	[redacted]	APL* ITUNES.COM/BILL 866-712-7753 CA	845.15
08-31	08-30	[redacted]	APL* ITUNES.COM/BILL 866-712-7753 CA	845.15
08-31	08-30	[redacted]	APL* ITUNES.COM/BILL 866-712-7753 CA	845.15
08-31	08-30	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	19.99
08-31	08-30	[redacted]	ALLIANCE TECHNOLOGY GR HANOVER MD	24,403.11
08-31	08-30	[redacted]	ALLIANCE TECHNOLOGY GR HANOVER MD	7,564.83
09-01	08-31	[redacted]	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	332.72
09-01	08-31	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	250.97
09-01	08-31	[redacted]	AMAZON.COM AMZN.COM/BILL WA	87.20
09-01	08-31	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	229.99
09-01	08-31	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	91.53
09-01	08-31	[redacted]	AMAZON.COM AMZN.COM/BILL WA	99.98
09-01	08-31	[redacted]	AMAZON.COM AMZN.COM/BILL WA	179.49
09-01	08-31	[redacted]	STK*SHUTTERSTOCK, INC. 866-663-3954 NY	199.00
09-01	08-31	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	175.78
09-01	09-01	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	119.85
09-01	09-01	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	327.81
09-01	09-01	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	191.70
09-01	09-01	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	3.55
09-01	09-01	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	300.06
09-01	08-30	[redacted]	AUTOMATION AIDS INC 02154449100 PA	2,661.23

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 09-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-02	09-01	[redacted]	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	635.50
09-02	09-01	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	197.94
09-02	09-01	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	29.32
09-02	09-01	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	145.35
09-02	09-01	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	59.99
09-02	09-01	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	100.70
09-02	09-01	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	211.20
09-02	09-02	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	43.98
09-02	09-02	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	17.75
09-02	09-02	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	265.86
09-02	09-02	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	57.99
09-02	08-31	[redacted]	PREMIER OP 800-7276534 CA	973.44
09-02	08-31	[redacted]	ALL CITI TONER TEL8882376002 NY	18,686.16
09-05	09-02	[redacted]	ARROWTEK 8006079838 CA	512.20
09-05	09-02	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	85.00
09-05	09-02	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	350.89
09-05	09-02	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	43.98
09-05	09-02	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	149.98
09-05	09-02	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	18.00
09-05	09-03	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	89.91
09-05	09-03	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	43.91
09-05	09-03	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	419.88
09-05	09-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	124.90
09-05	09-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	84.90
09-05	09-05	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	29.32
09-08	09-06	[redacted]	AUTOPAY/DISH NTWK ENGLEWOOD CO	142.03
09-12	09-09	[redacted]	NET 100 CHANTILLY VA	2,767.27
09-12	09-11	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	618.00
09-12	09-12	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	109.99
09-13	09-12	[redacted]	AMAZON.COM AMZN.COM/BILL WA	39.99
09-15	09-14	[redacted]	JACOBS TECHNOLOGY INC 09313936613 TN	5,784.10
09-16	09-14	[redacted]	OMNI BUSINESS SYSTEMS 7038071000 VA	17,845.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$970.00	$223,757.47	$0.00	$222,787.47

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-23	08-12	[redacted]	GMU LEARNING SOLUTIONS 703-9932125 VA	970.00 CR
08-25	08-24	[redacted]	MONTGOMERY COLLEGE CAS 301-2795326 MD	980.40
08-25	08-24	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	4,033.00
08-25	08-24	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	14,429.00
08-25	08-24	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	50.00
08-25	08-24	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	50.00
08-25	08-24	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	50.00
08-25	08-24	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	65.00
08-25	08-23	[redacted]	AMTIS, INC. ORLANDO FL	4,884.27
08-25	08-23	[redacted]	AMTIS, INC. ORLANDO FL	4,930.05
08-25	08-23	[redacted]	AMTIS, INC. ORLANDO FL	3,337.74
08-25	08-23	[redacted]	AMTIS, INC. ORLANDO FL	4,109.28
08-25	08-23	[redacted]	BLACKS IN GOVERNMENT WASHINGTON DC	680.00
08-29	08-26	[redacted]	HUMAN RESOURCES INSTI 301-749-5600 MD	765.00
08-29	08-26	[redacted]	HUMAN RESOURCES INSTI 301-749-5600 MD	765.00
08-31	08-29	[redacted]	MANAGEMENT CONCEPTS TYSONS CORNER VA	979.00
08-31	08-29	[redacted]	MANAGEMENT CONCEPTS TYSONS CORNER VA	819.00
08-31	08-30	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	979.00
08-31	08-30	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	899.00
08-31	08-30	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	739.00
08-31	08-30	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	999.00
08-31	08-30	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	999.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 09-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-31	08-29	[redacted]	MID-WEST CAD JUNE.KOST@MWC MO	895.00
09-01	08-31	[redacted]	ELEARNINGBROTHERS.COM 8017962767 UT	1,399.00
09-01	08-31	[redacted]	STK*SHUTTERSTOCK, INC. 866-663-3954 NY	2,028.00
09-01	08-31	[redacted]	WWW.ISTOCK.COM 866-478-6251 WA	1,097.16
09-02	09-01	[redacted]	EEOC TRAINING INST 202-663-4837 DC	329.00
09-02	09-01	[redacted]	EEOC TRAINING INST 202-663-4837 DC	175.00
09-02	09-01	[redacted]	EEOC TRAINING INST 202-663-4837 DC	875.00
09-02	09-01	[redacted]	ISDA 212-901-6000 NY	1,400.00
09-02	09-01	[redacted]	ISDA 212-901-6000 NY	1,400.00
09-02	09-01	[redacted]	ISDA 212-901-6000 NY	600.00
09-02	09-01	[redacted]	ISDA 212-901-6000 NY	1,400.00
09-02	09-01	[redacted]	CAREERSTONE GROUP LLC 202-9651144 DC	3,500.00
09-02	09-01	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	200.00
09-02	09-01	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	200.00
09-02	09-01	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	200.00
09-02	09-01	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	200.00
09-02	09-01	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	200.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-02	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	395.00
09-05	09-01	[redacted]	MANAGEMENT CONCEPTS TYSONS CORNER VA	979.00
09-05	09-01	[redacted]	LEARNING TREE INTERNAT HERNDON VA	2,659.00
09-05	09-02	[redacted]	ISDA 212-901-6000 NY	600.00
09-05	09-02	[redacted]	CAREERSTONE GROUP LLC 202-9651144 DC	3,500.00
09-08	09-07	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	1,195.00
09-08	09-07	[redacted]	EDILEADERSHIPSUMMIT.OR 2025966876 FL	795.00
09-08	09-07	[redacted]	EDILEADERSHIPSUMMIT.OR 2025966876 FL	795.00
09-08	09-07	[redacted]	PAYPAL *DATAVERSITY 4029357733 CA	599.00
09-08	09-07	[redacted]	WKF*WK FINANCIAL SRVS 800-552-9410 MN	1,990.00
09-09	09-08	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	1,195.00
09-09	09-08	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	1,195.00
09-09	09-08	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	99.00
09-09	09-08	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	99.00
09-09	09-07	[redacted]	AMERICAN MGMT ASSOC SARANAC LAKE NY	1,511.20
09-09	09-07	[redacted]	AMERICAN MGMT ASSOC SARANAC LAKE NY	18,995.00
09-09	09-07	[redacted]	BOXER ADVISORS, LLC 2403551192 MD	15,400.00
09-09	09-08	[redacted]	GEORGETOWNLAWACCLE 02026629897 DC	995.00
09-09	09-07	[redacted]	ELEARNINGART.COM LOS ALTOS CA	180.00
09-09	09-08	[redacted]	KAIS E SYSTEMS, INC TUCSON AZ	11,000.00
09-09	09-08	[redacted]	KAIS E SYSTEMS, INC TUCSON AZ	9,500.00
09-09	09-07	[redacted]	FEDERAL EMPLOYMENT LAW WELLFLEET MA	2,050.00
09-09	09-07	[redacted]	HUMAN RESOURCES INSTI 301-749-5600 MD	765.00
09-09	09-07	[redacted]	LAWPROSE DALLAS TX	795.00
09-12	09-08	[redacted]	AMERICAN MGMT ASSOC SARANAC LAKE NY	17,980.00
09-12	09-08	[redacted]	FEDERAL EMPLOYMENT LAW WELLFLEET MA	490.00
09-12	09-08	[redacted]	FEDERAL EMPLOYMENT LAW WELLFLEET MA	2,050.00
09-13	09-12	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	1,195.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 09-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-13	09-12	[redacted]	ACT*GARTNER EVENTS [redacted] FL	3,695.00
09-13	09-12	[redacted]	ACT*GARTNER EVENTS [redacted] FL	3,695.00
09-13	09-12	[redacted]	FUTURES INDUSTRY ASSOC [redacted] DC	375.00
09-13	09-12	[redacted]	FUTURES INDUSTRY ASSOC [redacted] DC	13,875.00
09-13	09-12	[redacted]	FUTURES INDUSTRY ASSOC [redacted] DC	750.00
09-13	09-12	[redacted]	FUTURES INDUSTRY ASSOC [redacted] DC	4,500.00
09-14	09-12	[redacted]	LEARNING TREE INTERNAT HERNDON VA	490.00
09-14	09-12	[redacted]	LEARNING TREE INTERNAT HERNDON VA	520.00
09-14	09-12	[redacted]	LEARNING TREE INTERNAT HERNDON VA	520.00
09-14	09-12	[redacted]	CPA GROUP LLC NEW YORK NY	17,625.60
09-14	09-14	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	179.27
09-14	09-14	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	33.50
09-14	09-13	[redacted]	RECRUIT CPA REVIEW [redacted] IL	5,800.00
09-14	09-12	[redacted]	THE INSTITUTE FOR [redacted] DC	575.00
09-14	09-12	[redacted]	THE INSTITUTE FOR [redacted] DC	575.00
09-14	09-12	[redacted]	THE INSTITUTE FOR [redacted] DC	575.00
09-14	09-12	[redacted]	THE INSTITUTE FOR [redacted] DC	575.00
09-14	09-12	[redacted]	THE INSTITUTE FOR [redacted] DC	575.00
09-14	09-12	[redacted]	THE INSTITUTE FOR [redacted] DC	575.00
09-15	09-15	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	13.48
09-19	09-18	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	89.52
			Department: 05009 Total:	$342,496.40

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$34,251.99	$0.00	$34,251.99

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-22	08-19	[redacted]	STAPLES DIRECT 800-3333330 MA	190.32
08-22	08-19	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	694.46
08-22	08-19	[redacted]	APL*APPLEONLINESTOREUS 800-676-2775 CA	766.69
08-22	08-20	[redacted]	AMAZON.COM AMZN.COM/BILL WA	144.68
08-22	08-21	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	199.90
08-22	08-19	[redacted]	TELECOM TECHNOLOGIES I 0651456800 MN	2,124.00
08-23	08-22	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	153.08
08-23	08-22	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	478.00
08-23	08-23	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	259.87
08-23	08-23	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	259.87
08-25	08-24	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	118.54
08-25	08-24	[redacted]	ADORAMA INC 212-74104017 NY	2,498.00
08-26	08-25	[redacted]	AMAZON.COM AMZN.COM/BILL WA	652.74
08-30	08-29	[redacted]	OFFICE DEPOT #5910 800-463-3768 PA	68.50
09-01	08-31	[redacted]	WEBCAST 2066525360 WA	2,950.00
09-01	08-31	[redacted]	WEBCAST 2066525360 WA	2,950.00
09-01	08-31	[redacted]	ALLIANCE TECHNOLOGY GR HANOVER MD	4,393.07
09-02	09-01	[redacted]	DRI*NUANCE ORDERFIND.COM MN	169.93
09-02	09-01	[redacted]	TIME ENTERPRISES LLC ROSEVILLE CA	974.32
09-02	09-01	[redacted]	AMAZON.COM AMZN.COM/BILL WA	524.75
09-02	09-02	[redacted]	DATAPRO INC 206-7825259 WA	373.40
09-02	09-01	[redacted]	BLUE FISH WORX LP MAGNOLIA TX	444.00
09-05	09-02	[redacted]	AMAZON.COM AMZN.COM/BILL WA	409.50
09-05	09-02	[redacted]	ADORAMA INC 212-74104017 NY	103.74
09-05	09-01	[redacted]	ALL CITI TONER TEL8882376002 NY	2,584.78
09-07	09-07	[redacted]	LASER EXPERTS 801-9779898 UT	1,465.93
09-07	09-06	[redacted]	FOX RIVER GRAPHICS 08008696864 MN	7,704.50
09-09	09-08	[redacted]	MEDVANTAGE MAYWOOD NJ	595.42

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 09-19-2016

NEW ACTIVITY

Department: 05010 Total: $34,251.99
Division: 00005 Total: $376,748.39

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$508.97	$0.00	$508.97

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-02	08-31	85504996245900019143053	ANDERSON COURT REPORTI 703-5197180 VA	508.97

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$280.52	$0.00	$280.52

Post Date	Tran Date	Reference Number	Transaction Description	Amount
08-24	08-23	55429506236894842597069	PAYPAL *PT MONEY 4029357733 TX	256.22
09-16	09-15	05410196260105002842335	STAPLES 00115329 WASHINGTON DC	24.30

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,375.00	$0.00	$1,375.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-15	09-14	55233006259132590498944	COMMODITY CLASSIC 636-7339004 MO	1,375.00

Department: 05015 Total: $2,164.49
Division: 00008 Total: $2,164.49

U.S. BANKCORP
P.O. BOX 6347
FARGO ND 58125-6347

ACCOUNT NUMBER	[redacted]
STATEMENT DATE	10-19-2016
AMOUNT DUE	$1,681.25
NEW BALANCE	$1,681.25

PAYMENT DUE IN ACCORDANCE WITH PROMPT PAYMENT ACT

AMOUNT ENCLOSED

$

Please make check payable to"U.S. Bank"

[redacted]
CFTC
[redacted]
1155 21ST STREET NW
WASHINGTON DC 20581-0002

U.S. BANKCORP
PO BOX 6313
FARGO ND 58125-6313

[redacted]

Please tear payment coupon at perforation.

ACCOUNT MESSAGES

Foreign transactions include a 1% foreign currency conversion fee incorporated in the exchange rate.

BILLING ACCOUNT SUMMARY

CFTC [redacted]	Previous Balance	Purchases And Other Charges +	Self Assessed Interest Penalty +	Checks	Check + Fee	- Credits	= Current Activity	Payments	Account Balance
Company Total	$2,986.10	$222,668.99	$0.00	$14,437.42	$245.45	$21,620.57	$215,731.29	$217,036.14	$1,681.25

Default Accounting Code:

CUSTOMER SERVICE CALL

888-994-6722

ACCOUNT NUMBER

[redacted]

STATEMENT DATE	DISPUTED AMOUNT
10/19/16	.00

SEND BILLING INQUIRIES TO:

U.S. Bank Government Services
P.O. Box 6335
Fargo, ND 58125-6335

AMOUNT DUE

1,681.25

ACCOUNT SUMMARY

PREVIOUS BALANCE	2,986.10
PURCHASES & OTHER CHARGES	222,668.99
SELF ASSESSED INTEREST PENALTY	.00
CHECKS	14,437.42
CHECK FEE	245.45
CREDITS	21,620.57
CURRENT BILLING ACTIVITY	215,731.29
PAYMENTS	217,036.14
ACCOUNT BALANCE	1,681.25

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 10-19-2016

CORPORATE ACCOUNT ACTIVITY

CFTC
[redacted]

TOTAL CORPORATE ACTIVITY
$217,036.14CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-20	09-20	75569636264264111111125	WIRE PAYMENT	2,986.10 PY
09-21	09-21	75569636265265111111121	WIRE PAYMENT	2,030.23 PY
09-22	09-22	75569636266266111111128	POST WIRE PAYMENT	5,753.15 PY
09-23	09-23	75569636267267111111125	POST WIRE PAYMENT	6,129.11 PY
09-26	09-26	75569636270270111111124	WIRE PAYMENT	26,434.91 PY
09-27	09-27	75569636271271111111121	WIRE PAYMENT	27,647.13 PY
09-28	09-28	75569636272272111111128	WIRE PAYMENT	1,211.09 PY
09-30	09-30	75569636274274111111122	WIRE PAYMENT	4,946.10 PY
10-03	10-03	75569636277277111111130	WIRE PAYMENT	30,573.74 PY
10-04	10-04	75569636278278111111129	WIRE PAYMENT	10,634.00 PY
10-05	10-05	75569636279279111111126	WIRE PAYMENT	2,456.91 PY
10-06	10-06	75569636280280111111121	WIRE PAYMENT	23,720.12 PY
10-07	10-07	75569636281281111111169	WIRE PAYMENT	15,150.43 PY
10-11	10-11	75569636285285111111125	WIRE PAYMENT	8,317.03 PY
10-12	10-12	75569636286286111111122	WIRE PAYMENT	500.00 PY
10-13	10-13	75569636287287111111137	WIRE PAYMENT	30,182.07 PY
10-14	10-14	75569636288288111111126	WIRE PAYMENT	5,876.32 PY
10-17	10-17	75569636291291111111125	WIRE PAYMENT	3,047.96 PY
10-18	10-18	75569636292292111111122	WIRE PAYMENT	8,564.74 PY
10-19	10-19	75569636293293111111129	WIRE PAYMENT	875.00 PY

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$4,576.00	$0.00	$4,576.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-05	10-04	55436876278172784143243	SHERATON SAN DIEGO MAR SAN DIEGO CA 4696860 ARRIVAL: 10-04-16	4,576.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$233.24	$0.00	$233.24

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-21	09-21	55432866265000904638042	AMAZON.COM AMZN.COM/BILL WA	210.66
10-13	10-12	55310206286083223403190	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	22.58

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$11,500.00	$0.00	$11,500.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-20	09-20	55432866264000382868641	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
09-22	09-21	55432866265000205011600	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00
09-23	09-22	55432866266000865732783	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	500.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 10-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-26	09-23	[redacted]	GOOGLE *[redacted] CA	500.00
09-26	09-25	[redacted]	GOOGLE *[redacted] CA	500.00
09-27	09-26	[redacted]	GOOGLE *[redacted] CA	500.00
09-28	09-28	[redacted]	GOOGLE *[redacted] CA	500.00
09-30	09-29	[redacted]	GOOGLE *[redacted] CA	500.00
10-03	09-30	[redacted]	GOOGLE *[redacted] CA	500.00
10-03	10-02	[redacted]	GOOGLE *[redacted] CA	500.00
10-04	10-03	[redacted]	GOOGLE *[redacted] CA	500.00
10-05	10-05	[redacted]	GOOGLE *[redacted] CA	500.00
10-06	10-06	[redacted]	GOOGLE *[redacted] CA	500.00
10-07	10-07	[redacted]	GOOGLE *[redacted] CA	500.00
10-10	10-08	[redacted]	GOOGLE *[redacted] CA	500.00
10-10	10-09	[redacted]	GOOGLE *[redacted] CA	500.00
10-11	10-10	[redacted]	GOOGLE *[redacted] CA	500.00
10-12	10-12	[redacted]	GOOGLE *[redacted] CA	500.00
10-13	10-13	[redacted]	GOOGLE *[redacted] CA	500.00
10-17	10-14	[redacted]	GOOGLE *[redacted] CA	500.00
10-17	10-15	[redacted]	GOOGLE *[redacted] CA	500.00
10-18	10-17	[redacted]	GOOGLE *[redacted] CA	500.00
10-19	10-18	[redacted]	GOOGLE *[redacted] CA	500.00

Department: 00000 Total: $16,309.24
Division: 00000 Total: $16,309.24

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$125.11	$0.00	$125.11

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-21	09-20	75337006264413400734025	INUMBR SACRAMENTO CA	48.85
09-22	09-21	75337006265414600799346	INUMBR SACRAMENTO CA	21.94
09-23	09-22	05436846267000254964643	CVS/PHARMACY #01841 WASHINGTON DC	10.55
09-23	09-22	05436846267000254964726	CVS/PHARMACY #02208 WASHINGTON DC	43.77

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$54.75	$3,220.41	$3,275.16

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-20	09-19	00000000004600001035000	*FINANCE CHARGE* CASH ADVANCE FEE	0.74
09-20	09-19	00000000004600001035000	CASH ADVANCE FROM - WELLS FARGO HOME M001154 -ST. PAUL -MN	43.56
09-21	09-20	00000000004600001012000	*FINANCE CHARGE* CASH ADVANCE FEE	5.64
09-21	09-20	00000000004600001012000	CASH ADVANCE FROM - STEVENS KOENIG REP001155 -ST. PAUL -MN	331.85
09-22	09-21	00000000004600005021000	*FINANCE CHARGE* CASH ADVANCE FEE	42.50
09-22	09-21	00000000004600005021000	CASH ADVANCE FROM - KELLN CONNERS 001156 -ST. PAUL -MN	2,500.00
10-05	10-04	00000000004600003010000	*FINANCE CHARGE* CASH ADVANCE FEE	5.87
10-05	10-04	00000000004600003010000	CASH ADVANCE FROM - LAURA LACIEN RL 11001158 -ST. PAUL -MN	345.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 10-19-2016

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$14,817.50	$3,450.55	$18,268.05

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-03	09-30	[redacted]	ACCURATE SERVE 863-8736691 FL	220.00
10-06	10-06	[redacted]	DR GRAPHIX II INC 312-907-7496 IL	368.25
10-06	10-05	[redacted]	VERITEXT CORP 8005678658 NJ	8,298.81
10-06	10-05	[redacted]	LICHTER LAW FIRM PA OP AVENTURA FL	2,303.75
10-07	10-05	[redacted]	ECOSCRIBE SOLUTIONS CROMWELL CT	332.65
10-07	10-05	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,163.73
10-07	10-06	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	21.21
10-07	10-06	[redacted]	CASH ADVANCE FROM - PATRICK MULLEN 001076 -ST. PAUL -MN	1,247.75
10-12	10-11	55429506285894082524096	PAYPAL *PROSERVEUSA 4029357733 CA	86.60
10-12	10-11	55429506285894085831415	PAYPAL *PROSERVEUSA 4029357733 CA	86.60
10-12	10-11	00000000004600003031000	*FINANCE CHARGE* CASH ADVANCE FEE	10.47
10-12	10-11	00000000004600003031000	CASH ADVANCE FROM - MARY MASLOWSKI 001081 -ST. PAUL -MN	615.80
10-12	10-11	00000000004600003032000	*FINANCE CHARGE* CASH ADVANCE FEE	20.60
10-12	10-11	00000000004600003032000	CASH ADVANCE FROM - MARY MASLOWSKI 001079 -ST. PAUL -MN	1,212.00
10-13	10-12	00000000004600002024000	*FINANCE CHARGE* CASH ADVANCE FEE	1.70
10-13	10-12	00000000004600002024000	CASH ADVANCE FROM - TRANSPERFECT 001078 -ST. PAUL -MN	100.00
10-13	10-12	00000000004600002025000	*FINANCE CHARGE* CASH ADVANCE FEE	1.70
10-13	10-12	00000000004600002025000	CASH ADVANCE FROM - TRANSPERFECT 001077 -ST. PAUL -MN	100.00
10-14	10-13	00000000004600004033000	*FINANCE CHARGE* CASH ADVANCE FEE	2.98
10-14	10-13	00000000004600004033000	CASH ADVANCE FROM - UNDISPUTED LEGAL 001082 -ST. PAUL -MN	175.00
10-17	10-14	85347036288980002579038	ALLIANCE REPORTING SER MINEOLA NY	1,898.45

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$6,585.88	$0.00	$6,585.88

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-13	10-12	55432866286000566932084	SQ *SQ *MARY MASLOWSKI TINLEY PARK IL	1,212.00
10-13	10-12	55446416287207606500014	PLATE KRUSE & ASSOCIAT 03123451500 IL	939.80
10-13	10-12	55536076286816003779718	VERITEXT CORP 8005678658 NJ	2,879.59
10-14	10-13	85347036287980002579021	ALLIANCE REPORTING SER MINEOLA NY	756.00
10-17	10-13	85504996288900010685134	ANDERSON COURT REPORTI 703-5197180 VA	798.49

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$11.11	$653.40	$664.51

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-26	09-23	00000000004600001008000	*FINANCE CHARGE* CASH ADVANCE FEE	11.11
09-26	09-23	00000000004600001008000	CASH ADVANCE FROM - ILLEGIBLE PAYEE 001113 -ST. PAUL -MN	653.40

Department: 05002 Total: $28,918.71
Division: 00001 Total: $28,918.71

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 10-19-2016

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$3.45	$11,166.66	$2,289.00	$13,452.21

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-21	09-20	75456676265009486398885	BEST MESSENGER, INC WASHINGTON DC	56.00
09-22	09-21	55436876266132663723568	DUALDRAW LLC 303-8534083 CO	2,750.00
09-23	09-22	00000000004600001035000	*FINANCE CHARGE* CASH ADVANCE FEE	38.91
09-23	09-22	00000000004600001035000	CASH ADVANCE FROM - WATER INNOVATIONS 001103 -ST. PAUL -MN	2,289.00
09-26	09-23	[redacted]	BEST MESSENGER, INC WASHINGTON DC	40.00
09-26	09-23	[redacted]	BEST MESSENGER, INC WASHINGTON DC	56.00
09-28	09-28	[redacted]	ULINE *SHIP SUPPLIES 800-295-5510 WI	1,980.00
09-29	09-28	[redacted]	STAPLES DIRECT 800-3333330 MA	63.44
09-30	09-29	[redacted]	EQUIFAX INC 800-6855000 GA	3.03
09-30	09-29	[redacted]	OMNIFICS 07035484040 VA	1,874.00
10-05	10-04	[redacted]	STAPLES DIRECT 800-3333330 MA	3.45 CR
10-06	10-05	[redacted]	OMNIFICS 07035484040 VA	1,344.00
10-07	10-06	[redacted]	OFFICE DEPOT #5910 800-463-3768 PA	54.99
10-07	10-06	[redacted]	OFFICE DEPOT #5910 800-463-3768 PA	76.99
10-12	10-11	[redacted]	IN *MOVING MASTERS INC 301-7732777 MD	2,787.30
10-17	10-14	[redacted]	BEST MESSENGER, INC WASHINGTON DC	42.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$762.64	$2,214.06	$2,976.70

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-21	09-20	00000000004600001035000	*FINANCE CHARGE* CASH ADVANCE FEE	3.64
09-21	09-20	00000000004600001035000	CASH ADVANCE FROM - KNIGHT ELECTRIC 001093 -ST. PAUL -MN	214.06
10-07	10-05	85353536280001341814339	PAC PLUMBING HEATIN STATEN ISLAND NY	725.00
10-17	10-14	00000000004600002009000	*FINANCE CHARGE* CASH ADVANCE FEE	34.00
10-17	10-14	00000000004600002009000	CASH ADVANCE FROM - DIRECT PATH CORP 001094 -ST. PAUL -MN	2,000.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$360.88	$0.00	$360.88

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-06	10-06	05436846280500164483546	GSA/FAS 800-488-3111 DC	46.92
10-13	10-12	05436846286200052385796	GSA/FAS 800-488-3111 DC	33.96
10-13	10-12	05436846286200052385879	GSA/FAS 800-488-3111 DC	120.00
10-13	10-12	05436846286200052385952	GSA/FAS 800-488-3111 DC	160.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$941.25	$0.00	$941.25

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-29	09-28	55310206273838000050588	CORNER BAKERY 0138 CHICAGO IL	360.00
10-19	10-18	05227026292300152877637	BUSINESS OFFICE SYSTEM 630-784-7730 IL	581.25

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 10-19-2016

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$878.75	$0.00	$878.75

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-21	09-19	85189936264080080641659	CAPRICE ELECTRONICS TEL7182220436 NY	272.25
09-30	09-28	05436846273300138027878	DEAN & DELUCA 800-221-7714 NY	511.50
10-07	10-05	85504996280900012021740	S ALBERT GLASS CO INC BELTSVILLE MD	95.00
			Department: 05004 Total:	$18,609.79

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,218.98	$0.00	$2,218.98

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-20	09-19	[redacted]	OFFICE DEPOT #5910 800-463-3768 PA	14.79
09-27	09-26	[redacted]	SUN CLEANERS WASHINGTON DC	392.00
09-27	09-26	[redacted]	GIANT 0121 CROFTON MD	3.99
09-28	09-27	[redacted]	IN *RECOGNITION PRODUC 410-8200022 MD	345.60
09-29	09-28	[redacted]	RIDGEWELL CATERING BETHESDA MD	1,192.60
10-13	10-12	[redacted]	AVIO GALLERIES, INC. LURAY VA	270.00
			Department: 05006 Total:	$2,218.98
			Division: 00003 Total:	$20,828.77

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$16,740.00	$53,411.78	$2,610.00	$39,281.78

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-21	09-20	05410196264937090026819	CVC CATERING 15195506 WASHINGTON DC	3,532.50
09-23	09-22	00000000004600001024000	*FINANCE CHARGE* CASH ADVANCE FEE	4.34
09-23	09-22	00000000004600001024000	CASH ADVANCE FROM - AFERM 001288 -ST. PAUL -MN	255.00
09-23	09-22	00000000004600001025000	*FINANCE CHARGE* CASH ADVANCE FEE	4.34
09-23	09-22	00000000004600001025000	CASH ADVANCE FROM - AFERM 001287 -ST. PAUL -MN	255.00
09-23	09-22	00000000004600001041000	*FINANCE CHARGE* CASH ADVANCE FEE	34.00
09-23	09-22	00000000004600001041000	CASH ADVANCE FROM - THE WALKER MERCHAN001289 -ST. PAUL -MN	2,000.00
09-26	09-22	55547506267029250010011	CALDERON LOCKSMITH NEW YORK NY	23,479.00
09-26	09-23	85504996269900019812823	ANDERSON COURT REPORTI 703-5197180 VA	958.07
09-27	09-26	00000000004600001001000	*FINANCE CHARGE* CASH ADVANCE FEE	1.70
09-27	09-26	00000000004600001001000	CASH ADVANCE FROM - AIBA 001291 -ST. PAUL -MN	100.00
09-28	09-27	[redacted]	IN *FIRSTGRAIN, INC. 512-3450497 TX	16,500.00 CR
09-29	09-28	[redacted]	DAN KAIN TROPHIES FAIRFAX VA	145.25
09-29	09-28	[redacted]	SP * NOSEGAY WASHINGTON DC	90.00
09-30	09-29	[redacted]	ATKINSON-BAKER INC 08185517310 CA	2,047.15
09-30	09-29	[redacted]	CONFIRMATION.COM 08663257201 TN	948.00
09-30	09-28	[redacted]	B & A METAL GRAPHIC SILVER SPRING MD	3,487.00
10-03	09-29	[redacted]	ANDERSON COURT REPORTI 703-5197180 VA	778.43
10-04	10-03	[redacted]	RIDGEWELL CATERING BETHESDA MD	802.00
10-05	10-04	[redacted]	IN *FIRSTGRAIN, INC. 512-3450497 TX	16,500.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 10-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-14	10-13	85141196287900010416560	RIDGEWELL CATERING BETHESDA MD	240.00 CR
10-19	10-18	55547506292254263010019	CALDERON LOCKSMITH NEW YORK NY	600.00
			Department: 05007 Total:	$39,281.78
			Division: 00004 Total:	$39,281.78

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$714.50	$39,274.50	$0.00	$38,560.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-20	09-20	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	826.60
09-20	09-19	[redacted]	B&H PHOTO, 800-606-69 800-2215743 NY	644.54
09-22	09-21	[redacted]	DTV*DIRECTV SERVICE 800-347-3288 CA	286.98
09-26	09-25	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	199.99
09-26	09-26	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	44.73
09-27	09-27	[redacted]	AMAZON.COM AMZN.COM/BILL WA	3.30 CR
09-27	09-26	[redacted]	AMAZON.COM AMZN.COM/BILL WA	216.70
09-28	09-27	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	90.00
09-29	09-27	[redacted]	AUTOPAY/DISH NTWK ENGLEWOOD CO	210.03
09-30	09-29	[redacted]	GRASSHOPPER GROUP, LLC NEEDHAM MA	66.20
10-03	10-01	[redacted]	STK*SHUTTERSTOCK, INC. 866-663-3954 NY	199.00
10-03	10-03	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	43.91
10-03	09-30	[redacted]	ADVANCED DIGITAL SOLUT 08008779642 CA	4,811.28
10-03	09-30	[redacted]	CARAHSOFT TECHNOLOGY C 703-8718500 VA	4,230.00
10-04	10-03	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	85.00
10-04	10-04	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	89.91
10-05	10-04	[redacted]	CALERO WHOLESALE - GA ATLANTA GA	1,579.68
10-05	10-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	84.90
10-05	10-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	124.90
10-06	10-05	[redacted]	ARROWTEK 8006079838 CA	512.20 CR
10-06	10-05	[redacted]	STK*SHUTTERSTOCK, INC. 866-663-3954 NY	199.00 CR
10-06	10-05	[redacted]	OFFICE DEPOT #5910 800-463-3768 PA	724.90
10-06	10-04	[redacted]	IMAGEX RESTON VA	2,275.00
10-10	10-07	[redacted]	AUTOPAY/DISH NTWK ENGLEWOOD CO	142.03
10-12	10-11	[redacted]	SAP GOVERMENT SUPP NEW TOWN SQUA PA	18,916.25
10-12	10-12	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	618.00
10-13	10-13	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	109.99
10-14	10-12	[redacted]	DLT SOLUTIONS 703-773- HERNDON VA	2,653.98

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$4,162.62	$31,118.85	$0.00	$26,956.23

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-22	09-21	05410196265069500616267	FEDEXOFFICE 00018150 WASHINGTON DC	16.50
09-22	09-21	05436846266000240580348	CVS/PHARMACY #01841 WASHINGTON DC	11.19
09-23	09-22	55432866266000767810919	WKF*WK FINANCIAL SRVS 800-552-9410 MN	21,000.00
09-29	09-28	55504436272004186459982	P / L SERVICES LTD LONDON	853.94
			(FOREIGN CURRENCY) 650.00 GBP 09/29 (RATE) 0.7612	
09-30	09-28	[redacted]	AMTIS, INC. ORLANDO FL	4,182.22
10-03	09-30	[redacted]	SAS INSTITUTE INC 919-5315401 NC	1,816.62 CR
10-03	09-30	[redacted]	SAS INSTITUTE INC 919-5315401 NC	1,170.00
10-04	10-03	[redacted]	OPM.DC 202-606-1765 DC	980.00
10-10	10-07	[redacted]	MANAGEMENT CONCEPTS TYSONS CORNER VA	979.00 CR

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 10-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-12	10-10	[redacted]	LEARNING TREE INTERNAT HERNDON VA	490.00 CR
10-12	10-11	[redacted]	ACFE 800-245-3321 TX	2,295.00
10-13	10-11	[redacted]	THE INSTITUTE FOR FRAU 202-223-1528 DC	575.00 CR
10-14	10-13	[redacted]	ISACA - CONFERENCE NEW YORK NY	300.00 CR
10-17	10-15	[redacted]	FINANCIAL MANAGEMENT A TAMPA FL	235.00
10-18	10-17	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	375.00

Department: 05009 Total: $65,516.23
Division: 00005 Total: $65,516.23

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,000.00	$0.00	$2,000.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-12	10-11	55480776285206131900018	ELIZABETH LEADER 02027234071 DC	2,000.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$5,920.51	$0.00	$5,920.51

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-21	09-21	[redacted]	BLAINE EVENT SERVICES 714-522-8270 CA	1,077.70
09-29	09-29	[redacted]	ULINE *SHIP SUPPLIES 800-295-5510 WI	375.24
10-05	10-04	[redacted]	STAPLES 00107136 SAINT GEORGE UT	7.22
10-10	10-08	[redacted]	THE UPS STORE 4981 SAINT GEORGE UT	380.10
10-12	10-12	[redacted]	BLAINE EVENT SERVICES 714-522-8270 CA	443.45
10-12	10-10	[redacted]	T3 EXPO 888-698-3397 MA	1,080.00
10-17	10-15	[redacted]	PSAV PRESENTATION SVCS 847-222-9800 IL	290.00
10-17	10-15	[redacted]	PSAV PRESENTATION SVCS 847-222-9800 IL	2,070.00
10-17	10-13	[redacted]	HYATT HOTELS DALLAS DALLAS TX 000005568 ARRIVAL: 10-13-16	196.80

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$32,194.64	$0.00	$32,194.64

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-29	09-28	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	4,240.00
09-29	09-28	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	5,000.00
09-29	09-28	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	6,000.00
09-30	09-29	[redacted]	FUTURES INDUSTRY AS WASHINGTON DC	8,280.17
09-30	09-29	[redacted]	FUTURES INDUSTRY AS WASHINGTON DC	8,674.47

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$4,761.41	$0.00	$4,761.41

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 10-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
09-26	09-24	55432866268000842132261	FREEMAN CHICAGO 773-379-5040 IL	1,204.83
10-07	10-06	55432866280000124413052	VSN*DOTGOVREGISTRATION 877-734-4688 VA	125.00
10-10	10-07	55480776281207307800242	INKHEAD INC 08005540127 GA	3,431.58

Department: 05015 Total: $44,876.56
Division: 00008 Total: $44,876.56

U.S. BANKCORP
P.O. BOX 6347
FARGO ND 58125-6347

ACCOUNT NUMBER	[redacted]
STATEMENT DATE	11-18-2016
AMOUNT DUE	$2,049.00
NEW BALANCE	$2,049.00

PAYMENT DUE IN ACCORDANCE WITH PROMPT PAYMENT ACT

[redacted]

CFTC
[redacted]
1155 21ST STREET NW
WASHINGTON DC 20581-0002

AMOUNT ENCLOSED
$

Please make check payable to"U.S. Bank"

U.S. BANKCORP
PO BOX 6313
FARGO ND 58125-6313

[redacted]

Please tear payment coupon at perforation.

ACCOUNT MESSAGES

Foreign transactions include a 1% foreign currency conversion fee incorporated in the exchange rate.

BILLING ACCOUNT SUMMARY

CFTC [redacted]	Previous Balance	Purchases And Other Charges +	Self Assessed Interest Penalty +	Checks +	Check Fee +	Credits -	Current Activity =	Payments	Account Balance
Company Total	$1,681.25	$92,637.01	$0.00	$10,317.22	$175.40	$3,409.00	$99,720.63	$99,352.88	$2,049.00

Default Accounting Code:

CUSTOMER SERVICE CALL

888-994-6722

ACCOUNT NUMBER
[redacted]

STATEMENT DATE	DISPUTED AMOUNT
11/19/16	.00

SEND BILLING INQUIRIES TO:

U.S. Bank Government Services
P.O. Box 6335
Fargo, ND 58125-6335

AMOUNT DUE

2,049.00

ACCOUNT SUMMARY

PREVIOUS BALANCE	1,681.25
PURCHASES & OTHER CHARGES	92,637.01
SELF ASSESSED INTEREST PENALTY	.00
CHECKS	10,317.22
CHECK FEE	175.40
CREDITS	3,409.00
CURRENT BILLING ACTIVITY	99,720.63
PAYMENTS	99,352.88
ACCOUNT BALANCE	2,049.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 11-18-2016

CORPORATE ACCOUNT ACTIVITY

CFTC [redacted]

TOTAL CORPORATE ACTIVITY $99,352.88CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-20	10-20	[redacted]	WIRE PAYMENT	1,681.25 PY
10-21	10-21	[redacted]	WIRE PAYMENT	8,261.08 PY
10-24	10-24	[redacted]	WIRE PAYMENT	2,836.30 PY
10-25	10-25	[redacted]	WIRE PAYMENT	1,140.27 PY
10-26	10-26	[redacted]	WRE PAYMENT	3,732.54 PY
10-27	10-27	[redacted]	WIRE PAYMENT	5,440.88 PY
10-28	10-28	[redacted]	WIRE PAYMENT	5,755.65 PY
10-31	10-31	[redacted]	WIRE PAYMENT	3,090.90 PY
11-01	11-01	[redacted]	WIRE PAYMENT	3,776.16 PY
11-03	11-03	[redacted]	WIRE PAYMENT	4,107.03 PY
11-04	11-04	[redacted]	WIRE PAYMENT	8,034.02 PY
11-07	11-07	[redacted]	WIRE PAYMENT	2,192.95 PY
11-08	11-08	[redacted]	WIRE PAYMENT	9,822.86 PY
11-09	11-09	[redacted]	WIRE PAYMENT	6,485.03 PY
11-10	11-10	[redacted]	WIRE PAYMENT	2,474.84 PY
11-14	11-14	[redacted]	WIRE PAYMENT	2,181.14 PY
11-14	11-14	[redacted]	WIRE PAYMENT	1,146.71 PY
11-15	11-15	[redacted]	WIRE PAYMENT	9,963.02 PY
11-16	11-16	[redacted]	WIRE PAYMENT	8,680.80 PY
11-17	11-17	[redacted]	POST WIRE PYMT	1,951.96 PY
11-18	11-18	[redacted]	POST WIRE PAYMENT	6,597.49 PY

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$8,180.80	$0.00	$8,180.80

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-15	11-14	55480776320200499400031	ENCORE CAESER'S 08472213765 NV	8,180.80

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$109.00	$0.00	$109.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-07	11-04	55429506309894680499875	GWSCPA 2026010565 DC	109.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$147.21	$0.00	$147.21

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-11	11-10	55432866315000145852923	AICPA *AICPA 888-777-7077 NC	147.21

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 11-18-2016

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$11,500.00	$0.00	$11,500.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-20	10-19	[redacted]	GOOGLE *[redacted] CA	500.00
10-21	10-21	[redacted]	GOOGLE *[redacted] CA	500.00
10-24	10-22	[redacted]	GOOGLE *[redacted] CA	500.00
10-24	10-23	[redacted]	GOOGLE *[redacted] CA	500.00
10-26	10-25	[redacted]	GOOGLE *[redacted] CA	500.00
10-27	10-26	[redacted]	GOOGLE *[redacted] CA	500.00
10-28	10-27	[redacted]	GOOGLE *[redacted] CA	500.00
10-31	10-28	[redacted]	GOOGLE *[redacted] CA	500.00
10-31	10-30	[redacted]	GOOGLE *[redacted] CA	500.00
11-01	10-31	[redacted]	GOOGLE *[redacted] CA	500.00
11-02	11-02	[redacted]	GOOGLE *[redacted] CA	500.00
11-03	11-03	[redacted]	GOOGLE *[redacted] CA	500.00
11-07	11-04	[redacted]	GOOGLE *[redacted] CA	500.00
11-07	11-05	[redacted]	GOOGLE *[redacted] CA	500.00
11-07	11-07	[redacted]	GOOGLE *[redacted] CA	500.00
11-08	11-08	[redacted]	GOOGLE *[redacted] CA	500.00
11-10	11-09	[redacted]	GOOGLE *[redacted] CA	500.00
11-11	11-10	[redacted]	GOOGLE *[redacted] CA	500.00
11-14	11-11	[redacted]	GOOGLE *[redacted] CA	500.00
11-14	11-13	[redacted]	GOOGLE *[redacted] CA	500.00
11-15	11-14	[redacted]	GOOGLE *[redacted] CA	500.00
11-16	11-15	[redacted]	GOOGLE *[redacted] CA	500.00
11-17	11-16	[redacted]	GOOGLE *[redacted] CA	500.00

Department: 00000 Total:	$19,937.01
Division: 00000 Total:	$19,937.01

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$147.56	$0.00	$147.56

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-20	10-19	75337006293419200762616	INUMBR SACRAMENTO CA	21.94
10-20	10-18	75337006293419200762772	INUMBR SACRAMENTO CA	48.85
11-11	11-10	75337006315416100638155	INUMBR SACRAMENTO CA	2.99
11-16	11-15	75337006320411800637345	INUMBR SACRAMENTO CA	48.85
11-17	11-16	75337006321413000744235	INUMBR SACRAMENTO CA	24.93

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$56.70	$3,335.00	$3,391.70

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-20	10-19	00000000004600001023000	*FINANCE CHARGE* CASH ADVANCE FEE	56.70
10-20	10-19	00000000004600001023000	CASH ADVANCE FROM - GOULE A.MCGUIGAN I001157 -ST. PAUL -MN	3,335.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 11-18-2016

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$9,919.31	$2,422.40	$12,341.71

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-21	10-20	85347036294980002579048	ALLIANCE REPORTING SER MINEOLA NY	1,509.70
10-27	10-26	00000000004600004021000	*FINANCE CHARGE* CASH ADVANCE FEE	22.35
10-27	10-26	00000000004600004021000	CASH ADVANCE FROM - MARY MASLOWSKI 001084 -ST. PAUL -MN	1,314.60
10-28	10-27	00000000004600002011000	*FINANCE CHARGE* CASH ADVANCE FEE	1.70
10-28	10-27	00000000004600002011000	CASH ADVANCE FROM - TRANSPERFECT REVEN001085 -ST. PAUL -MN	100.00
11-02	11-01	55436876306283060592890	SIR SPEEDY PRINTING 01 714-5475674 CA	642.06
11-03	11-02	00000000004600001025000	*FINANCE CHARGE* CASH ADVANCE FEE	2.55
11-03	11-02	00000000004600001025000	CASH ADVANCE FROM - SAME DAY SERVICES 001086 -ST. PAUL -MN	150.00
11-07	11-04	[redacted]	PAYPAL *CAPITOLPROC 2026670050 CA	387.50
11-07	11-04	[redacted]	PAYPAL *ATGLEGALSER 4029357733 CA	94.00
11-07	11-04	[redacted]	PAYPAL *COMPLETELEG 4029357733 CA	1,949.52
11-07	11-04	[redacted]	PAYPAL *ACE INC 4029357733 FL	131.80
11-07	11-04	[redacted]	IN *CALIFORNIA PROCESS 949-2958028 CA	95.00
11-07	11-04	[redacted]	SOUTHERN DISTRICT REPO 02128050300 NY	197.80
11-07	11-04	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	355.65
11-07	11-04	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	535.10
11-07	11-04	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	0.51
11-07	11-04	[redacted]	CASH ADVANCE FROM - CROSSED ARROWS SRV001089 -ST. PAUL -MN	30.00
11-08	11-07	85347036312980002579046	ALLIANCE REPORTING SER MINEOLA NY	2,353.45
11-08	11-07	85347036312980002579087	ALLIANCE REPORTING SER MINEOLA NY	1,626.55
11-10	11-09	00000000004600003026000	*FINANCE CHARGE* CASH ADVANCE FEE	5.57
11-10	11-09	00000000004600003026000	CASH ADVANCE FROM - SANDRA TENNIS 001088 -ST. PAUL -MN	327.75
11-18	11-15	00000000004600003001000	*FINANCE CHARGE* CASH ADVANCE FEE	8.50
11-16	11-15	00000000004600003001000	CASH ADVANCE FROM - CHARLES ZANDT 001087 -ST. PAUL -MN	500.05

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$4,436.02	$2,516.02	$6,952.04

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-26	10-25	55429506299894436483662	ACE INC 5614477638 FL	895.00
10-26	10-25	85347036299980002579068	ALLIANCE REPORTING SER MINEOLA NY	1,920.65
10-26	10-25	85347036299980002579092	ALLIANCE REPORTING SER MINEOLA NY	720.65
11-04	11-03	00000000004600003012000	*FINANCE CHARGE* CASH ADVANCE FEE	2.08
11-04	11-03	00000000004600003012000	CASH ADVANCE FROM - PRECISE REPORTING 001053 -ST. PAUL -MN	122.57
11-04	11-03	00000000004600003013000	*FINANCE CHARGE* CASH ADVANCE FEE	21.13
11-04	11-03	00000000004600003013000	CASH ADVANCE FROM - PRECISE REPORTING 001054 -ST. PAUL -MN	1,243.00
11-07	11-04	00000000004600001032000	*FINANCE CHARGE* CASH ADVANCE FEE	11.57
11-07	11-04	00000000004600001032000	CASH ADVANCE FROM - TSG REPORTING 001051 -ST. PAUL -MN	680.30
11-07	11-04	00000000004600001033000	*FINANCE CHARGE* CASH ADVANCE FEE	7.99
11-07	11-04	00000000004800001033000	CASH ADVANCE FROM - TSG REPORTING 001052 -ST. PAUL -MN	470.15
11-14	11-11	55457026317286899700017	ABC IMAGING 02024298870 DC	856.95

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 11-18-2016

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$50.00	$0.00	$50.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-18	11-17	75263596322771901711463	MCLE BOARD 312-9242420 IL	50.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1.19	$69.80	$70.99

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-24	10-21	00000000004600001027000	*[redacted] CASH ADVANCE FEE	0.09
10-24	10-21	00000000004600001027000	[redacted] -ST. PAUL -MN	5.00
10-27	10-26	00000000004600003038000	*[redacted] CASH ADVANCE FEE	1.10
10-27	10-26	00000000004600003038000	[redacted] 115 -ST. PAUL -MN	64.80

Department: 05002 Total: $22,954.00
Division: 00001 Total: $22,954.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,214.12	$0.00	$1,214.12

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-24	10-21	[redacted]	BEST MESSENGER, INC WASHINGTON DC	56.00
11-02	10-31	[redacted]	IDENTICARD 07175695797 PA	602.00
11-04	11-03	[redacted]	BEST MESSENGER, INC WASHINGTON DC	88.00
11-07	11-05	[redacted]	VARIDESK 08002072587 TX	395.00
11-07	11-06	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	48.28
11-09	11-08	[redacted]	STAPLES DIRECT 800-3333330 MA	24.84

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,863.00	$0.00	$1,863.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-08	11-07	55432866312000685244633	IN *PREMIERE-PAINTING 202-9660090 DC	1,863.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$86.20	$0.00	$86.20

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-03	11-03	05436846308500178923451	GSA/FAS 800-488-3111 DC	86.20

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 11-18-2016

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$33.56	$1,974.00	$2,007.56

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-17	11-16	00000000004600004026000	*FINANCE CHARGE* CASH ADVANCE FEE	33.56
11-17	11-16	00000000004600004026000	CASH ADVANCE FROM - TST 525 WEST MONRO001074 -ST. PAUL -MN	1,974.00

Department: 05004 Total: $5,170.88

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$815.04	$0.00	$815.04

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-11	11-10	55432866315000308378138	IN *RECOGNITION PRODUC 410-8200022 MD	815.04

Department: 05006 Total: $815.04
Division: 00003 Total: $5,985.92

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$5,946.08	$0.00	$5,946.08

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-14	11-11	55263526317286540899674	NETWORK INNOVATIONS 09543633365 FL	5,946.08

Department: 05007 Total: $5,946.08
Division: 00004 Total: $5,946.08

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$6,581.51	$0.00	$6,581.51

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-20	10-19	[redacted]	[redacted]	29.84
10-21	10-21	[redacted]	[redacted]	826.60
10-24	10-21	[redacted]	[redacted]	286.98
10-25	10-25	[redacted]	[redacted]	199.99
10-25	10-24	[redacted]	[redacted]	150.00
10-26	10-24	[redacted]	[redacted] MN	262.73
10-26	10-26	[redacted]	[redacted] NY	44.73
10-26	10-24	[redacted]	[redacted]	162.24
10-26	10-24	[redacted]	[redacted]	255.95
10-28	10-27	[redacted]	[redacted]	90.00
10-31	10-29	[redacted]	[redacted] MA	66.13
10-31	10-27	[redacted]	[redacted]	210.03
11-02	10-31	[redacted]	[redacted]	364.62
11-02	11-01	[redacted]	[redacted]	65.00

Company Name: CFTC	
Corporate Account Number: [redacted]	
Statement Date: 11-18-2016	

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-03	11-03	[redacted]	[redacted]	89.91
11-03	11-03	[redacted]	[redacted]	43.91
11-04	11-04	[redacted]	[redacted] UT	600.58
11-07	11-04	[redacted]	[redacted]	512.39
11-07	11-05	[redacted]	[redacted]	717.70
11-07	11-05	[redacted]	[redacted] DC	124.90
11-07	11-05	[redacted]	[redacted] DC	84.90
11-08	11-06	[redacted]	[redacted]	142.03
11-10	11-09	[redacted]	[redacted]	313.39
11-11	11-11	[redacted]	[redacted]	618.00
11-14	11-12	[redacted]	[redacted]	109.99
11-16	11-15	[redacted]	[redacted]	188.97

	CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
[redacted]	$3,409.00	$2,665.00	$0.00	$744.00 CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-24	10-21	[redacted]	[redacted]	795.00 CR
10-25	10-24	[redacted]	[redacted]	739.00 CR
11-01	10-31	[redacted]	[redacted]	375.00 CR
11-01	10-31	[redacted]	[redacted]	375.00 CR
11-01	10-31	[redacted]	[redacted]	375.00 CR
11-01	10-31	[redacted]	[redacted]	750.00 CR
11-14	11-10	[redacted]	[redacted]	2,050.00
11-17	11-14	[redacted]	[redacted]	615.00

Department: 05009 Total: $5,837.51

	CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
[redacted]	$0.00	$13,921.44	$0.00	$13,921.44

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-20	10-19	[redacted]	WEBCAST 2066525360 WA	2,950.00
10-27	10-28	[redacted]	WEBCAST 2066525360 WA	2,450.00
10-28	10-27	[redacted]	EKOAM SYSTEMS INC 703-4405901 VA	2,399.20
11-02	11-01	[redacted]	B&H PHOTO, 800-606-69 800-2215743 NY	509.85
11-02	11-01	[redacted]	ADORAMA INC 212-74104017 NY	1.00
11-02	11-01	[redacted]	ADORAMA INC 212-74104017 NY	358.90
11-09	11-08	[redacted]	WEBCAST 2066525360 WA	2,450.00
11-11	11-10	[redacted]	OFFICEMAX/OFFICE DEPOT 800-463-3768 KS	97.90
11-16	11-15	[redacted]	BLUE FISH WORX LP MAGNOLIA TX	705.59
11-18	11-16	[redacted]	ALL CITI TONER TEL8882376002 NY	1,999.00

Department: 05010 Total: $13,921.44
Division: 00005 Total: $19,758.95

	CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
[redacted]	$0.00	$115.59	$0.00	$115.59

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 11-18-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-04	11-03	55310206309083027485370	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	115.59
			Department: 05013 Total:	$115.59
			Division: 00007 Total:	$115.59

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$3,848.49	$0.00	$3,848.49

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-20	10-19	[redacted]	FEDEXOFFICE 00055715 DALLAS TX	195.49
10-24	10-21	[redacted]	FEDEXOFFICE 00055715 DALLAS TX	4.00
10-24	10-20	[redacted]	T3 EXPO 888-698-3397 MA	378.00
10-24	10-21	[redacted]	T3 EXPO 888-698-3397 MA	205.20
10-26	10-25	[redacted]	EAX WORLDWIDE, LLC 06196681565 CA	279.20
10-27	10-26	[redacted]	CORPORATE VISIONS INC WASHINGTON DC	1,402.80
11-07	11-03	[redacted]	ENCORE CAESER'S 08472213765 NV	283.80
11-07	11-04	[redacted]	ENCORE CAESER'S 08472213765 NV	1,100.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$6,000.00	$0.00	$6,000.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-03	11-01	85432906307701445950975	INSTITUTE OF SCRAP REC 202-662-8500 DC	6,000.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$7,472.99	$0.00	$7,472.99

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-20	10-20	[redacted]	PSAV PRESENTATION SVCS 847-222-9800 IL	618.76
10-20	10-20	[redacted]	FREEMAN CHICAGO 773-379-5040 IL	504.50
10-26	10-26	[redacted]	FREEMAN CHICAGO 773-379-5040 IL	399.73
10-31	10-29	[redacted]	AMER PUBLIC POWER ASSO 202-467-2949 VA	2,500.00
11-17	11-15	[redacted]	NIPA 312-673-5981 IL	3,450.00
			Department: 05015 Total:	$17,321.48
			Division: 00008 Total:	$17,321.48

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$7,701.60	$0.00	$7,701.60

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-25	10-24	85347036298980002579010	ALLIANCE REPORTING SER MINEOLA NY	428.15

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 11-18-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
10-25	10-24	[redacted]	[redacted] NY	1,248.70
10-25	10-24	[redacted]	[redacted] NY	286.45
10-25	10-24	[redacted]	[redacted] NY	896.85
10-25	10-24	[redacted]	[redacted] NY	1,261.40
11-01	10-31	[redacted]	[redacted] NY	1,353.70
11-02	11-01	[redacted]	[redacted] NY	1,064.90
11-03	11-02	[redacted]	[redacted] NY	1,161.45

Department: 05016 Total: $7,701.60
Division: 00009 Total: $7,701.60

U.S. BANKCORP
P.O. BOX 6347
FARGO ND 58125-6347

ACCOUNT NUMBER	[redacted]
STATEMENT DATE	12-19-2016
AMOUNT DUE	$41,856.28
NEW BALANCE	$41,856.28

PAYMENT DUE IN ACCORDANCE WITH PROMPT PAYMENT ACT

AMOUNT ENCLOSED
$

Please make check payable to"U.S. Bank"

[redacted]
CFTC
[redacted]
1155 21ST STREET NW
WASHINGTON DC 20581-0002

U.S. BANKCORP
PO BOX 6313
FARGO ND 58125-6313

[redacted]

Please tear payment coupon at perforation.

ACCOUNT MESSAGES

Foreign transactions include a 1% foreign currency conversion fee incorporated in the exchange rate.

BILLING ACCOUNT SUMMARY

CFTC [redacted]	Previous Balance	Purchases And Other Charges +	Self Assessed Interest Penalty +	Checks +	Check Fee +	Credits -	= Current Activity	Payments	Account Balance
Company Total	$2,049.00	$170,542.49	$0.00	$3,908.39	$66.43	$11.28	$174,506.03	$134,698.75	$41,856.28

Default Accounting Code:

CUSTOMER SERVICE CALL

888-994-6722

ACCOUNT NUMBER
[redacted]

STATEMENT DATE	DISPUTED AMOUNT
12/19/16	.00

SEND BILLING INQUIRIES TO:

U.S. Bank Government Services
P.O. Box 6335
Fargo, ND 58125-6335

AMOUNT DUE

41,856.28

ACCOUNT SUMMARY

PREVIOUS BALANCE	2,049.00
PURCHASES & OTHER CHARGES	170,542.49
SELF ASSESSED INTEREST PENALTY	.00
CHECKS	3,908.39
CHECK FEE	66.43
CREDITS	11.28
CURRENT BILLING ACTIVITY	174,506.03
PAYMENTS	134,698.75
ACCOUNT BALANCE	41,856.28

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 12-19-2016

CORPORATE ACCOUNT ACTIVITY

CFTC
[redacted]

TOTAL CORPORATE ACTIVITY
$134,698.75CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-21	11-21	75569636326326111111128	[redacted]	2,049.00 PY
11-22	11-22	75569636327327111111125	[redacted]	21,270.53 PY
11-23	11-23	75569636326328111111122	[redacted]	7,054.55 PY
11-25	11-25	75569636330330111111124	[redacted]	497.00 PY
11-28	11-28	75569636333333111111125	[redacted]	6,223.48 PY
11-29	11-29	75569636334334111111122	[redacted]	1,430.31 PY
11-30	11-30	75569636335335111111128	[redacted]	5,154.54 PY
12-01	12-01	75569636336336111111174	[redacted]	11,280.23 PY
12-02	12-02	75569636337337111111122	[redacted]	890.89 PY
12-05	12-05	75569636340340111111139	[redacted]	20,549.52 PY
12-06	12-06	75569636341341111111128	[redacted]	1,804.73 PY
12-07	12-07	75569636342342111111125	[redacted]	1,759.21 PY
12-08	12-08	75569636343343111111122	[redacted]	4,747.88 PY
12-09	12-09	75569636344344111111129	[redacted]	6,250.51 PY
12-12	12-12	75569636347347111111129	[redacted]	2,416.35 PY
12-13	12-13	75569636348348111111126	[redacted]	745.23 PY
12-14	12-14	75569636349349111111164	[redacted]	4,346.64 PY
12-15	12-15	75569636350350111111143	[redacted]	4,263.43 PY
12-16	12-16	75569636351351111111165	[redacted]	5,704.40 PY
12-19	12-19	75569636354354111111125	[redacted]	26,260.32 PY

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$3.40	$200.00	$203.40

Post Date	Tran Date	Reference Number	Transaction Description	Amount
12-01	11-30	00000000004600002012000	*FINANCE CHARGE* CASH ADVANCE FEE	3.40
12-01	11-30	00000000004600002012000	CASH ADVANCE FROM - NYSE MARKET CDEI 001051 -ST. PAUL -MN	200.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$36,360.00	$0.00	$36,360.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
12-19	12-16	55457026352200738600029	THE MONEY SHOW 09419550323 FL	10,237.50
12-19	12-16	55457026352200738600037	THE MONEY SHOW 09419550323 FL	8,707.50
12-19	12-16	55457026352200738600045	THE MONEY SHOW 09419550323 FL	8,707.50
12-19	12-16	55457026352200738800052	THE MONEY SHOW 09419550323 FL	8,707.50

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,185.00	$0.00	$1,185.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 12-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-29	11-28	55480776334206081600148	FUTURES INDUSTRY ASSOC 02024665460 DC	395.00
12-16	12-15	55480776351206081100261	FUTURES INDUSTRY ASSOC 02024665460 DC	395.00
12-16	12-15	55480776351206081100279	FUTURES INDUSTRY ASSOC 02024665460 DC	395.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$34,544.19	$0.00	$34,544.19

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-30	11-29	[redacted]	[redacted]	7,500.00
12-05	12-01	[redacted]	[redacted] WASHINGTON DC	75.00
12-07	12-06	[redacted]	[redacted]	3,351.14
12-08	12-07	[redacted]	[redacted] CA	2,772.05
12-16	12-15	[redacted]	[redacted]	55.00
12-16	12-15	[redacted]	[redacted] DC	20,791.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$5,000.00	$0.00	$5,000.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-21	11-18	[redacted]	GOOGLE [redacted] CA	500.00
11-21	11-19	[redacted]	GOOGLE [redacted] CA	500.00
11-21	11-21	[redacted]	GOOGLE [redacted] CA	500.00
11-22	11-22	[redacted]	GOOGLE [redacted] CA	500.00
11-25	11-23	[redacted]	GOOGLE [redacted] CA	500.00
11-25	11-25	[redacted]	GOOGLE [redacted] CA	500.00
11-28	11-26	[redacted]	GOOGLE [redacted] CA	500.00
11-28	11-27	[redacted]	GOOGLE [redacted] CA	500.00
11-30	11-29	[redacted]	GOOGLE [redacted] CA	500.00
12-01	11-30	[redacted]	GOOGLE [redacted] CA	500.00

Department: 00000 Total: $77,292.59
Division: 00000 Total: $77,292.59

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,692.17	$0.00	$1,692.17

Post Date	Tran Date	Reference Number	Transaction Description	Amount
12-02	12-01	75337006336411600750654	[redacted] CA	2.99
12-14	12-13	75337006348415700651627	[redacted] CA	48.85
12-15	12-14	75337006349416900657371	[redacted] CA	27.92
12-15	12-14	75337006349416900657447	[redacted] CA	2.99
12-15	12-14	85443926349700210182983	[redacted] 202-289-2260 DC	1,609.42

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$6,212.90	$2,809.20	$9,022.10

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 12-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-21	11-18	00000000004600004007000	*FINANCE CHARGE* CASH ADVANCE FEE	13.96
11-21	11-18	00000000004600004007000	CASH ADVANCE FROM - MARY MASLOWSKI 001090 -ST. PAUL -MN	821.00
11-29	11-28	[redacted]	PAYPAL *DPSERVER 4029357733 NY	285.00
11-29	11-28	[redacted]	PAYPAL *APSPROCESS 4029357733 CA	130.00
11-29	11-28	[redacted]	PLATE KRUSE & ASSOCIAT 03123451500 IL	1,288.50
11-30	11-29	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	225.00
12-02	12-01	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	14.23
12-02	12-01	[redacted]	CASH ADVANCE FROM - MARY MASLOWSKI 001094 -ST. PAUL -MN	837.20
12-06	12-05	00000000004600001011000	*FINANCE CHARGE* CASH ADVANCE FEE	5.47
12-06	12-05	00000000004600001011000	CASH ADVANCE FROM - GAYLE MCGUIGAN 001093 -ST. PAUL -MN	322.00
12-13	12-12	85347036347980002579003	ALLIANCE REPORTING SER MINEOLA NY	1,486.60
12-13	12-12	85347036347980002579003	ALLIANCE REPORTING SER MINEOLA NY	1,947.10
12-13	12-12	85347036347980002579029	ALLIANCE REPORTING SER MINEOLA NY	802.95
12-14	12-13	00000000004600002009000	*FINANCE CHARGE* CASH ADVANCE FEE	0.83
12-14	12-13	00000000004600002009000	CASH ADVANCE FROM - HETTINGER COUNTY 001091 -ST. PAUL -MN	49.00
12-16	12-15	00000000004600002001000	*FINANCE CHARGE* CASH ADVANCE FEE	13.26
12-16	12-15	00000000004600002001000	CASH ADVANCE FROM - THE DAILY PROGRESS001096 -ST. PAUL -MN	780.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$14,910.53	$434.29	$15,344.82

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-21	11-18	[redacted]	AGREN BLANDO COURT REP 303-296-0017 CO	835.76
11-21	11-18	[redacted]	CAPITOL PROCESS SERVIC 202-4373167 DC	470.25
11-21	11-18	[redacted]	CLICKS DOCUMENT MANAGE 412-3911218 PA	2,459.75
11-21	11-18	[redacted]	CLICKS DOCUMENT MANAGE 412-3911218 PA	1,562.54
11-21	11-18	[redacted]	ALDERSON REPORTING 202-289-2260 DC	135.00
11-21	11-18	[redacted]	ALDERSON REPORTING 202-289-2260 DC	456.20
11-21	11-18	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,455.90
11-21	11-18	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,860.90
11-21	11-18	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,108.80
11-25	11-23	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	755.65
11-25	11-23	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,455.10
11-28	11-25	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	2.45
11-28	11-25	[redacted]	CASH ADVANCE FROM - STEVENS-KOENIG REP001055 -ST. PAUL -MN	144.21
11-29	11-28	00000000004600003019000	*FINANCE CHARGE* CASH ADVANCE FEE	3.27
11-29	11-28	00000000004600003019000	CASH ADVANCE FROM - JONMARC BITFFA 001056 -ST. PAUL -MN	192.59
11-30	11-29	75454916334382300954426	CLICKS DOCUMENT MANAGE 412-3911218 PA	462.26
12-05	12-02	00000000004600001007000	*FINANCE CHARGE* CASH ADVANCE FEE	1.66
12-05	12-02	00000000004600001007000	CASH ADVANCE FROM - STEVENS KOENIG 001057 -ST. PAUL -MN	97.49
12-07	12-05	85456116341001208619437	INTEGRITY LEGAL CORP. 949-296-1243 CA	150.00
12-15	12-14	55547506350034616870429	SOUTHERN DISTRICT REPO 02128050300 NY	211.14
12-15	12-14	85443926349700210184229	ALDERSON REPORTING 202-289-2260 DC	1,081.11
12-16	12-15	55429506350894938608069	PAYPAL *EAGLE LEGAL 4029357733 CA	442.79

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$40.15	$302.90	$343.05

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 12-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-28	11-25	00000000004800003020000	*FINANCE CHARGE* CASH ADVANCE FEE	4.02
11-28	11-25	00000000004600003020000	CASH ADVANCE FROM - TREASURER OF NEW 001116 -ST. PAUL -MN	236.25
12-07	12-06	05140488341720040132534	SUNBIZ.ORG / FL FIL TALLAHASSEE FL	35.00
12-08	12-07	00000000004800004043000	*FINANCE CHARGE* CASH ADVANCE FEE	1.13
12-08	12-07	00000000004600004043000	CASH ADVANCE FROM - TREASURER OF NEW J001117 -ST. PAUL -MN	66.65

Department: 05002 Total: $26,402.14
Division: 00001 Total: $26,402.14

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$1.35	$2,892.75	$162.00	$3,053.40

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-28	11-26	05410196332105000000245	STAPLES DIRECT 800-3333330 MA	1.35 CR
12-02	12-01	55310206336026486849793	VARIDESK 08002072587 TX	395.00
12-02	11-30	55458856335069426937667	IDENTICARD 07175695797 PA	2,100.00
12-14	12-13	00000000004600002012000	*FINANCE CHARGE* CASH ADVANCE FEE	2.75
12-14	12-13	00000000004600002012000	CASH ADVANCE FROM - ERA 001104 -ST. PAUL -MN	162.00
12-15	12-14	55310206349026443825671	VARIDESK 08002072587 TX	395.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$225.00	$0.00	$225.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-25	11-22	05314616328100105226878	SOPHIES CUBAN CUISINE NEW YORK NY	225.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,287.00	$0.00	$1,287.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-23	11-22	55421356327253327597768	LA COCINA MEXICAN GRIL CHICAGO IL	312.00
12-05	12-01	75265866337870404386837	EVERYTHING DIVISION 12 312-3760100 IL	800.00
12-09	12-08	55432866343000121782090	EMPIRE COOLER SERVICE 312-733-3900 IL	175.00

Department: 05004 Total: $4,565.40

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,264.74	$0.00	$1,264.74

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 12-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-25	11-22	55310206328200288200143	EL TAMARINDO RESTAURAN WASHINGTON DC	592.74
12-06	12-05	25536066341102007716585	SUN CLEANERS WASHINGTON DC	672.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$185.00	$0.00	$185.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-23	11-22	25247806327002329123592	RUDYS TENAMPA KANSAS CITY MO	185.00

Department: 05006 Total: $1,449.74
Division: 00003 Total: $6,015.14

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$29,210.19	$0.00	$29,210.19

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-21	11-20	[redacted]	[redacted] NY	826.60
11-21	11-18	[redacted]	[redacted]	6,433.68
11-22	11-21	[redacted]	[redacted] CA	286.98
11-25	11-25	[redacted]	[redacted] NY	199.99
11-28	11-26	[redacted]	[redacted] NY	44.73
11-29	11-28	[redacted]	[redacted] TX	90.00
11-29	11-27	[redacted]	[redacted] CO	210.03
11-30	11-29	[redacted]	[redacted] PA	91.90
11-30	11-29	[redacted]	[redacted] PA	49.50
11-30	11-29	[redacted]	[redacted] MA	86.22
12-02	12-01	[redacted]	[redacted] TX	85.00
12-02	11-30	[redacted]	[redacted] MD	17,115.10
12-05	12-03	[redacted]	[redacted] NY	43.91
12-05	12-04	[redacted]	[redacted] NY	89.91
12-05	12-05	[redacted]	[redacted] DC	124.90
12-05	12-05	[redacted]	[redacted] DC	84.90
12-08	12-06	[redacted]	[redacted]	142.03
12-09	12-08	[redacted]	[redacted] CA	2,245.00
12-12	12-12	[redacted]	[redacted] NY	616.00
12-13	12-13	[redacted]	[redacted]	109.99
12-15	12-14	[redacted]	[redacted] WA	161.82
12-15	12-14	[redacted]	[redacted] TX	90.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$7,549.00	$0.00	$7,549.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-29	11-28	55457026334200739200228	GRADUATE SCHOOL REG 088874447 23 DC	799.00
12-06	12-06	55432866341000489694483	AMERICAN SOCIETY OF AC 202-712-9054 DC	495.00
12-14	12-12	55464946348200667100014	CME GROUP GFLC 02038517852 CT	375.00
12-14	12-12	55464946348200667100022	CME GROUP GFLC 02038517852 CT	375.00
12-16	12-15	25536066351101063324554	DAN KAIN TROPHIES FAIRFAX VA	65.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 12-19-2016

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description		Amount
12-16	12-15	[redacted]	[redacted]		65.00
12-19	12-14	[redacted]	[redacted]	IL	535.00
12-19	12-15	[redacted]	[redacted]	IL	615.00
12-19	12-15	[redacted]	[redacted]	IL	615.00
12-19	12-15	[redacted]	[redacted]	IL	535.00
12-19	12-15	[redacted]	[redacted]	IL	615.00
12-19	12-15	[redacted]	[redacted]	IL	615.00
12-19	12-15	[redacted]	[redacted]	IL	615.00
12-19	12-15	[redacted]	[redacted]	IL	615.00
12-19	12-15	[redacted]	[redacted]	IL	615.00

Department: 05009 Total: $36,759.19

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$9,825.89	$0.00	$9,825.89

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-30	11-28	[redacted]	CAPRICE ELECTRONICS TEL7182220436 NY	2,169.00
12-01	11-30	[redacted]	ADVANCED DIGITAL SOLUT 08008779642 CA	193.77
12-05	12-01	[redacted]	LYME COMPUTER SYSTEMS LYME NH	419.82
12-06	12-05	[redacted]	FEDERAL MERCHANTS CORP 03172883150 IN	137.22
12-07	12-06	[redacted]	B&H PHOTO, 800-606-69 800-2215743 NY	1,008.68
12-08	12-06	[redacted]	ENTRUST, INC. 186-62679297 TX	2,647.40
12-14	12-13	[redacted]	WEBCAST 2066525360 WA	950.00
12-14	12-12	[redacted]	ADVANCED AV, LLC 06106967700 PA	2,300.00

Department: 05010 Total: $9,825.89
Division: 00005 Total: $46,585.08

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$9.93	$67.14	$0.00	$57.21

Post Date	Tran Date	Reference Number	Transaction Description	Amount
12-01	11-30	55310206335083003829789	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	6.28 CR
12-05	12-03	55432866338000270711178	AMAZON.COM AMZN.COM/BILL WA	67.14
12-09	12-09	55432866344000248026529	AMAZON.COM AMZN.COM/BILL WA	3.65 CR

Department: 05013 Total: $57.21
Division: 00007 Total: $57.21

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,000.00	$0.00	$2,000.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
12-15	12-14	55480776349206131000011	ELIZABETH LEADER 02027234071 DC	2,000.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 12-19-2016

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,786.86	$0.00	$1,786.86

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-21	11-18	[redacted]	THE UPS STORE #6251 LAS VEGAS NV	20.54
11-21	11-17	[redacted]	T3 EXPO 888-698-3397 MA	1,201.50
11-21	11-18	[redacted]	T3 EXPO 888-698-3397 MA	108.15
11-22	11-21	[redacted]	EAX WORLDWIDE, LLC 06196681565 CA	331.67
12-15	12-14	[redacted]	VSN*DOTGOVREGISTRATION 877-734-4688 VA	125.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$5,400.00	$0.00	$5,400.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-22	11-21	55480778327206081900067	FUTURES INDUSTRY ASSOC 02024665460 DC	5,400.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$7,205.86	$0.00	$7,205.86

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-22	11-21	05411296326001945380013	PICO ART INTERNATIONAL SINGAPORE SGP (FOREIGN CURRENCY) 756.00 SGD 11/22 (RATE) 1.4107	535.90
11-25	11-23	[redacted]	NATL GRAIN FEED ASN 2022890873 DC	1,995.00
11-30	11-29	[redacted]	UPS*H5601142564 502-485-2222 KY	216.35
12-06	12-05	[redacted]	PAYPAL *AGILITYFAIR 65000250 CA	127.52
12-07	12-06	[redacted]	PAYPAL *AGILITYFAIR 65000250 CA	203.06
12-08	12-07	[redacted]	EXCEL DECORATORS, INC 217-5284024 IL	621.25
12-12	12-09	[redacted]	PAYPAL *AGILITYFAIR 65000250 CA	127.23
12-16	12-15	[redacted]	INKHEAD INC 08005540127 GA	3,258.27
12-19	12-16	[redacted]	FEDEX 880137201774 MEMPHIS TN	121.28
			Department: 05015 Total:	$16,392.72
			Division: 00008 Total:	$16,392.72

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,761.15	$0.00	$1,761.15

Post Date	Tran Date	Reference Number	Transaction Description	Amount
11-29	11-28	05227026333300154832300	ELLEN GRAUER COURT REP 212-750-6434 NY	886.05
11-29	11-28	05227026333300154832482	ELLEN GRAUER COURT REP 212-750-6434 NY	397.40
11-29	11-28	05227026333300154832557	ELLEN GRAUER COURT REP 212-750-6434 NY	477.70

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 12-19-2016

Department: 05016 Total:	$1,761.15
Division: 00009 Total:	$1,761.15

usbank.

U.S. BANKCORP
P.O. BOX 6347
FARGO ND 58125-6347

ACCOUNT NUMBER	[redacted]
STATEMENT DATE	01-19-2017
AMOUNT DUE	$3,793.67
NEW BALANCE	$3,793.67

PAYMENT DUE IN ACCORDANCE WITH PROMPT PAYMENT ACT

AMOUNT ENCLOSED
$

Please make check payable to "U.S. Bank"

[redacted]
CFTC
[redacted]
1155 21ST STREET NW
WASHINGTON DC 20581-0002

U.S. BANKCORP
PO BOX 6313
FARGO ND 58125-6313

[redacted]

Please tear payment coupon at perforation.

ACCOUNT MESSAGES

Foreign transactions include a 1% foreign currency conversion fee incorporated in the exchange rate.

BILLING ACCOUNT SUMMARY

CFTC [redacted]	Previous Balance	Purchases And Other Charges +	Self Assessed Interest Penalty +	Checks +	Check Fee +	Credits -	Current Activity =	Payments	Account Balance
Company Total	$41,856.28	$47,335.93	$0.00	$1,407.90	$23.93	$1,845.00	$46,922.76	$84,985.37	$3,793.67

Default Accounting Code:		
CUSTOMER SERVICE CALL 888-994-6722	**ACCOUNT NUMBER** [redacted]	**ACCOUNT SUMMARY**
	STATEMENT DATE: 01/19/17 — DISPUTED AMOUNT: .00	PREVIOUS BALANCE 41,856.28 PURCHASES & OTHER CHARGES 47,335.93 SELF ASSESSED INTEREST PENALTY .00 CHECKS 1,407.90 CHECK FEE 23.93 CREDITS 1,845.00 CURRENT BILLING ACTIVITY 46,922.76 PAYMENTS 84,985.37 **ACCOUNT BALANCE** 3,793.67
SEND BILLING INQUIRIES TO: U.S. Bank Government Services P.O. Box 6335 Fargo, ND 58125-6335	**AMOUNT DUE** **3,793.67**	

Company Name: CFTC	
Corporate Account Number: [redacted]	
Statement Date: 01-19-2017	

CORPORATE ACCOUNT ACTIVITY

CFTC
[redacted]

TOTAL CORPORATE ACTIVITY
$84,985.37CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
12-20	12-20	75569636355355111111121	POST WIRE PYMT	41,856.28 PY
12-21	12-21	75569636356356111111136	POST WIRE PYMT	235.00 PY
12-22	12-22	75569636357357111111166	POST WIRE PYMT	3,950.99 PY
12-23	12-23	75569636358358111111148	POST WIRE PYMT	1,164.10 PY
12-26	12-26	75569636363363111111307	WIRE PAYMENT	3,216.55 PY
12-29	12-29	75569636364364111111122	WIRE PAYMENT	254.76 PY
12-30	12-30	75569636365365111111128	WIRE PAYMENT	3,866.13 PY
01-03	01-03	75569637003003111111121	POST WIRE PYMT	3,008.16 PY
01-04	01-04	75569637004004111111128	WIRE PAYMENT	133.82 PY
01-05	01-05	75569637005005111111207	POST WIRE PYMT	542.24 PY
01-06	01-06	75569637006006111111246	POST WIRE PAYMENT	1,868.00 PY
01-09	01-09	75569637009009111111163	WIRE PAYMENT	5,839.80 PY
01-10	01-10	75569637010010111111127	WIRE PAYMENT	1,605.19 PY
01-11	01-11	75569637011011111111124	WIRE PAYMENT	4,678.37 PY
01-12	01-12	75569637012012111111121	WIRE PAYMENT	666.85 PY
01-17	01-17	75569637017017111111125	POST WIRE PAYMENT	6,655.90 PY
01-17	01-17	75569637017017111111133	POST WIRE PAYMENT	3,463.86 PY
01-19	01-19	75569637019019111111129	WIRE PMT	1,979.37 PY

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,212.85	$0.00	$2,212.85

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-10	01-09	55447327009200626700016	ENTRUST DALLAS TX	2,212.65

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$4,604.59	$500.00	$5,104.59

Post Date	Tran Date	Reference Number	Transaction Description	Amount
12-30	12-29	55548076365200226861092	ALLIED SOCIAL SCIENCE 06153223726 TN	115.00
12-30	12-28	85504996364900012862662	ANDERSON COURT REPORTI 703-5197180 VA	498.99
01-04	01-03	00000000004600001012000	*FINANCE CHARGE* CASH ADVANCE FEE	8.50
01-04	01-03	00000000004600001012000	CASH ADVANCE FROM - RUTTER ASSOCIATES 001001 -ST. PAUL -MN	500.00
01-09	01-06	75456677007011764744021	SIR SPEEDY, INC WASHINGTON DC	82.10
01-13	01-12	55480777013200292300099	ATKINSON-BAKER INC 08185517310 CA	3,900.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$21.23	$0.00	$21.23

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-02	12-31	55432866366000157621222	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	21.23

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 01-19-2017

NEW ACTIVITY

Department: 00000 Total: $7,338.67
Division: 00000 Total: $7,338.67

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$174.21	$0.00	$174.21

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-11	01-10	75337007010419600575915	INUMBR SACRAMENTO CA	48.85
01-12	01-11	75337007011411200582820	INUMBR SACRAMENTO CA	30.91
01-18	01-17	55480777017014000051613	BAUDVILLE INC. 08007280888 MI	94.45

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$5,546.12	$907.90	$6,454.02

Post Date	Tran Date	Reference Number	Transaction Description	Amount
12-20	12-19	55429506354894056682462	PAYPAL *NYSERVERLLC 4029357733 CA	150.00
12-22	12-21	00000000004600003001000	*FINANCE CHARGE* CASH ADVANCE FEE	1.12
12-22	12-21	00000000004600003001000	CASH ADVANCE FROM - UNIVEST CORP 001097 -ST. PAUL -MN	66.00
01-05	01-04	85347037004980002579047	ALLIANCE REPORTING SER MINEOLA NY	1,658.20
01-16	01-13	00000000004600002023000	*FINANCE CHARGE* CASH ADVANCE FEE	12.89
01-16	01-13	00000000004600002023000	CASH ADVANCE FROM - MARY MASLOWSKI 001095 -ST. PAUL -MN	758.40
01-18	01-17	00000000004600002005000	*FINANCE CHARGE* CASH ADVANCE FEE	1.42
01-18	01-17	00000000004600002005000	CASH ADVANCE FROM - SOUTHERN DIST REP 001098 -ST. PAUL -MN	83.50
01-19	01-18	55547507019034978614556	SOUTHERN DISTRICT REPO 02128050300 NY	1,271.43
01-19	01-18	55547507019034978619985	SOUTHERN DISTRICT REPO 02128050300 NY	1,262.25
01-19	01-18	55547507019034978626758	SOUTHERN DISTRICT REPO 02128050300 NY	651.78
01-19	01-18	55547507019034978633218	SOUTHERN DISTRICT REPO 02128050300 NY	537.03

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$3,916.90	$0.00	$3,916.90

Post Date	Tran Date	Reference Number	Transaction Description	Amount
12-29	12-28	85443926363700210185292	ALDERSON REPORTING 202-289-2260 DC	596.95
12-29	12-28	85443926363700210185375	ALDERSON REPORTING 202-289-2260 DC	393.35
12-29	12-28	85443926363700210185730	ALDERSON REPORTING 202-289-2260 DC	619.75
12-30	12-29	55310206364083207280601	PROSE COURT REPORTING 05618327500 FL	2,306.85

Department: 05002 Total: $10,545.13
Division: 00001 Total: $10,545.13

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$18.75	$0.00	$18.75

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 01-19-2017

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-16	01-13	55436877014150140821048	EQUIFAX INC 800-6855000 GA	18.75

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,172.00	$0.00	$1,172.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-13	01-12	55446417012200308100019	ADCOCKS SYSTEMS LLC 03018433661 MD	1,172.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,105.29	$0.00	$1,105.29

Post Date	Tran Date	Reference Number	Transaction Description	Amount
12-21	12-20	55310206356083177618343	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	295.29
12-22	12-20	85353536356001427364539	PAC PLUMBING HEATIN STATEN ISLAND NY	810.00

Department: 05004 Total: $2,296.04
Division: 00003 Total: $2,296.04

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$9,112.43	$0.00	$9,112.43

Post Date	Tran Date	Reference Number	Transaction Description	Amount
12-20	12-19	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	85.00
12-21	12-20	[redacted]	TECHNICAL INNOVATIONS PEACHTREE COR GA	221.69
12-21	12-20	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	605.03
12-21	12-21	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	826.60
12-21	12-20	[redacted]	ARGON OFFICE SUPPLIES 06503592600 CA	752.38
12-22	12-21	[redacted]	DTV*DIRECTV SERVICE 800-347-3288 CA	286.98
12-23	12-23	[redacted]	TECHNICS PUBLICATIONS 908-789-0748 NJ	54.95
12-23	12-22	[redacted]	ARIN 07032279853 VA	100.00
12-26	12-25	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	199.99
12-28	12-28	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	44.73
12-28	12-26	[redacted]	AUTOPAY/DISH NTWK 08003333474 CO	210.03
12-30	12-28	[redacted]	GRASSHOPPER LLC 08008208210 MA	66.09
01-03	01-03	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	89.91
01-03	01-03	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	43.91
01-04	01-03	[redacted]	AMAZON.COM AMZN.COM/BILL WA	33.74
01-05	01-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	124.90
01-05	01-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	84.90
01-06	01-05	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	339.80
01-09	01-06	[redacted]	ALLIANCE TECHNOLOGY GR HANOVER MD	622.60
01-09	01-05	[redacted]	AUTOPAY/DISH NTWK 08003333474 CO	142.03
01-11	01-11	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	618.00
01-12	01-12	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	109.99
01-13	01-11	[redacted]	BLUE TECH INC. SAN DIEGO CA	3,288.00
01-16	01-14	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	90.00
01-19	01-18	[redacted]	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	71.18

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 01-19-2017

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$1,845.00	$750.00	$0.00	$1,095.00 CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-06	01-04	55464947005200667200030	CME GROUP GFLC 02038517852 CT	375.00
01-06	01-04	55464947005200667200048	CME GROUP GFLC 02038517852 CT	375.00
01-12	01-09	55447327011206157706088	AMERICAN BAR ASSOCIATI 08002852221 IL	615.00 CR
01-13	01-10	55447327012206157808115	AMERICAN BAR ASSOCIATI 08002852221 IL	615.00 CR
01-13	01-10	55447327012206157808123	AMERICAN BAR ASSOCIATI 08002852221 IL	615.00 CR

Department: 05009 Total: $8,017.43

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$6,556.92	$0.00	$6,556.92

Post Date	Tran Date	Reference Number	Transaction Description	Amount
12-29	12-28	[redacted]	[redacted]	2,256.06
01-10	01-09	[redacted]	[redacted] WA	47.77
01-10	01-10	[redacted]	[redacted]	2,417.75
01-15	01-13	[redacted]	[redacted] WA	71.95
01-16	01-14	[redacted]	[redacted]	186.00
01-16	01-14	[redacted]	[redacted] MI	1,577.37

Department: 05010 Total: $6,556.92
Division: 00005 Total: $14,574.35

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$4,750.00	$0.00	$4,750.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-06	01-05	55432867005000552399874	IN *JOHN J. LOTHIAN & 312-2035515 IL	4,750.00

Department: 05013 Total: $4,750.00
Division: 00007 Total: $4,750.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$758.46	$0.00	$758.46

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-09	01-05	85504997006900013319763	ANDERSON COURT REPORTI 703-5197180 VA	364.26
01-09	01-05	85504997006900013394196	ANDERSON COURT REPORTI 703-5197180 VA	394.20

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 01-19-2017

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,800.00	$0.00	$1,800.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-18	01-17	05436847018600059781884	EEOC TRAINING INST 202-663-4837 DC	1,800.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$4,860.11	$0.00	$4,860.11

Post Date	Tran Date	Reference Number	Transaction Description	Amount
12-21	12-19	75547546355218600448149	NATIONAL CATTLEMEN'S CENTENNIAL CO	1,250.00
12-23	12-22	75418236357033846056438	4IMPRINT 877-4467746 WI	2,861.61
01-16	01-14	55432867014000343136469	FREEMAN NASHVILLE 615-391-5522 TN	748.50

Department: 05015 Total: $7,418.57
Division: 00008 Total: $7,418.57

U.S. BANKCORP
P.O. BOX 6347
FARGO ND 58125-6347

ACCOUNT NUMBER	[redacted]
STATEMENT DATE	02-17-2017
AMOUNT DUE	$9,121.64
NEW BALANCE	$9,121.64

PAYMENT DUE IN ACCORDANCE WITH PROMPT PAYMENT ACT

AMOUNT ENCLOSED
$

Please make check payable to"U.S. Bank"

[redacted]
CFTC
[redacted]
1155 21ST STREET NW
WASHINGTON DC 20581-0002

U.S. BANKCORP
PO BOX 6313
FARGO ND 58125-6313

[redacted]

Please tear payment coupon at perforation.

ACCOUNT MESSAGES

Foreign transactions include a 1% foreign currency conversion fee incorporated in the exchange rate.

BILLING ACCOUNT SUMMARY

CFTC [redacted]	Previous Balance	Purchases And Other Charges +	Self Assessed Interest Penalty +	Checks +	Check Fee +	Credits -	Current Activity =	Payments	Account Balance
Company Total	$3,793.67	$120,791.91	$0.00	$8,824.13	$150.02	$1,107.56	$128,658.50	$123,330.53	$9,121.64

Default Accounting Code:

CUSTOMER SERVICE CALL

888-994-6722

ACCOUNT NUMBER
[redacted]

STATEMENT DATE	DISPUTED AMOUNT
02/19/17	.00

SEND BILLING INQUIRIES TO:

U.S. Bank Government Services
P.O. Box 6335
Fargo, ND 58125-6335

AMOUNT DUE

9,121.64

ACCOUNT SUMMARY

PREVIOUS BALANCE	3,793.67
PURCHASES & OTHER CHARGES	120,791.91
SELF ASSESSED INTEREST PENALTY	.00
CHECKS	8,824.13
CHECK FEE	150.02
CREDITS	1,107.56
CURRENT BILLING ACTIVITY	128,658.50
PAYMENTS	123,330.53
ACCOUNT BALANCE	9,121.64

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 02-17-2017

CORPORATE ACCOUNT ACTIVITY

CFTC
[redacted]

TOTAL CORPORATE ACTIVITY
$123,330.53CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-20	01-20	75569637020020111111124	POST WIRE PAYMENT	3,793.67 PY
01-23	01-23	75569637023023111111125	WIRE PAYMENT	5,496.42 PY
01-24	01-23	75569637024024111111122	WIRE PAYMENT	3,446.44 PY
01-25	01-24	75569637025025111111128	CREDIT PAYMENT	1,539.66 PY
01-26	01-26	75569637026026111111125	POST WIRE PAYMENT	11,181.88 PY
01-27	01-26	75569637027027111111122	POST WIRE PAYMENT	1,929.50 PY
01-31	01-31	75569637031031111111128	WIRE PAYMENT	3,549.78 PY
02-01	02-01	75569637032032111111125	WIRE PAYMENT	1,902.00 PY
02-02	02-02	75569637033033111111122	WIRE PAYMENT	2,284.09 PY
02-03	02-03	75569637034034111111145	POST WIRE PYMT	12,517.09 PY
02-06	02-06	75569637037037111111129	WIRE PAYMENT	2,168.73 PY
02-07	02-07	75569637038038111111126	WIRE PAYMENT	30,828.81 PY
02-08	02-08	75569637039039111111123	POST WIRE PYMT	4,059.02 PY
02-09	02-09	75569637040040111111128	POST WIRE PYMT	818.54 PY
02-13	02-10	75569637044044111111126	POST WIRE PYMT	5,281.10 PY
02-14	02-14	75569637045045111111122	POST WIRE PYMT	15,592.51 PY
02-14	02-13	75569637045045111111130	POST WIRE PYMT	2,788.45 PY
02-15	02-15	75569637046046111111129	POST WIRE PYMT	1,418.52 PY
02-16	02-16	75569637047047111111126	WIRE PAYMENT	10,648.94 PY
02-17	02-17	75569637048048111111123	POST WIRE PYMT	2,085.36 PY

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$4,200.00	$0.00	$4,200.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-15	02-14	55480777046026403446799	ENCORE EVENT TECHNOLOG 8472213765 IL	4,200.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$5,970.79	$0.00	$5,970.79

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-25	01-23	85504997024900013633484	ANDERSON COURT REPORTI 703-5197180 VA	1,222.54
02-03	02-02	25536067034101057692738	DAN KAIN TROPHIES FAIRFAX VA	65.00
02-17	02-16	55480777048200292300031	ATKINSON-BAKER INC 08185517310 CA	3,183.25
02-17	02-16	55480777046206081200019	FUTURES INDUSTRY ASSOC 02024665460 DC	1,500.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$159.56	$0.00	$0.00	$159.56 CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-27	01-28	55432867026000133843270	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	21.23 CR
01-27	01-26	55432867026000133843288	GOOGLE *ADWS3516181587 CC@GOOGLE.COM CA	138.33 CR

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 02-17-2017

NEW ACTIVITY

Department: 00000 Total: $10,011.23
Division: 00000 Total: $10,011.23

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$899.06	$1,620.10	$2,519.16

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-06	02-03	[redacted]	CHOICE LEGAL INC TAMPA FL	44.00
02-08	02-07	[redacted]	INUMBR SACRAMENTO CA	48.85
02-09	02-08	[redacted]	INUMBR SACRAMENTO CA	30.91
02-09	02-08	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	18.59
02-09	02-08	[redacted]	CASH ADVANCE FROM - COMPLETED 001020 -ST. PAUL -MN	1,093.60
02-10	02-08	85309617040980013260992	B & A METAL GRAPHIC SILVER SPRING MD	98.00
02-14	02-13	00000000004600002028000	*FINANCE CHARGE* CASH ADVANCE FEE	1.79
02-14	02-13	00000000004600002028000	CASH ADVANCE FROM - COMPASS BANK 001019 -ST. PAUL -MN	105.17
02-15	02-14	00000000004600001039000	*FINANCE CHARGE* CASH ADVANCE FEE	2.48
02-15	02-14	00000000004600001039000	CASH ADVANCE FROM - ALEXANDRA ROTH CSR001017 -ST. PAUL -MN	146.00
02-17	02-16	55541967048264000037792	THE FINANCIAL SERVICE LONDON E14 (FOREIGN CURRENCY) 514.08 GBP 02/17 (RATE) 0.7912	649.76
02-17	02-16	00000000004600002023000	*FINANCE CHARGE* CASH ADVANCE FEE	4.68
02-17	02-16	00000000004600002023000	CASH ADVANCE FROM - BANK OF AMERICA 001018 -ST. PAUL -MN	275.33

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$8,084.54	$4,477.00	$12,561.54

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-20	01-19	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	884.15
02-01	01-31	[redacted]	VERITEXT CORP 8005678658 NJ	1,395.84
02-01	01-31	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	888.25
02-02	02-01	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	1,815.05
02-06	02-03	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	27.95
02-06	02-03	[redacted]	CASH ADVANCE FROM - MARY MASCOUNSKI 001054 -ST. PAUL -MN	1,644.00
02-06	02-03	00000000004600003027000	*FINANCE CHARGE* CASH ADVANCE FEE	12.48
02-06	02-03	00000000004600003027000	CASH ADVANCE FROM - MARY MASLOWSKI 001051 -ST. PAUL -MN	734.00
02-06	02-03	00000000004600003028000	*FINANCE CHARGE* CASH ADVANCE FEE	12.03
02-06	02-03	00000000004600003026000	CASH ADVANCE FROM - MARY MASLOWSKI 001100 -ST. PAUL -MN	707.60
02-06	02-03	00000000004600003029000	*FINANCE CHARGE* CASH ADVANCE FEE	14.97
02-06	02-03	00000000004600003029000	CASH ADVANCE FROM - MARY MASLOWSKI 001099 -ST. PAUL -MN	880.40
02-08	02-07	00000000004600002031000	*FINANCE CHARGE* CASH ADVANCE FEE	8.69
02-08	02-07	00000000004600002031000	CASH ADVANCE FROM - KRUSE & ASSOC 001053 -ST. PAUL -MN	511.00
02-09	02-08	85347037039980002579038	ALLIANCE REPORTING SER MINEOLA NY	246.75
02-09	02-06	85347037039980002579046	ALLIANCE REPORTING SER MINEOLA NY	1,013.15
02-13	02-10	55432867041000017019352	IN *SARASOTA PROCESS S 941-3467900 FL	69.90
02-13	02-10	55536077041816003925604	VERITEXT CORP 8005678658 NJ	1,695.33

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 02-17-2017

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$5,331.00	$1,370.00	$6,701.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-20	01-19	[redacted]	[redacted]	1,084.75
01-20	01-19	[redacted]	[redacted]	920.92
01-25	01-24	[redacted]	[redacted]	1,723.00
01-30	01-27	[redacted]	[redacted]	90.00
01-30	01-27	[redacted]	[redacted]	80.00
01-30	01-27	[redacted]	[redacted]	156.75
02-02	01-31	[redacted]	[redacted]	0.10
02-02	02-01	[redacted]	[redacted]	240.16
02-02	02-01	[redacted]	[redacted]	355.04
02-03	02-02	[redacted]	[redacted]	6.29
02-03	02-02	[redacted]	[redacted]	370.00
02-08	02-07	55436877038270381237324	[redacted]	250.00
02-15	02-14	55432867045000344842217	[redacted]	245.69
02-15	02-14	00000000004600001015000	[redacted]	17.00
02-15	02-14	00000000004600001015000	[redacted]	1,000.00
02-16	02-15	55460297046206588000602	[redacted]	161.30

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1.11	$65.00	$66.11

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-23	01-20	00000000004600003019000	*FINANCE CHARGE* CASH ADVANCE FEE	0.43
01-23	01-20	00000000004600003019000	CASH ADVANCE FROM - NEW YORK STATE DEP001119 -ST. PAUL -MN	25.00
01-24	01-23	00000000004600003010000	*FINANCE CHARGE* CASH ADVANCE FEE	0.68
01-24	01-23	00000000004600003010000	CASH ADVANCE FROM - NEW YORK STATE DEP001118 -ST. PAUL -MN	40.00

Department: 05002 Total: $21,847.81
Division: 00001 Total: $21,847.81

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$7,039.28	$0.00	$7,039.28

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-24	01-23	[redacted]	[redacted]	56.00
01-25	01-24	[redacted]	[redacted]	2,999.00
01-30	01-28	[redacted]	[redacted]	2,033.20
01-31	01-30	[redacted]	[redacted]	52.00
02-03	02-02	[redacted]	[redacted]	28.00
02-03	02-02	[redacted]	[redacted]	160.00
02-09	02-08	[redacted]	[redacted]	31.92
02-09	02-08	[redacted]	[redacted]	56.00
02-13	02-10	[redacted]	[redacted]	37.50
02-13	02-09	[redacted]	[redacted]	1,236.30
02-14	02-13	[redacted]	[redacted]	321.36
02-15	02-14	[redacted]	[redacted]	28.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 02-17-2017

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$273.00	$0.00	$273.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-30	01-27	25247807027003072096960	ABLE FIRE PREVENTION NEW YORK NY	132.00
02-16	02-15	55432867047000045802070	TEXAS ROTISSERIE & GRI 212-665-9800 NY	141.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$429.00	$0.00	$429.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-14	02-10	25247807044001469014074	GARVEYS OFFICE PRODUCT NILES IL	429.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$211.96	$1,292.03	$1,503.99

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-07	02-06	00000000004600002024000	*FINANCE CHARGE* CASH ADVANCE FEE	21.96
02-07	02-06	00000000004600002024000	CASH ADVANCE FROM - TST 525 WEST MONRO001075 -ST. PAUL -MN	1,292.03
02-16	02-14	85184127046400000290823	CHICAGOS HOME OF CHICK OAK PARK IL	190.00
			Department: 05004 Total:	$9,245.27

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$495.00	$0.00	$495.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-16	02-15	25536067047104020018960	DAS ETHIOPIAN REST WASHINGTON DC	495.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$167.03	$0.00	$167.03

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-16	02-14	85133317046700070813928	BLUE NILE CAFE KANSAS CITY MO	167.03
			Department: 05006 Total:	$662.03
			Division: 00003 Total:	$9,907.30

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 02-17-2017

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$37,535.64	$0.00	$37,535.64

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-20	01-19	[redacted]	ATT*BILL PAYMENT [redacted] TX	85.00
01-20	01-20	[redacted]	TWC*TIME WARNER [redacted] NY	826.60
01-23	01-21	[redacted]	[redacted] CA	286.98
01-24	01-23	[redacted]	[redacted]	1,443.00
01-25	01-25	[redacted]	[redacted] WA	394.00
01-25	01-25	[redacted]	TWC*TIME WARNER [redacted] NY	199.99
01-25	01-23	[redacted]	ATT*BILL PAYMENT [redacted] TX	1,982.60
01-26	01-26	[redacted]	TWC*TIME WARNER [redacted] NY	44.73
01-30	01-26	[redacted]	[redacted] CO	210.03
01-30	01-28	[redacted]	[redacted] MA	65.90
02-06	02-02	[redacted]	[redacted] CA	2,760.00
02-06	02-03	[redacted]	TWC*TIME WARNER [redacted] NY	89.91
02-06	02-03	[redacted]	TWC*TIME WARNER [redacted] NY	43.91
02-06	02-04	[redacted]	[redacted] VA	23,629.98
02-06	02-05	[redacted]	[redacted] DC	85.76
02-06	02-05	[redacted]	[redacted] DC	125.76
02-07	02-05	[redacted]	[redacted]	145.03
02-09	02-07	[redacted]	[redacted] VA	2,668.20
02-13	02-11	[redacted]	TWC*TIME WARNER [redacted] NY	618.00
02-13	02-12	[redacted]	TWC*TIME WARNER [redacted] NY	109.99
02-15	02-14	[redacted]	ATT*BILL PAYMENT [redacted] TX	101.67
02-15	02-14	[redacted]	TWC*NATIONAL [redacted] VA	1,618.60

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$13,517.83	$0.00	$13,517.83

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-20	01-18	55421357019627187796840	AMERICAN MGMT ASSOC SARANAC LAKE NY	1,695.00
01-23	01-18	55504437020110280950876	P / L SERVICES LTD LONDON (FOREIGN CURRENCY) 1,020.00 GBP 01/23 (RATE) 0.8015	1,272.58
01-25	01-24	[redacted]	BLR/HCPRO 615-661-0249 TN	249.00
01-25	01-24	[redacted]	EB DC BLOCKCHAIN SUMM 8014137200 CA	136.75
01-25	01-24	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	2,275.00
01-26	01-25	[redacted]	ACAMS 3053730020 FL	1,540.00
02-02	01-31	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	695.00
02-13	02-10	[redacted]	CVENT* DTCC EVENT 07032263500 VA	475.00
02-15	02-14	[redacted]	DISASTER RECOVERY JOUR ARNOLD MO	1,165.50
02-15	02-14	[redacted]	AIM CONFERENCE 2017 3015878202 MD	1,295.00
02-15	02-14	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	699.00
02-15	02-14	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	65.00
02-15	02-14	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	65.00
02-16	02-15	[redacted]	NARA NRHSR REC MGMT 817-551-2004 CA	300.00
02-16	02-15	[redacted]	NARA NRHSR REC MGMT 817-551-2004 CA	300.00
02-17	02-16	[redacted]	INFINITY CONFERENCE GR 07039259455 VA	500.00
02-17	02-16	[redacted]	FEDERAL BUSINESS COUNC 03012062940 MD	395.00
02-17	02-16	[redacted]	FEDERAL BUSINESS COUNC 03012062940 MD	395.00

Department: 05009 Total: $51,053.47

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$948.00	$19,044.87	$0.00	$18,096.87

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 02-17-2017

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-23	01-20	[redacted]	[redacted]	1,861.45
01-26	01-25	[redacted]	[redacted]	34.77
01-26	01-24	[redacted]	[redacted] DC	310.00
01-30	01-26	[redacted]	[redacted]	149.90
01-30	01-28	[redacted]	[redacted]	32.88
01-30	01-28	[redacted]	[redacted] WA	24.24
01-30	01-29	[redacted]	[redacted]	34.44
02-07	02-06	[redacted]	[redacted]	2,600.00
02-09	02-09	[redacted]	[redacted] WA	43.98
02-09	02-07	[redacted]	[redacted]	78.00
02-10	02-09	[redacted]	[redacted]	2,475.00
02-10	02-09	[redacted]	[redacted] WA	16.16
02-13	02-11	[redacted]	[redacted] WA	82.37
02-13	02-11	[redacted]	[redacted] WA	26.42
02-13	02-10	[redacted]	[redacted]	8,151.00
02-13	02-09	[redacted]	[redacted]	1,642.50
02-14	02-13	[redacted]	[redacted] WA	59.27
02-14	02-14	[redacted]	[redacted] WA	143.46
02-16	02-14	[redacted]	[redacted]	948.00 CR
02-16	02-16	[redacted]	[redacted] WA	36.03
02-16	02-14	[redacted]	[redacted]	948.00
02-16	02-14	[redacted]	[redacted] DC	295.00

Department: 05010 Total: $18,096.87
Division: 00005 Total: $69,150.34

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$4,623.74	$0.00	$4,623.74

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-31	01-30	[redacted]	[redacted]	1,850.00
02-02	02-01	[redacted]	[redacted]	184.33
02-02	02-01	[redacted]	[redacted]	195.87
02-02	02-01	[redacted]	[redacted]	276.54
02-13	02-11	[redacted]	[redacted]	1,122.00
02-17	02-16	[redacted]	[redacted] MD	995.00

Department: 05013 Total: $4,623.74
Division: 00007 Total: $4,623.74

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$3,083.79	$0.00	$3,083.79

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-27	01-26	[redacted]	EDLEN ELECTRICAL 04078549991 FL	80.00
02-03	02-01	[redacted]	T3 EXPO 888-698-3397 MA	1,079.44
02-06	02-03	[redacted]	STAPLES 00115329 WASHINGTON DC	16.06
02-13	02-10	[redacted]	11TH HOUR BUSINESS CEN CHAMPIONS GAT FL	40.00
02-13	02-10	[redacted]	T3 EXPO 888-698-3397 MA	212.00
02-13	02-11	[redacted]	T3 EXPO 888-698-3397 MA	74.20
02-14	02-13	[redacted]	EAX WORLDWIDE, LLC 06196681565 CA	358.47
02-17	02-15	[redacted]	T3 EXPO 888-698-3397 MA	1,223.62

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 02-17-2017

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$8,755.00	$0.00	$8,755.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-02	02-01	05206657033004120000048	TERRAPINN LONDON	8,755.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,279.29	$0.00	$1,279.29

Post Date	Tran Date	Reference Number	Transaction Description	Amount
01-30	01-28	55432867028000350669521	GAYLORD OPRYLAND RETAI NASHVILLE TN 036921 ARRIVAL: 01-28-17	620.00
02-03	02-03	55432867034000686158894	FREEMAN NASHVILLE 615-391-5522 TN	460.00
02-10	02-10	55432867041000716618520	FREEMAN NASHVILLE 615-391-5522 TN	199.29

Department: 05015 Total: $13,118.08
Division: 00008 Total: $13,118.08

U.S. BANKCORP
P.O. BOX 6347
FARGO ND 58125-6347

ACCOUNT NUMBER	[redacted]
STATEMENT DATE	03-17-2017
AMOUNT DUE	$5,878.99
NEW BALANCE	$6,898.99

PAYMENT DUE IN ACCORDANCE WITH PROMPT PAYMENT ACT

AMOUNT ENCLOSED
$

Please make check payable to"U.S. Bank"

[redacted]
CFTC
[redacted]
1155 21ST STREET NW
WASHINGTON DC 20581-0002

U.S. BANKCORP
PO BOX 6313
FARGO ND 58125-6313

[redacted]

Please tear payment coupon at perforation.

ACCOUNT MESSAGES

** Attention ** Your account is in dispute for $1,020.00. This amount has not been included in the finance charge or minimum payment calculation.
Foreign transactions include a 1% foreign currency conversion fee incorporated in the exchange rate.

BILLING ACCOUNT SUMMARY

CFTC [redacted]	Previous Balance	Purchases And Other Charges +	Self Assessed Interest Penalty +	Checks +	Check Fee +	Credits -	Current Activity =	Payments	Account Balance
Company Total	$9,121.64	$145,116.30	$0.00	$2,378.90	$40.44	$930.85	$146,604.79	$148,827.44	$6,898.99

Default Accounting Code:

CUSTOMER SERVICE CALL

888-994-6722

ACCOUNT NUMBER

[redacted]

STATEMENT DATE	DISPUTED AMOUNT
03/19/17	1,020.00

SEND BILLING INQUIRIES TO:

U.S. Bank Government Services
P.O. Box 6335
Fargo, ND 58125-6335

AMOUNT DUE

5,878.99

ACCOUNT SUMMARY

PREVIOUS BALANCE	9,121.64
PURCHASES & OTHER CHARGES	145,116.30
SELF ASSESSED INTEREST PENALTY	.00
CHECKS	2,378.90
CHECK FEE	40.44
CREDITS	930.85
CURRENT BILLING ACTIVITY	146,604.79
PAYMENTS	148,827.44
ACCOUNT BALANCE	6,898.99

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 03-17-2017

CORPORATE ACCOUNT ACTIVITY

CFTC [redacted]

TOTAL CORPORATE ACTIVITY $148,827.44CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-22	02-22	75569637053053111111125	POST WIRE PAYMENT	85.00 PY
02-22	02-21	75569637053053111111125	WIRE PAYMENT	23,157.13 PY
02-23	02-23	75569637054054111111155	POST WIRE PYMT	6,095.78 PY
02-24	02-24	75569637055055111111128	POST WIRE PYMT	12,167.07 PY
02-27	02-27	75569637058058111111129	WIRE PAYMENT	7,382.87 PY
02-28	02-28	75569637059059111111175	WIRE PAYMENT	16,284.48 PY
03-01	03-01	75569637060060111111121	WIRE PAYMENT	5,447.40 PY
03-02	03-02	75569637061061111111144	WIRE PAYMENT	1,182.18 PY
03-03	03-03	75569637062062111111125	POST WIRE PYMT	5,433.66 PY
03-06	03-06	75569637065065111111125	WIRE PAYMENT	7,100.15 PY
03-07	03-07	75569637066066111111148	WIRE PAYMENT	5,581.23 PY
03-08	03-08	75569637067067111111129	WIRE PAYMENT	2,550.00 PY
03-09	03-09	75569637068068111111126	WIRE PAYMENT	3,552.83 PY
03-10	03-10	75569637069069111111123	POST WIRE PYMT	13,863.91 PY
03-13	03-13	75569637072072111111122	WIRE PAYMENT	2,219.96 PY
03-14	03-14	75569637073073111111129	WIRE PAYMENT	9,463.47 PY
03-15	03-15	75569637074074111111167	WIRE PAYMENT	660.14 PY
03-16	03-16	75569637075075111111122	POST WIRE PYMT	1,640.83 PY
03-17	03-17	75569637076076111111145	POST WIRE PAYMENT	25,159.35 PY

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$5,132.37	$0.00	$5,132.37

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-27	02-24	55432867056000653803400	MARRIOTT 33789 NY MARQ 866-435-7627 NY M05799 ARRIVAL: 02-24-17	5,132.37

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$5,061.95	$0.00	$5,061.95

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-22	02-21	25536067053105009840994	SMARTDRAW.COM SAN DIEGO CA	1,314.95
02-27	02-24	55457027056200739900433	GRADUATE SCHOOL REG 08887444723 DC	1,249.00
02-27	02-24	55457027056200739900441	GRADUATE SCHOOL REG 08887444723 DC	1,249.00
02-27	02-24	55457027056200739900458	GRADUATE SCHOOL REG 08887444723 DC	1,249.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$769.00	$0.00	$769.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-10	03-09	25536067069101063281722	DAN KAIN TROPHIES FAIRFAX VA	172.00
03-13	03-10	85309617071980013260929	B & A METAL GRAPHIC SILVER SPRING MD	597.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 03-17-2017

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$230.00	$819.00	$0.00	$589.00

Post Date	Tran Date	Reference Number	Transaction Description		Amount
03-08	03-07	[redacted]	[redacted]	TN	796.00
03-09	03-08	[redacted]	[redacted]	TN	23.00 CR
03-09	03-08	[redacted]	[redacted]	TN	23.00 CR
03-09	03-08	[redacted]	[redacted]	TN	23.00 CR
03-09	03-08	[redacted]	[redacted]	TN	23.00 CR
03-09	03-08	[redacted]	[redacted]	TN	23.00 CR
03-10	03-09	[redacted]	[redacted]	TN	23.00 CR
03-13	03-11	[redacted]	[redacted]	TN	23.00 CR
03-13	03-11	[redacted]	[redacted]	TN	23.00 CR
03-13	03-11	[redacted]	[redacted]	TN	23.00 CR
03-13	03-11	[redacted]	[redacted]	TN	23.00 CR
03-16	03-15	[redacted]	[redacted]	TN	23.00

Department: 00000 Total: $11,552.32
Division: 00000 Total: $11,552.32

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$727.27	$38.95	$766.22

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-22	02-21	55541967053264000037778	THE FINANCIAL SERVICE LONDON E14 (FOREIGN CURRENCY) 514.08 GBP 02/22 (RATE) 0.7947	646.85
03-08	03-07	75337007066417700626706	INUMBR SACRAMENTO CA	48.85
03-09	03-08	75337007067418900608584	INUMBR SACRAMENTO CA	30.91
03-16	03-15	00000000004600002019000	*FINANCE CHARGE* CASH ADVANCE FEE	0.66
03-16	03-15	00000000004600002019000	CASH ADVANCE FROM - JPMORGAN CHASE BAN001021 -ST. PAUL -MN	38.95

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$10,429.15	$1,512.45	$11,941.60

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-28	02-27	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	1,599.15
02-28	02-27	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	2,233.90
02-28	02-27	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	316.00
03-03	03-02	[redacted]	ACCURATE SERVE ORLANDO 407-760-0880 FL	150.00
03-06	03-03	[redacted]	ESQUIRE SOLUTIONS ATLANTA GA	1,004.39
03-09	03-08	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	20.42
03-09	03-08	[redacted]	CASH ADVANCE FROM - MARY MASLOWSKI 001055 -ST. PAUL -MN	1,201.20
03-13	03-10	00000000004600001023000	*FINANCE CHARGE* CASH ADVANCE FEE	5.29
03-13	03-10	00000000004600001023000	CASH ADVANCE FROM - CAPITOL PROCESS SE001056 -ST. PAUL -MN	311.25
03-17	03-16	55417347076130764656740	CORPORATE LANGUAGE SER 212-7664111 NY	5,100.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 03-17-2017

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$14.03	$9,100.14	$0.00	$9,086.11

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-20	02-17	[redacted]	[redacted]	258.05
02-27	02-24	[redacted]	[redacted] DC	554.45
02-27	02-24	[redacted]	[redacted] DC	477.25
02-27	02-24	[redacted]	[redacted] DC	657.05
02-28	02-18	[redacted]	[redacted]	14.03 CR
03-03	03-02	[redacted]	[redacted] DC	607.40
03-03	03-02	[redacted]	[redacted] DC	1,897.44
03-03	03-02	[redacted]	[redacted] DC	1,727.82
03-10	03-09	[redacted]	[redacted] DC	1,027.21
03-10	03-09	[redacted]	[redacted] DC	251.56
03-16	03-16	[redacted]	[redacted] NY	275.00
03-16	03-15	[redacted]	[redacted] DC	1,366.91

Department: 05002 Total: $21,793.93
Division: 00001 Total: $21,793.93

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$475.98	$1,606.23	$0.00	$1,130.25

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-20	02-18	[redacted]	VARIDESK 08002072587 TX	435.49
02-20	02-17	[redacted]	LEGALSTORE LOS ANGELES CA	43.35
02-23	02-22	[redacted]	VARIDESK 08002072587 TX	435.49 CR
02-23	02-22	[redacted]	VARIDESK 08002072587 TX	435.49
03-06	03-03	[redacted]	CAPITAL SHREDDER CORP 03017703900 MD	89.00
03-15	03-14	[redacted]	INT*IN *MOVING MASTERS 301-7732777 MD	482.90
03-17	03-16	[redacted]	VARIDESK 08002072587 TX	40.49 CR
03-17	03-16	[redacted]	FEDEXOFFICE 00018150 WASHINGTON DC	120.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$56.93	$0.00	$56.93

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-08	03-07	05410197066069300252387	FEDEXOFFICE 00008839 NEW YORK NY	56.93

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$664.07	$827.50	$1,491.57

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-24	02-23	55446417055200590800019	ATD SOLAR & SECURITY 03016074406 MD	650.00
03-09	03-08	00000000004600003026000	*FINANCE CHARGE* CASH ADVANCE FEE	14.07
03-09	03-08	00000000004600003026000	CASH ADVANCE FROM - PJ MECHANICAL CORP001054 -ST. PAUL -MN	827.50

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 03-17-2017

NEW ACTIVITY

Department: 05004 Total: $2,678.75

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,485.91	$0.00	$1,485.91

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-24	02-23	05436847055500151373701	OFFICEMAX/OFFICEDEPOT6 800-463-3768 PA	13.14
02-27	02-24	05436847056100106249210	OFFICE DEPOT #5910 800-463-3768 PA	605.17
03-09	03-08	85260887067900012654791	AVIO GALLERIES, INC. LURAY VA	667.60
03-09	03-08	85260887067900012654809	AVIO GALLERIES, INC. LURAY VA	200.00

Department: 05008 Total: $1,485.91
Division: 00003 Total: $4,164.66

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,020.00	$0.00	$1,020.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-13	03-11	75418237070036929210297	SMK*SURVEYMONKEY.COM 971-2445555 CA	1,020.00

Department: 05007 Total: $1,020.00
Division: 00004 Total: $1,020.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$47,743.39	$0.00	$47,743.39

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-20	02-20	[redacted]	TWC*TIME WARNER NYC [redacted] NY	826.60
02-20	02-17	[redacted]	[redacted] VA	12,472.00
02-21	02-20	[redacted]	[redacted] TX	85.00
02-22	02-21	[redacted]	[redacted] CA	294.98
02-23	02-21	[redacted]	[redacted]	11,207.57
02-24	02-23	[redacted]	[redacted]	1,431.00
02-27	02-25	[redacted]	[redacted]	199.99
02-27	02-26	[redacted]	[redacted] NY	44.73
02-28	02-26	[redacted]	[redacted]	213.03
03-02	03-01	[redacted]	[redacted]	65.90
03-06	03-04	[redacted]	[redacted] NY	43.91
03-06	03-05	[redacted]	[redacted] DC	125.76
03-06	03-05	[redacted]	[redacted] DC	85.76
03-06	03-06	[redacted]	[redacted] NY	89.91
03-10	03-08	[redacted]	[redacted]	145.03
03-13	03-10	[redacted]	[redacted]	188.56
03-13	03-09	[redacted]	[redacted] NH	603.37
03-14	03-13	[redacted]	[redacted]	42.14
03-14	03-14	[redacted]	[redacted] NY	618.00
03-15	03-14	[redacted]	[redacted] WA	396.85
03-15	03-14	[redacted]	[redacted]	100.00
03-15	03-15	[redacted]	[redacted] NY	109.99
03-16	03-16	[redacted]	[redacted]	18,079.83
03-17	03-16	[redacted]	[redacted] VA	293.48

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 03-17-2017

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$100.00	$18,525.05	$0.00	$18,425.05

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-22	02-21	[redacted]	DISASTER RECOVERY JOUR ARNOLD MO	1,295.00
02-22	02-21	[redacted]	MER CONFERENCE 3125271551 IL	1,945.00
02-22	02-21	[redacted]	TDWI 4252779126 CA	599.00
02-24	02-22	[redacted]	W3917-170222162255 MGTCONCEPTS VA	409.00
02-24	02-22	[redacted]	HUMAN RESOURCES INSTI 301-749-5600 MD	765.00
03-02	03-01	[redacted]	THEREGGROUP 2024663205 VA	775.00
03-06	03-03	[redacted]	GTU-SCH OF CONT STUDIE 02026876132 DC	1,695.00
03-07	03-06	[redacted]	OPM-HRS-EMDC 202-606-0260 WV	2,550.00
03-08	03-07	[redacted]	EB DC BLOCKCHAIN SUMM 8014137200 CA	27.35
03-08	03-07	[redacted]	EB DC BLOCKCHAIN SUMM 8014137200 CA	27.35
03-08	03-07	[redacted]	EB DC BLOCKCHAIN SUMM 8014137200 CA	27.35
03-09	03-08	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	7,560.00
03-10	03-08	[redacted]	BLACKS IN GOVERNMENT WASHINGTON DC	680.00
03-15	03-13	[redacted]	MER CONFERENCE 3125271551 IL	100.00 CR
03-17	03-16	[redacted]	MSU-BZ-ECON BOZEMAN MT	170.00

Department: 05009 Total: $66,168.44

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$78.00	$14,383.63	$0.00	$14,305.63

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-24	02-23	[redacted]	PAYPAL *DIGITALRIVE RE 4029357733 MN	1,344.00
02-24	02-23	[redacted]	SOFTWARE MORE 08009449931 GA	571.68
02-24	02-23	[redacted]	PREMIER OP 800-7276534 CA	1,476.80
02-24	02-23	[redacted]	BLS*POWERMAPPER 18663127733 GBR	87.25
02-27	02-24	[redacted]	AUDIOBLOCKS 866-2825360 VA	76.00 CR
02-27	02-24	[redacted]	STAPLES DIRECT 800-3333330 MA	141.64
02-27	02-24	[redacted]	APL*APPLEONLINESTOREUS 800-676-2775 CA	38.07
02-27	02-25	[redacted]	LASER EXPERTS 801-9779898 UT	1,662.40
02-27	02-23	[redacted]	FOCUS CAMERA/ ASAVINGS 800-221-0828 NY	593.96
02-28	02-27	[redacted]	ETS INC. 9253535009 CA	1,099.35
03-01	02-27	[redacted]	THE OFFICE PAL TEL7323701733 NJ	552.00
03-02	03-02	[redacted]	DELL SALES & SERVICE 866-393-9460 TX	2,326.48
03-03	03-02	[redacted]	GLOBALSCAPE INC 210-308-8267 TX	2,557.50
03-06	03-02	[redacted]	A&T SYSTEMS INC SILVER SPRING MD	1,932.50

Department: 05010 Total: $14,305.63
Division: 00005 Total: $80,474.07

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$12,389.61	$0.00	$12,389.61

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-27	02-27	55432867058000367247983	AMAZON.COM AMZN.COM/BILL WA	348.00
02-27	02-27	55432867058000371611448	AMAZON.COM AMZN.COM/BILL WA	540.52
03-13	03-10	55536077070556014288139	CHICAGO BOOKS & JOU 800-6212736 IL	350.00
03-13	03-10	85177497069001486340088	PP*SCUDDER PUBLISHING CROWNSVILLE MD	6,500.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 03-17-2017

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-15	03-14	55310207074083147126921	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	489.46
03-15	03-15	55432867074000495970928	AMAZON.COM AMZN.COM/BILL WA	161.63
03-16	03-15	55547507075286112800019	THE PRO EXPORTER NETWO 07344750454 MI	4,000.00
			Department: 05013 Total:	$12,389.61
			Division: 00007 Total:	$12,389.61

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$495.00	$0.00	$495.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-17	03-16	85541187075900017049027	CAREERECO 770-9800088 GA	495.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$32.84	$3,194.74	$0.00	$3,161.90

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-27	02-26	05410197057069700254380	FEDEXOFFICE 00056671 NEW YORK NY	7.99
02-27	02-26	05410197057069700254471	FEDEXOFFICE 00056671 NEW YORK NY	4.00
02-27	02-26	05410197057069700254489	FEDEXOFFICE 00056671 NEW YORK NY	55.00
02-27	02-23	55432867055000012603039	MARRIOTT 33789 NY MARQ 866-435-7627 NY M05672 ARRIVAL: 02-23-17	1,103.64
03-01	02-27	85432907059701576321689	T3 EXPO 888-698-3397 MA	630.18
03-02	02-28	55432867060000263383219	MARRIOTT 33789 NY MARQ 866-435-7627 NY M06149 ARRIVAL: 02-28-17	402.84
03-02	03-01	55500367060286817000106	EAX WORLDWIDE, LLC 0619668565 CA	476.09
03-06	03-03	75456677063012493329028	SIR SPEEDY, INC WASHINGTON DC	515.00
03-10	03-09	55432867068000133392012	MARRIOTT NY MARQUIS 866-435-7627 NY 025831 ARRIVAL: 03-09-17	32.84 CR

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$9,404.95	$0.00	$9,404.95

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-23	02-23	[redacted]	BREDE ARIZONA PHOENIX AZ	959.50
02-24	02-23	[redacted]	EXPO CNVTN CNTRCTRS IN 03057511234 FL	635.00
02-27	02-25	[redacted]	PARAMOUNT CONVENTION S 314-621-6677 MO	449.25
03-03	03-02	[redacted]	SMART CITY-WIFI SRVS 08884466911 NV	159.99
03-08	03-07	[redacted]	BLUETRACK 8007906090 NJ	2,569.00
03-09	03-08	[redacted]	INKHEAD INC 08005540127 GA	3,257.21
03-16	03-15	[redacted]	COMMODITY CLASSIC 636-7339004 MO	1,375.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$761.00	$0.00	$761.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 03-17-2017

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-17	03-17	55432867076000535389525	DEPOSITION SERVICES, I 301-881-3344 MD	604.00
03-17	03-17	55432867076000535389533	DEPOSITION SERVICES, I 301-881-3344 MD	157.00
			Department: 05015 Total:	$13,822.85
			Division: 00008 Total:	$13,822.85

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,387.35	$0.00	$1,387.35

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-02	03-01	85347037060980002579063	ALLIANCE REPORTING SER MINEOLA NY	1,387.35
			Department: 05016 Total:	$1,387.35
			Division: 00009 Total:	$1,387.35

usbank

U.S. BANKCORP
P.O. BOX 6347
FARGO ND 58125-6347

ACCOUNT NUMBER	[redacted]
STATEMENT DATE	04-19-2017
AMOUNT DUE	$4,758.40
NEW BALANCE	$4,758.40

PAYMENT DUE IN ACCORDANCE WITH PROMPT PAYMENT ACT

AMOUNT ENCLOSED
$

Please make check payable to "U.S. Bank"

[redacted]
CFTC
[redacted]
1155 21ST STREET NW
WASHINGTON DC 20581-0002

U.S. BANKCORP
PO BOX 6313
FARGO ND 58125-6313

[redacted]

Please tear payment coupon at perforation.

ACCOUNT MESSAGES

Foreign transactions include a 1% foraign currency conversion fee incorporated in the exchange rate.

BILLING ACCOUNT SUMMARY

CFTC [redacted]	Previous Balance	Purchases And Other Charges	+ Self Assessed Interest Penalty	+ Checks	+ Check Fee	- Credits	= Current Activity	Payments	Account Balance
Company Total	$6,898.99	$109,506.62	$0.00	$1,735.25	$29.51	$2,067.37	$109,204.01	$111,344.60	$4,758.40

Default Accounting Code:

CUSTOMER SERVICE CALL

888-994-6722

ACCOUNT NUMBER
[redacted]

STATEMENT DATE	DISPUTED AMOUNT
04/19/17	.00

SEND BILLING INQUIRIES TO:

U.S. Bank Government Services
P.O. Box 6335
Fargo, ND 58125-6335

AMOUNT DUE
4,758.40

ACCOUNT SUMMARY

PREVIOUS BALANCE	6,898.99
PURCHASES & OTHER CHARGES	109,506.62
SELF ASSESSED INTEREST PENALTY	.00
CHECKS	1,735.25
CHECK FEE	29.51
CREDITS	2,067.37
CURRENT BILLING ACTIVITY	109,204.01
PAYMENTS	111,344.60
ACCOUNT BALANCE	4,758.40

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 04-19-2017

CORPORATE ACCOUNT ACTIVITY

CFTC [redacted]

TOTAL CORPORATE ACTIVITY $111,344.60CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-20	03-20	75569637079079111111120	WIRE PAYMENT	6,898.99 PY
03-21	03-21	75569637080080111111125	WIRE PAYMENT	6,289.91 PY
03-22	03-22	75569637081081111111122	POST WIRE PAYMENT	4,311.40 PY
03-23	03-23	75569637082082111111368	WIRE PAYMENT	2,073.21 PY
03-24	03-24	75569637083083111111134	POST WIRE PYMT	1,586.50 PY
03-27	03-27	75569637086086111111126	WIRE PAYMENT	4,137.59 PY
03-28	03-28	75569637087087111111222	WIRE PAYMENT	1,723.81 PY
03-29	03-29	75569637088088111111146	WIRE PAYMENT	525.50 PY
03-30	03-30	75569637089089111111135	WIRE PAYMENT	6,573.85 PY
04-03	04-03	75569637093093111111123	POST WIRE PAYMENT	8,049.51 PY
04-03	03-31	75569637093093111111206	WIRE PAYMENT	1,788.34 PY
04-05	04-05	75569637095095111111126	WIRE PAYMENT	2,939.70 PY
04-06	04-06	75569637096096111111149	WIRE PAYMENT	9,577.32 PY
04-07	04-07	75569637097097111111120	POST WIRE PAYMENT	8,487.96 PY
04-10	04-10	75569637100100111111127	WIRE PAYMENT	1,514.15 PY
04-11	04-11	75569637101101111111124	POST WIRE PYMT	3,577.91 PY
04-12	04-12	75569637102102111111121	POST WIRE PYMT	3,580.93 PY
04-14	04-14	75569637104104111111125	POST WIRE PYMT	2,649.10 PY
04-14	04-13	75569637104104111111141	POST WIRE PYMT	533.75 PY
04-17	04-17	75569637107107111111133	WIRE PAYMENT	3,602.95 PY
04-18	04-18	75569637108108111111122	POST WIRE PAYMENT	24,450.72 PY
04-19	04-19	75569637109109111111129	POST WIRE PYMT	6,471.50 PY

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$418.37	$985.85	$0.00	$567.48

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-03	03-31	55432867090000341912991	MARRIOTT NY MARQUIS 866-435-7627 NY 007311 ARRIVAL: 03-31-17	418.37 CR
04-06	04-05	55263527096207000011100	ASSOCIATION OF NATIONA 02126975950 NY	985.85

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$577.56	$0.00	$577.56

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-22	03-21	[redacted]	TREASURY FMS - CWA 202-874-9613 MD	100.00
03-22	03-21	[redacted]	TREASURY FMS - CWA 202-874-9613 MD	100.00
03-22	03-21	[redacted]	TREASURY FMS - CWA 202-874-9613 MD	100.00
03-22	03-21	[redacted]	TREASURY FMS - CWA 202-874-9613 MD	100.00
03-22	03-21	[redacted]	TREASURY FMS - CWA 202-874-9613 MD	100.00
03-22	03-21	[redacted]	B&H PHOTO, [redacted] 800-2215743 NY	64.95
04-14	04-14	[redacted]	D J WALL ST JOURNAL 800-568-7625 MA	12.61

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 04-19-2017

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$9,073.80	$0.00	$9,073.80

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-17	04-14	85180897106080080065664	FORCE 3 INC TEL4107930023 MD	9,073.80

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$23.00	$0.00	$0.00	$23.00 CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-20	03-17	55547537077556016200184	CONFIRMATION.COM 08663257201 TN	23.00 CR

Department: 00000 Total: $10,195.84
Division: 00000 Total: $10,195.84

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$82.74	$175.00	$257.74

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-20	03-17	00000000004600003016000	*FINANCE CHARGE* CASH ADVANCE FEE	2.55
03-20	03-17	00000000004600003016000	CASH ADVANCE FROM - ACE INC 001024 -ST. PAUL -MN	150.00
04-05	04-04	75337007094412200675598	INUMBR SACRAMENTO CA	48.85
04-06	04-05	75337007095413400615359	INUMBR SACRAMENTO CA	30.91
04-14	04-13	00000000004600003022000	*FINANCE CHARGE* CASH ADVANCE FEE	0.34
04-14	04-13	00000000004600003022000	CASH ADVANCE FROM - TREASURER OF VIRGI001030 -ST. PAUL -MN	20.00
04-17	04-14	00000000004600001012000	*FINANCE CHARGE* CASH ADVANCE FEE	0.09
04-17	04-14	00000000004600001012000	CASH ADVANCE FROM - MISSOURI SUPREME 001029 -ST. PAUL -MN	5.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$1,201.20	$19,470.07	$307.25	$18,576.12

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-20	03-17	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	2,024.55
03-21	03-19	[redacted]	MICRO CENTER DALLAS TX	281.60
03-21	03-20	[redacted]	SQ *SQ *MARY MASLOWSKI CHICAGO IL	1,201.20
03-21	03-20	[redacted]	SQ *SQ *MARY MASLOWSKI CHICAGO IL	1,082.40
03-21	03-20	[redacted]	SQ *SQ *MARY MASLOWSKI CHICAGO IL	1,336.20
03-28	03-27	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	5.22
03-28	03-27	[redacted]	CASH ADVANCE FROM - CAPITOL PROCESS 001057 -ST. PAUL -MN	307.25
03-30	03-29	55429507088894960908640	DIRECTPROCESSSERVER 6313436331 NY	299.50
04-11	04-10	25247707101008784912611	ESQUIRE SOLUTIONS ATLANTA GA	1,913.20
04-13	04-12	85347037102980002579022	ALLIANCE REPORTING SER MINEOLA NY	1,667.00
04-14	04-13	85347037103980002579047	ALLIANCE REPORTING SER MINEOLA NY	1,910.00
04-17	03-20	55432867104000276923223	SQ *SQ *MARY MASLOWSKI CHICAGO IL	1,201.20 CR

Company Name: CFTC	
Corporate Account Number:	[redacted]
Statement Date: 04-19-2017	

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-17	04-14	[redacted]	SQ *SQ *MARY MASLOWSKI CHICAGO IL	747.40
04-17	04-14	[redacted]	SQ *SQ *MARY MASLOWSKI CHICAGO IL	1,309.20
04-17	04-14	[redacted]	SQ *SQ *MARY MASLOWSKI CHICAGO IL	612.40
04-17	04-14	[redacted]	SQ *SQ *MARY MASLOWSKI CHICAGO IL	1,595.40
04-17	04-14	[redacted]	SQ *SQ *MARY MASLOWSKI CHICAGO IL	1,266.00
04-17	04-14	[redacted]	SQ *SQ *MARY MASLOWSKI CHICAGO IL	1,676.40
04-17	04-14	[redacted]	SQ *SQ *MARY MASLOWSKI CHICAGO IL	542.40

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$22,617.45	$253.00	$22,870.45

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-20	03-17	[redacted]	ALDERSON REPORTING 202-289-2260 DC	408.60
03-20	03-17	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,284.75
03-23	03-22	[redacted]	PAYPAL *EAGLE LEGAL 4029357733 CA	72.40
03-23	03-22	[redacted]	PAYPAL *EAGLE LEGAL 4029357733 CA	72.40
03-29	03-28	[redacted]	SQ *CALGARY INDEPENDEN GOSQ.COM BC	1,077.88
			(FOREIGN CURRENCY) 1,426.05 CAD 03/29 (RATE) 1.3230	
03-29	03-28	55490537087000738334273	SQ *CALGARY INDEPENDEN GOSQ.COM BC	470.97
			(FOREIGN CURRENCY) 623.10 CAD 03/29 (RATE) 1.3230	
03-30	03-29	[redacted]	ALDERSON REPORTING 202-289-2260 DC	440.69
03-30	03-29	[redacted]	ALDERSON REPORTING 202-289-2260 DC	331.64
03-31	03-30	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,776.96
03-31	03-30	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,586.20
03-31	03-30	[redacted]	ALDERSON REPORTING 202-289-2260 DC	2,257.20
04-04	04-03	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	1,633.70
04-04	04-03	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	1,595.20
04-06	04-05	[redacted]	PAYPAL *VAUGHN 4029357733 CA	853.20
04-06	04-05	[redacted]	PAYPAL *VAUGHN 4029357733 CA	838.60
04-06	04-05	[redacted]	ALDERSON REPORTING 202-289-2260 DC	962.91
04-06	04-05	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,019.70
04-06	04-05	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,872.16
04-06	04-05	[redacted]	CLICKS DOCUMENT MANAGE 412-3911218 PA	1,241.10
04-06	04-05	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	0.68
04-06	04-05	[redacted]	CASH ADVANCE FROM -	40.13
			FIFTH THIRD BANK 001060 -ST. PAUL -MN	
04-07	04-06	00000000004600003009000	*FINANCE CHARGE* CASH ADVANCE FEE	0.12
04-07	04-06	00000000004600003009000	CASH ADVANCE FROM -	7.00
			CLERK COURT OF APP001061 -ST. PAUL -MN	
04-10	04-07	85443927097700210183157	ALDERSON REPORTING 202-289-2260 DC	1,310.70
04-10	04-07	85443927097700210183686	ALDERSON REPORTING 202-289-2260 DC	1,395.73
04-11	04-10	55432867100000649870030	JPMORGAN CHASE BANK 317-757-7422 IN	110.45
04-12	04-11	00000000004600004008000	*FINANCE CHARGE* CASH ADVANCE FEE	2.94
04-12	04-11	00000000004600004008000	CASH ADVANCE FROM -	173.16
			WRITER'S CRAMP 001065 -ST. PAUL -MN	
04-17	04-14	00000000004600001030000	*FINANCE CHARGE* CASH ADVANCE FEE	0.09
04-17	04-14	00000000004600001030000	CASH ADVANCE FROM -	5.00
			CLERK, D.C. COURT 001062 -ST. PAUL -MN	
04-19	04-18	00000000004600001032000	*FINANCE CHARGE* CASH ADVANCE FEE	0.09
04-19	04-18	00000000004600001032000	CASH ADVANCE FROM -	5.00
			CLERK APPELLATE DI001063 -ST. PAUL -MN	
04-19	04-18	00000000004600004020000	*FINANCE CHARGE* CASH ADVANCE FEE	0.39
04-19	04-18	00000000004600004020000	CASH ADVANCE FROM -	22.71
			CITI SUBPOENA COMP001064 -ST. PAUL -MN	

Department: 05002 Total: $41,704.31
Division: 00001 Total: $41,704.31

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 04-19-2017

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,670.21	$0.00	$2,670.21

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-22	03-21	[redacted]	AMERICAN BLIND AND SHA 301-2440652 MD	476.12
03-27	03-25	[redacted]	STAND UP DESK STORE 855-843-7920 IL	399.09
04-06	04-05	[redacted]	OMNIFICS 07035484040 VA	321.36
04-06	04-05	[redacted]	OMNIFICS 07035484040 VA	321.36
04-10	04-07	[redacted]	GSA/FAS 800-488-3111 DC	38.60
04-10	04-07	[redacted]	GSA/FAS 800-488-3111 DC	38.60
04-10	04-07	[redacted]	GSA/FAS 800-488-3111 DC	38.60
04-10	04-07	[redacted]	GSA/FAS 800-488-3111 DC	35.08
04-11	04-11	[redacted]	GSA/FAS 800-488-3111 DC	19.30
04-13	04-12	[redacted]	OFFICESCAPES DIRECT 800-557-1997 OH	982.10

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$231.50	$1,000.00	$1,231.50

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-20	03-17	00000000004600002031000	*FINANCE CHARGE* CASH ADVANCE FEE	11.90
03-20	03-17	00000000004600002031000	CASH ADVANCE FROM - ILLEGIBLE 001096 -ST. PAUL -MN	700.00
03-23	03-22	00000000004600002004000	*FINANCE CHARGE* CASH ADVANCE FEE	5.10
03-23	03-22	00000000004600002004000	CASH ADVANCE FROM - ATS FIRE PROTECTIO001095 -ST. PAUL -MN	300.00
03-24	03-22	85353537082001812210593	PAC PLUMBING HEATIN STATEN ISLAND NY	125.00
04-19	04-18	55547507108254359010016	CALDERON LOCKSMITH NEW YORK NY	89.50

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$145.00	$0.00	$145.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-22	03-21	05345887081000347960523	DARLING INGREDIENTS IRVING TX	145.00

Department: 05004 Total: $4,046.71

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$406.16	$3,992.87	$0.00	$3,586.71

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-24	03-22	[redacted]	OFFICE DEPOT #5910 800-463-3768 PA	406.16 CR
04-12	04-11	[redacted]	NAME BADGE PRODUCTIONS 6088313435 WI	120.68
04-12	04-11	[redacted]	ALPHACARD 8007178080 OR	126.98
04-17	04-13	[redacted]	CREST FOODSERVICE EQUI VIRGINIA BEAC VA	166.00
04-17	04-14	[redacted]	BED BATH & BEYOND #439 BOWIE MD	249.75
04-19	04-18	[redacted]	AMERICAN DISCOUNT TABL 05615448047 FL	3,329.46

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 04-19-2017

NEW ACTIVITY

Department: 05006 Total: $3,586.71
Division: 00003 Total: $7,633.42

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$18,010.42	$0.00	$18,010.42

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-20	03-20	[redacted]	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	71.76
03-20	03-17	[redacted]	OMNIFICS 07035484040 VA	1,031.50
03-21	03-20	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	85.00
03-22	03-21	[redacted]	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	592.16
03-22	03-21	[redacted]	DTV*DIRECTV SERVICE 800-347-3288 CA	294.98
03-23	03-23	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	826.60
03-24	03-24	[redacted]	AMAZON.COM AMZN.COM/BILL WA	23.92
03-24	03-23	[redacted]	TELECOM TECHNOLOGIES I 06514565800 MN	785.76
03-24	03-22	[redacted]	AUGUST SCHELL (301) 907-947 MD	3,609.07
03-27	03-25	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	199.99
03-27	03-26	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	44.73
03-28	03-26	[redacted]	AUTOPAY/DISH NTWK 08003333474 CO	213.03
03-30	03-28	[redacted]	GRASSHOPPER LLC 0800820821O MA	66.51
04-03	03-31	[redacted]	AMAZON MKTPLACE PMTS AMAZON MKTPLA WA	13.99
04-04	04-03	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	89.91
04-04	04-03	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	43.91
04-05	04-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	125.76
04-05	04-05	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	85.76
04-07	04-05	[redacted]	AUTOPAY/DISH NTWK 08003333474 CO	145.03
04-10	04-07	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	481.02
04-10	04-08	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	239.58
04-11	04-10	[redacted]	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	919.98
04-11	04-11	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	618.00
04-12	04-12	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	109.99
04-17	04-14	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	100.00
04-17	04-15	[redacted]	INTUIT *QUICKBOOKS 800-446-8848 CA	6,899.00
04-18	04-17	[redacted]	TWC*NATIONAL BUSINESS 866-718-5093 VA	293.48

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$18,198.80	$0.00	$18,198.80

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-21	03-20	[redacted]	EEOC TRAINING INST 202-663-4837 DC	325.00
03-29	03-28	[redacted]	OPM-HRS-EMDC 202-606-0260 WV	4,865.00
03-29	03-28	[redacted]	U OF M CFFM OL 06126251964 MN	160.00
03-30	03-28	[redacted]	FEDERAL RESERVE BANK O ATLANTA GA	650.00
03-31	03-29	[redacted]	THE INSTITUTE FOR FINA 202-223-1528 DC	625.00
03-31	03-29	[redacted]	THE INSTITUTE FOR FINA 202-223-1528 DC	625.00
03-31	03-29	[redacted]	THE INSTITUTE FOR FINA 202-223-1528 DC	625.00
04-05	04-04	[redacted]	NY INSTITUTE FINANCE 8886416615 NY	1,800.00
04-05	04-04	[redacted]	FINANCIAL SERVICES COM KINGSTON JAM	2,239.60
04-05	04-04	[redacted]	FINANCIAL SERVICES COM KINGSTON JAM	2,239.60
04-05	04-04	[redacted]	FINANCIAL SERVICES COM KINGSTON JAM	2,239.60
04-07	04-06	[redacted]	THE HASTINGS GROUP LLC 703-276-3255 VA	390.00
04-07	04-06	[redacted]	ROBERT H SMITH SCHL OF 03012093552 MD	50.00
04-07	04-06	[redacted]	ROBERT H SMITH SCHL OF 03012093552 MD	50.00
04-14	04-14	[redacted]	AMERICAN SOCIETY OF AC 202-712-9054 DC	35.00
04-17	04-14	[redacted]	OPM-DC 202-606-1765 DC	1,080.00
04-19	04-18	[redacted]	TREASURY FMS - GWA 202-874-9613 MD	100.00
04-19	04-18	[redacted]	TREASURY FMS - GWA 202-874-9613 MD	100.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 04-19-2017

NEW ACTIVITY

Department: 05009 Total: $36,209.22

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$4,179.99	$0.00	$4,179.99

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-14	04-13	55429507103894432300500	WEBCAST 2066525360 WA	1,625.00
04-17	04-13	85504997104900011157257	LKA COMPUTER CONSULTAN COLLEGE PARK MD	323.99
04-18	04-17	55506297107606000477837	FOX RIVER GRAPHICS 08008696864 MN	2,231.00

Department: 05010 Total: $4,179.99
Division: 00005 Total: $40,389.21

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$554.15	$0.00	$554.15

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-31	03-30	55310207089083227844255	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	72.00
03-31	03-30	55432867089000925705020	AMAZON.COM AMZN.COM/BILL WA	482.15

Department: 05013 Total: $554.15
Division: 00007 Total: $554.15

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$500.00	$0.00	$500.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-05	04-04	55436877095160956658899	THE ASSOCIATION FOR TH 202-2385910 DC	500.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$18.64	$4,797.07	$0.00	$4,778.43

Post Date	Tran Date	Reference Number	Transaction Description	Amount
03-27	03-24	75456677084012783091721	SIR SPEEDY, INC WASHINGTON DC	850.00
04-03	03-31	55432867090000341913007	MARRIOTT NY MARQUIS 866-435-7627 NY 007317 ARRIVAL: 03-31-17	18.64 CR
04-18	04-17	75418237107038388823054	4IMPRINT 877-4467746 WI	632.07
04-18	04-17	75456677107013135130327	SIR SPEEDY, INC 202-8570033 DC	3,315.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$3,448.65	$0.00	$3,448.65

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 04-19-2017

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description		Amount
03-20	03-17	[redacted]	[redacted]		627.30
03-23	03-22	[redacted]	[redacted]	AR	310.00
03-27	03-24	[redacted]	[redacted]	DC	230.00
04-05	04-04	[redacted]	[redacted]		298.15
04-07	04-07	[redacted]	[redacted]	NV	211.00
04-07	04-07	[redacted]	[redacted]	NV	661.00
04-19	04-19	[redacted]	[redacted]	NV	343.20
04-19	04-19	[redacted]	[redacted]	NV	768.00

Department: 05015 Total: $8,727.08
Division: 00008 Total: $8,727.08

U.S. BANKCORP
P.O. BOX 6347
FARGO ND 58125-6347

ACCOUNT NUMBER	[redacted]
STATEMENT DATE	05-19-2017
AMOUNT DUE	$10,043.49
NEW BALANCE	$10,043.49

PAYMENT DUE IN ACCORDANCE WITH PROMPT PAYMENT ACT

AMOUNT ENCLOSED
$

Please make check payable to"U.S. Bank"

[redacted]
CFTC
[redacted]
1155 21ST STREET NW
WASHINGTON DC 20581-0002

U.S. BANKCORP
PO BOX 6313
FARGO ND 58125-6313

[redacted]

Please tear payment coupon at perforation.

ACCOUNT MESSAGES

Foreign transactions include a 1% foreign currency conversion fee incorporated in the exchange rate.

BILLING ACCOUNT SUMMARY

CFTC [redacted]	Previous Balance	Purchases And Other Charges +	Self Assessed Interest Penalty +	Checks +	Check Fee +	Credits -	= Current Activity	Payments	Account Balance
Company Total	$4,758.40	$151,778.49	$0.00	$3,947.29	$67.11	$9,282.82	$146,510.07	$141,224.98	$10,043.49

Default Accounting Code:

CUSTOMER SERVICE CALL

888-994-6722

ACCOUNT NUMBER
[redacted]

STATEMENT DATE	DISPUTED AMOUNT
05/19/17	.00

SEND BILLING INQUIRIES TO:

U.S. Bank Government Services
P.O. Box 6335
Fargo, ND 58125-6335

AMOUNT DUE

10,043.49

ACCOUNT SUMMARY

PREVIOUS BALANCE	4,758.40
PURCHASES & OTHER CHARGES	151,778.49
SELF ASSESSED INTEREST PENALTY	.00
CHECKS	3,947.29
CHECK FEE	67.11
CREDITS	9,282.82
CURRENT BILLING ACTIVITY	146,510.07
PAYMENTS	141,224.98
ACCOUNT BALANCE	10,043.49

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 05-19-2017

CORPORATE ACCOUNT ACTIVITY

CFTC [redacted]

TOTAL CORPORATE ACTIVITY
$141,224.98CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-20	04-20	75569637110110111111124	WIRE PAYMENT	4,758.40 PY
04-21	04-21	75569637111111111111121	POST WIRE PYMT	2,128.58 PY
04-24	04-24	75569637114114111111122	WIRE PAYMENT	3,051.52 PY
04-25	04-25	75569637115115111111189	WIRE PAYMENT	16,167.85 PY
04-26	04-26	75569637116118111111125	CREDIT PAYMENT	2,116.86 PY
04-27	04-27	75569637117117111111122	WIRE PAYMENT	446.39 PY
05-01	05-01	75569637121121111111128	WIRE PAYMENT	2,915.03 PY
05-02	05-02	75569637122122111111125	WIRE PAYMENT	3,067.71 PY
05-03	05-03	75569637123123111111122	WIRE PAYMENT	2,834.93 PY
05-04	05-04	75569637124124111111129	WIRE PAYMENT	39,555.28 PY
05-05	05-05	75569637125125111111125	WIRE PAYMENT	8,418.01 PY
05-08	05-08	75569637128128111111134	WIRE PAYMENT	7,411.25 PY
05-09	05-09	75569637129129111111123	POST WIRE PYMT	7,569.79 PY
05-10	05-10	75569637130130111111128	WIRE PAYMENT	1,358.98 PY
05-11	05-11	75569637131131111111125	WIRE PAYMENT	3,005.81 PY
05-12	05-12	75569637132132111111122	POST WIRE PYMT	2,467.58 PY
05-15	05-15	75569637135135111111122	WIRE PAYMENT	4,327.29 PY
05-16	05-16	75569637136136111111129	WIRE PAYMENT	5,017.73 PY
05-17	05-17	75569637137137111111126	POST WIRE PYMT	7,144.96 PY
05-18	05-18	75569637138138111111123	WIRE PAYMENT	6,577.05 PY
05-19	05-19	75569637139139111111146	POST WIRE PYMT	10,883.98 PY

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$6,856.80	$0.00	$6,856.80

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-08	05-05	55480777126200395000038	ENCORE CAESER'S 08472213765 NV	6,856.80

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$300.00	$230.00	$0.00	$70.00 CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-27	04-26	55480777117206081900026	FUTURES INDUSTRY ASSOC 02024665460 DC	230.00
05-12	05-11	05436847132600058929832	TREASURY FMS - GWA 202-874-9613 MD	100.00 CR
05-12	05-11	05436847132600056929915	TREASURY FMS - GWA 202-874-9613 MD	100.00 CR
05-12	05-11	05436847132600058930079	TREASURY FMS - GWA 202-874-9613 MD	100.00 CR

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$4,199.20	$0.00	$4,199.20

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-24	04-21	55480777112200292300156	ATKINSON-BAKER INC 08185517310 CA	3,079.20

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 05-19-2017

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-10	05-09	55436877130131300099277	THE DESIGNPOND 301-6019272 MD	1,120.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$23.00	$122.00	$0.00	$99.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-01	04-28	55547537119556010701492	CONFIRMATION.COM 08663257201 TN	23.00
05-03	05-02	55547537123556011100185	CONFIRMATION.COM 08663257201 TN	23.00 CR
05-03	05-02	55547537123556011105069	CONFIRMATION.COM 08663257201 TN	99.00
			Department: 00000 Total:	$11,085.00
			Division: 00000 Total:	$11,085.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$373.24	$28.00	$401.24

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-20	04-19	[redacted]	[redacted]	250.00
04-24	04-21	[redacted]	CHOICE LEGAL INC TAMPA FL	43.00
05-03	05-02	[redacted]	[redacted] SACRAMENTO CA	48.85
05-04	05-03	[redacted]	[redacted] SACRAMENTO CA	30.91
05-09	05-08	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	0.48
05-09	05-08	[redacted]	CASH ADVANCE FROM - CHOICE PROCESS [redacted] -ST. PAUL -MN	28.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$12,939.26	$3,604.00	$16,543.26

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-27	04-26	[redacted]	SQ *SQ *MARY MASLOWSKI CHICAGO IL	1,773.60
04-27	04-26	[redacted]	SQ *SQ *MARY MASLOWSKI TINLEY PARK IL	477.40
04-27	04-26	[redacted]	VERITEXT CORP 8005678658 NJ	1,302.19
04-28	04-27	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	1,636.20
04-28	04-27	[redacted]	ALLIANCE REPORTING SER MINEOLA NY	1,710.35
05-05	05-04	[redacted]	ORANGE LEGAL 800-275-7991 FL	3,087.00
05-05	05-04	[redacted]	ORANGE LEGAL 800-275-7991 FL	822.50
05-12	05-11	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	59.50
05-12	05-11	[redacted]	CASH ADVANCE FROM - STILL WATER ASSOCI001060 -ST. PAUL -MN	3,500.00
05-16	05-15	85347037135980002579031	ALLIANCE REPORTING SER MINEOLA NY	2,068.75
05-17	05-16	00000000004600002024000	*FINANCE CHARGE* CASH ADVANCE FEE	1.77
05-17	05-16	00000000004600002024000	CASH ADVANCE FROM - KRUSE & ASSOCIATES001059 -ST. PAUL -MN	104.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 05-19-2017

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$1,691.80	$6,658.55	$0.00	$4,966.75

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-24	04-21	[redacted]	[redacted] DC	105.00
04-24	04-21	[redacted]	[redacted] DC	100.00
04-24	04-21	[redacted]	[redacted] DC	206.75
04-27	04-26	[redacted]	[redacted]	216.60
05-08	05-05	[redacted]	[redacted]	853.20 CR
05-08	05-05	[redacted]	[redacted]	838.60 CR
05-11	05-09	[redacted]	[redacted]	1,108.50
05-12	05-10	[redacted]	[redacted]	643.97
05-17	05-16	[redacted]	[redacted] DC	371.25
05-17	05-16	[redacted]	[redacted] DC	286.25
05-17	05-16	[redacted]	[redacted] DC	296.25
05-17	05-16	[redacted]	[redacted]	190.00
05-18	05-17	[redacted]	[redacted]	1,691.80
05-18	05-17	[redacted]	[redacted]	1,442.18

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$0.12	$7.20	$7.32

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-16	05-15	00000000004600003012000	*FINANCE CHARGE* CASH ADVANCE FEE	0.12
05-16	05-15	00000000004600003012000	CASH ADVANCE FROM - LISA H BREITER OFF001120 -ST. PAUL -MN	7.20

Department: 05002 Total: $21,918.57
Division: 00001 Total: $21,918.57

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$205.16	$5,332.51	$0.00	$5,127.35

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-21	04-20	[redacted]	[redacted]	205.16
04-25	04-24	[redacted]	[redacted] DH	385.70
04-28	04-28	[redacted]	[redacted] CA	151.93
05-03	05-02	[redacted]	[redacted]	406.25
05-03	05-02	[redacted]	[redacted]	727.48
05-03	05-02	[redacted]	[redacted]	45.90
05-04	05-03	[redacted]	[redacted] DH	1,188.90
05-09	05-08	[redacted]	[redacted] DH	745.20
05-10	05-09	[redacted]	[redacted]	205.16 CR
05-11	05-09	[redacted]	[redacted]	395.00
05-11	05-10	[redacted]	[redacted]	964.08
05-16	05-15	[redacted]	[redacted] URG MD	116.91

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$4,482.86	$168.31	$4,651.17

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 05-19-2017

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-28	04-27	85179397117700295910849	THE PAR GROUP 516-394-2033 NY	2,180.00
05-01	04-28	55460297118074188010014	EATON ELECTRICAL 09198703363 PA	2,300.00
05-19	05-18	00000000004600002005000	*FINANCE CHARGE* CASH ADVANCE FEE	2.86
05-19	05-18	00000000004600002005000	CASH ADVANCE FROM - P J MECHANICAL COR001097 -ST. PAUL -MN	168.31

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$81.38	$139.78	$221.16

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-01	04-28	55309597119091053000018	COOLASTIC REFRIGERATIO 07082997061 IL	79.00
05-03	05-02	00000000004600001018000	*FINANCE CHARGE* CASH ADVANCE FEE	2.38
05-03	05-02	00000000004600001018000	CASH ADVANCE FROM - LIFEFITNESS 001001 -ST. PAUL -MN	139.78

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,236.60	$0.00	$1,236.60

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-25	04-24	55432867114000411508671	INT*IN *FIRST CLASS PL 301-9162702 MD	350.00
05-03	05-02	55480777123206104000048	A NOVA APPLIANCE COMPA 07032468900 VA	305.00
05-08	05-05	55310207126083133832019	AMAZON.COM AMZN.COM/BI AMZN.COM/BILL WA	581.60
			Department: 05004 Total:	$11,236.28

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,091.48	$0.00	$2,091.48

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-20	04-19	05436847110000308262421	CVS/PHARMACY #01841 WASHINGTON DC	15.98
04-20	04-19	25536067110102007180409	SUN CLEANERS WASHINGTON DC	702.00
04-24	04-21	55436877112641121608819	RSVP CATERING 703-5738700 VA	1,373.50

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$259.32	$0.00	$259.32

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-08	05-04	55541867125010185149086	HOMEDEPOT.COM 800-430-3376 GA	45.57
05-08	05-04	75265867125841902309914	ICE MASTERS INC 913-6316900 KS	213.75

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 05-19-2017

NEW ACTIVITY

Department: 05006 Total: $2,350.80
Division: 00003 Total: $13,587.08

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$6,944.27	$43,551.89	$0.00	$36,607.62

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-20	04-19	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	85.00
04-20	04-20	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	826.60
04-21	04-20	[redacted]	OFFICE DEPOT #5910 800-463-3768 PA	725.01
04-21	04-20	[redacted]	OFFICE DEPOT #5910 800-463-3768 PA	35.25
04-24	04-21	[redacted]	DTV*DIRECTV SERVICE 800-347-3288 CA	294.98
04-24	04-24	[redacted]	DMI* DELL FEDERAL 800-727-1100 TX	10,922.87
04-25	04-24	[redacted]	MONOPRICE, INC. 8772712592 CA	163.17
04-25	04-25	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	49.95
04-25	04-25	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	199.99
04-26	04-25	[redacted]	STAPLES DIRECT 800-3333330 MA	99.95
04-26	04-26	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	43.91
04-26	04-26	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	44.75
04-26	04-26	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	44.75
04-26	04-24	[redacted]	DISH NETWORK-ONE TIME 08003333474 CO	213.03
04-27	04-26	[redacted]	INTUIT *QUICKBOOKS 800-446-8848 CA	6,899.00 CR
04-28	04-28	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	85.76
05-01	04-28	[redacted]	GRASSHOPPER LLC 08008208210 MA	66.71
05-02	05-01	[redacted]	DATACOMM CABLES INC 631-617-5190 NY	410.84
05-02	05-01	[redacted]	DRI*AQUAFOREST LIMITED WWW.ESLR8.COM MN	1,900.33
05-02	05-02	[redacted]	COMCAST OF WASHINGTON 800-COMCAST DC	125.76
05-02	05-01	[redacted]	WWW.CLEVERBRIDGE.NET 18007999570/ DEU	398.00
05-03	05-02	[redacted]	PROVANTAGE 3304943781 OH	1,798.25
05-03	05-03	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	1,948.56
05-03	05-01	[redacted]	DISH NETWORK-ONE TIME 08003333474 CO	145.03
05-04	05-02	[redacted]	DLT SOLUTIONS 703-773- HERNDON VA	3,156.21
05-04	05-04	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	109.99
05-05	05-05	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	150.00
05-05	05-04	[redacted]	AUTOMATION AIDS INC. 800-2342790 PA	1,061.75
05-09	05-08	[redacted]	AMAZON.COM AMZN.COM/BILL WA	585.30
05-10	05-10	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	89.91
05-10	05-10	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	199.99
05-10	05-10	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	618.00
05-12	05-10	[redacted]	OFFICE DEPOT #5910 800-463-3768 PA	45.27 CR
05-12	05-12	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	100.00
05-15	05-13	[redacted]	CABLE WHOLESALE.COM 925-455-0800 CA	42.86
05-15	05-12	[redacted]	SOFTWARE MORE 08009449931 GA	1,033.32
05-16	05-15	[redacted]	COMPUTECH INTERNATIONA 516-4870101 NY	4,951.98
05-17	05-16	[redacted]	TWC*NATIONAL BUSINESS 866-718-5093 VA	293.48
05-17	05-17	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	1,126.74
05-17	05-17	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	43.91
05-19	05-17	[redacted]	TRIVANTIS CINCINNATI OH	9,360.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$100.00	$40,181.89	$0.00	$40,081.89

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-20	04-19	25247707110008805662574	[redacted]	199.00
04-20	04-19	55480777110206081300242	[redacted] DC	50.00
04-21	04-20	85450797110118000110712	[redacted]	1,856.10
04-28	04-27	55310207117014000238262	[redacted] ID	50.00
05-01	04-26	75277937119130102957002	[redacted]	599.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 05-19-2017

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-03	05-02	[redacted]	[redacted]	199.00
05-03	05-01	[redacted]	[redacted]	279.00
05-03	05-02	[redacted]	[redacted]	400.00
05-03	05-02	[redacted]	[redacted]	1,380.00
05-03	05-02	[redacted]	[redacted]	200.00
05-03	05-02	[redacted]	[redacted]	3,620.00
05-03	05-02	[redacted]	[redacted]	400.00
05-03	05-02	[redacted]	[redacted]	200.00
05-03	05-02	[redacted]	[redacted]	200.00
05-03	05-02	[redacted]	[redacted]	400.00
05-03	05-02	[redacted]	[redacted]	7,890.00
05-03	05-02	[redacted]	[redacted]	7,060.00
05-03	05-02	[redacted]	[redacted]	5,290.00
05-03	05-02	[redacted]	[redacted]	4,490.00
05-03	05-02	[redacted]	[redacted]	890.00
05-03	05-02	[redacted]	[redacted]	660.00
05-04	05-03	[redacted]	[redacted]	1,499.00
05-04	05-02	[redacted]	[redacted]	625.00
05-04	05-02	[redacted]	[redacted]	625.00
05-04	05-02	[redacted]	[redacted]	625.00
05-12	05-11	[redacted]	[redacted]	100.00 CR
05-17	05-16	[redacted]	[redacted]	495.79

Department: 05009 Total: $76,689.51

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$4,907.67	$0.00	$4,907.67

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-05	05-03	[redacted]	[redacted]	640.00
05-08	05-06	[redacted]	[redacted]	1,493.87
05-15	05-12	[redacted]	[redacted]	79.50
05-15	05-14	[redacted]	[redacted]	306.68
05-15	05-14	[redacted]	[redacted]	401.85
05-15	05-14	[redacted]	[redacted]	766.69
05-15	05-14	[redacted]	[redacted]	95.18
05-15	05-14	[redacted]	[redacted]	756.90
05-15	05-14	[redacted]	[redacted]	37.00
05-17	05-15	[redacted]	[redacted]	330.00

Department: 05010 Total: $4,907.67
Division: 00005 Total: $81,597.18

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$8,984.07	$0.00	$8,984.07

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-10	05-10	55432867130000087589872	AMAZON.COM AMZN.COM/BILL WA	234.07
05-17	05-16	55480777137206081400041	FUTURES INDUSTRY ASSOC 02024665460 DC	3,000.00
05-18	05-17	55436877137271378256541	LEADERSHIP DIRECTORIES NEW YORK NY	5,750.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 05-19-2017

NEW ACTIVITY

Department: 05013 Total: $8,984.07
Division: 00007 Total: $8,984.07

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,000.00	$0.00	$2,000.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-18	05-17	55480777137206131100013	ELIZABETH LEADER 02027234071 DC	2,000.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$18.59	$2,981.55	$0.00	$2,962.96

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-24	04-22	[redacted]	STAPLS0155306005001001 SOUTH HACKENS NJ	18.59 CR
04-24	04-20	[redacted]	STAPLES 00115329 WASHINGTON DC	61.14
05-03	05-02	[redacted]	ENCORE ELECTRIC INTERN 08472213765 NV	283.80
05-05	05-04	[redacted]	ENCORE ELECTRIC INTERN 08472213765 NV	1,650.00
05-10	05-09	[redacted]	T3 EXPO LLC 08886983397 MA	949.00
05-17	05-16	[redacted]	THE UPS STORE #6251 LAS VEGAS NV	37.61

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$4,375.21	$0.00	$4,375.21

Post Date	Tran Date	Reference Number	Transaction Description	Amount
04-21	04-20	55480777111206081400033	[redacted] DC	230.00
04-25	04-25	55432867115000708139254	[redacted]	968.05
05-03	05-02	55432867123000596478673	[redacted]	70.00
05-04	05-03	55432867124000501343557	[redacted]	558.00
05-08	05-05	55432867126000563061582	[redacted]	70.00
05-12	05-11	25247807131001255022301	[redacted] NV	469.09
05-15	05-12	75265867134891400051566	[redacted]	1,497.75
05-19	05-19	55432867139000865808370	[redacted] NV	205.40
05-19	05-19	55432867139000865808941	[redacted] NV	306.92

Department: 05015 Total: $9,338.17
Division: 00008 Total: $9,338.17

U.S. BANKCORP
P.O. BOX 6347
FARGO ND 58125-6347

ACCOUNT NUMBER	[redacted]
STATEMENT DATE	06-19-2017
AMOUNT DUE	$26,443.79
NEW BALANCE	$26,443.79

PAYMENT DUE IN ACCORDANCE WITH PROMPT PAYMENT ACT

[redacted]
CFTC
[redacted]
1155 21ST STREET NW
WASHINGTON DC 20581-0002

AMOUNT ENCLOSED
$

Please make check payable to"U.S. Bank"

U.S. BANKCORP
PO BOX 6313
FARGO ND 58125-6313

[redacted]

Please tear payment coupon at perforation.

ACCOUNT MESSAGES

Foreign transactions include a 1% foreign currency conversion fee incorporated in the exchange rate.

BILLING ACCOUNT SUMMARY

CFTC [redacted]	Previous Balance	Purchases And Other Charges +	Self Assessed Interest Penalty +	Checks +	Check Fee +	Credits -	Current Activity =	Payments	Account Balance
Company Total	$10,043.49	$179,384.25	$0.00	$1,146.50	$19.49	$10,438.68	$170,111.56	$153,711.26	$26,443.79

Default Accounting Code:		
CUSTOMER SERVICE CALL 888-994-6722	**ACCOUNT NUMBER** [redacted]	**ACCOUNT SUMMARY**
	STATEMENT DATE 06/19/17 / **DISPUTED AMOUNT** .00	PREVIOUS BALANCE 10,043.49 PURCHASES & OTHER CHARGES 179,384.25 SELF ASSESSED INTEREST PENALTY .00 CHECKS 1,146.50 CHECK FEE 19.49 CREDITS 10,438.68 CURRENT BILLING ACTIVITY 170,111.56 PAYMENTS 153,711.26 **ACCOUNT BALANCE** 26,443.79
SEND BILLING INQUIRIES TO: U.S. Bank Government Services P.O. Box 6335 Fargo, ND 58125-6335	**AMOUNT DUE** **26,443.79**	

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 06-19-2017

CORPORATE ACCOUNT ACTIVITY

CFTC [redacted]

TOTAL CORPORATE ACTIVITY
$153,711.26CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-22	05-22	75569637142142111111129	WIRE PAYMENT	10,043.49 PY
05-23	05-23	75569637143143111111126	WIRE PAYMENT	13,622.33 PY
05-24	05-24	75569637144144111111123	POST WIRE PYMT	2,367.26 PY
05-25	05-25	75569637145145111111129	WIRE PAYMENT	4,300.56 PY
05-26	05-26	75569637146146111111134	POST WIRE PYMT	539.80 PY
05-30	05-30	75569637150150111111121	WIRE PAYMENT	31,824.01 PY
05-31	05-31	75569637151151111111128	WIRE PAYMENT	66.71 PY
06-01	06-01	75569637152152111111125	WIRE PAYMENT	799.16 PY
06-05	06-05	75569637156156111111122	WIRE PAYMENT	5,826.56 PY
06-05	06-02	75569637156156111111171	WIRE PAYMENT	3,843.42 PY
06-06	06-06	75569637157157111111129	POST WIRE PAYMENT	11,983.84 PY
06-08	06-08	75569637159159111111123	POST WIRE PAYMENT	11,229.28 PY
06-09	06-09	75569637160160111111136	POST WIRE PAYMENT	794.60 PY
06-12	06-12	75569637163163111111160	POST WIRE PAYMENT	18,400.24 PY
06-13	06-13	75569637164164111111126	POST WIRE PAYMENT	10,660.14 PY
06-14	06-14	75569637165165111111122	POST WIRE PAYMENT	300.00 PY
06-15	06-15	75569637166166111111129	WIRE PAYMENT	6,924.82 PY
06-16	06-16	75569637167167111111126	POST WIRE PAYMENT	1,440.68 PY
06-19	06-19	75569637170170111111125	WIRE PAYMENT	18,744.36 PY

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,247.71	$0.00	$2,247.71

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-26	05-25	55432867145000845870237	WKF*WK FINANCIAL SRVS 800-552-9410 MN	1,295.00
05-26	05-25	55457027146200739200786	GRADUATE SCHOOL REG 08887444723 DC	899.00
06-05	06-02	55432867153000742575649	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	53.71

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$6.20	$14,034.49	$0.00	$14,028.29

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-22	05-19	[redacted]	[redacted]	4,218.00
05-25	05-24	[redacted]	STAPLES [redacted] WASHINGTON DC	8.58
05-26	05-25	[redacted]	STAPLES [redacted] MA	114.05
05-29	05-26	[redacted]	[redacted] CA	7,247.80
05-29	05-26	[redacted]	[redacted] 5197180 VA	1,541.90
06-01	05-31	[redacted]	[redacted]	904.16
06-12	06-09	[redacted]	STAPLES [redacted] MA	6.20 CR

Department: 00000 Total: $16,276.00
Division: 00000 Total: $16,276.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 06-19-2017

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$329.76	$0.00	$329.76

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-25	05-24	55310207145286388000052	KCM BAR ASSOCIATION 08164744322 MO	250.00
05-31	05-30	75337007150410300338639	INUMBR SACRAMENTO CA	48.85
06-01	05-31	75337007151411500643900	INUMBR SACRAMENTO CA	30.91

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$542.40	$19,526.20	$0.00	$18,983.80

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-22	05-19	[redacted]	[redacted] IL	945.20
05-22	05-19	[redacted]	[redacted] IL	2,157.00
05-22	05-19	[redacted]	[redacted] IL	1,060.80
05-22	05-19	[redacted]	[redacted]	779.15
05-22	05-19	[redacted]	[redacted]	1,064.15
05-24	05-23	[redacted]	[redacted]	1,637.50
05-24	05-23	[redacted]	[redacted]	2,146.95
05-25	05-24	[redacted]	[redacted] 1 NY	994.75
05-26	05-25	[redacted]	[redacted]	2,221.80
06-07	06-06	[redacted]	[redacted] IL	1,174.20
06-07	06-06	[redacted]	[redacted]	1,868.85
06-07	06-06	[redacted]	[redacted]	1,272.05
06-07	06-06	[redacted]	[redacted]	2,203.80
06-08	04-14	[redacted]	[redacted]	542.40 CR

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$7,818.94	$1,022.50	$8,841.44

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-26	05-25	85443927145700210189107	[redacted] DC	1,521.91
06-01	05-31	85443927151700210189736	[redacted] DC	1,322.90
06-07	06-06	85443927157700210181323	[redacted] DC	1,660.70
06-09	06-08	00000000004600003020000	FINANCE CHARGE-CASH ADVANCE FEE	17.38
06-09	06-08	00000000004600003020000	CASH ADVANCE FROM WILLIAM M DEFALL DENVER -ST. PAUL -MN	1,022.50
06-12	06-09	85443927160700210180742	[redacted] DC	1,869.65
06-12	06-09	85443927160700210181658	[redacted] DC	1,416.40
06-16	06-15	55480777167026978704690	[redacted]	10.00

Department: 05002 Total: $28,155.00
Division: 00001 Total: $28,155.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$893.75	$124.00	$1,017.75

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 06-19-2017

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-23	05-22	55432867142000084760787	[redacted] 301-7732777 MD	444.39
05-24	05-22	75569637144600001027000	"FINANCE CHARGE" CASH ADVANCE FEE	2.11
05-24	05-22	75569637144600001027000	CASH ADVANCE FROM [redacted]	124.00
			EPA DETROIT ST. PAUL -MN	
05-26	05-25	55310207145026960776749	[redacted]	383.15
05-26	05-25	55432867145000842819658	[redacted] AMZN.COM/PRME WA	11.12
06-16	06-15	55436877167121673952968	[redacted]	52.98

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$880.00	$0.00	$880.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-09	06-07	85179397159700295911234	THE PAR GROUP 516-394-2033 NY	880.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$346.04	$0.00	$346.04

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-22	05-20	55309597140026705878638	NEOPOST USA 02033013400 CT	335.00
05-26	05-26	05436847146000320004403	GSA/FAS 800-488-3111 DC	11.04

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$252.73	$0.00	$252.73

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-25	05-23	85544027144980005427569	6 FIVE CHINESE RESTAUR CHICAGO IL	212.73
05-29	05-25	85544027146980005427575	6 FIVE CHINESE RESTAUR CHICAGO IL	40.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$251.00	$0.00	$251.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-25	05-23	85101597144980006520666	59 CHINA CAFE INC. NEW YORK NY	251.00

Department: 05004 Total: $2,747.52

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$666.58	$0.00	$666.58

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 06-19-2017

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-22	05-18	85504997139900012697896	LINDEN RESOURCES ARLINGTON VA	214.58
05-29	05-25	55421357146987113333407	MEI WAH RESTAURANT WASHINGTON DC	452.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$223.70	$0.00	$223.70

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-25	05-23	55421357144987167901085	CHINA FEAST KANSAS CITY MO	223.70

Department: 05006 Total: $890.28
Division: 00003 Total: $3,637.80

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$28.98	$73,836.17	$0.00	$73,807.19

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-23	05-23	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	85.00
05-23	05-22	[redacted]	TELECOM TECHNOLOGIES I 06514565800 MN	1,619.68
05-25	05-24	[redacted]	BELKIN CORPORATION 03107515100 CA	349.95
05-25	05-23	[redacted]	DISH NETWORK-ONE TIME 08003333474 CO	213.03
05-25	05-23	[redacted]	DISH NETWORK-ONE TIME 08003333474 CO	145.03
05-29	05-27	[redacted]	AMAZON.COM AMZN.COM/BILL WA	234.50
05-29	05-27	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	109.99
05-30	05-28	[redacted]	GRASSHOPPER LLC 08008208210 MA	66.71
05-31	05-30	[redacted]	CCS PRESENTATIONS JACKSONVILLE FL	466.31
06-02	06-01	[redacted]	INSPERITY PMGMT& ORGPL KINGWOOD TX	849.00
06-02	06-01	[redacted]	SOLARWINDS 866-530-8100 TX	1,090.00
06-02	06-01	[redacted]	DTV*DIRECTV SERVICE 800-347-3288 CA	294.98
06-02	06-02	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	618.00
06-02	06-01	[redacted]	WWW.CLEVERBRIDGE.NET 18007999570/ DEU	155.00
06-02	06-01	[redacted]	WWW.CLEVERBRIDGE.NET 18007999570/ DEU	1,100.00
06-05	06-01	[redacted]	TEEL TECHNOLOGIES NORWALK CT	1,800.00
06-05	06-01	[redacted]	EC AMERICA MCLEAN VA	9,007.13
06-07	06-06	[redacted]	CRIMSON IMAGING SUPPLI 08886051100 CA	709.68
06-07	06-05	[redacted]	EC AMERICA MCLEAN VA	2,340.00
06-08	06-07	[redacted]	WESTCON GROUP 303-222-4700 CO	123.32
06-08	06-07	[redacted]	THE OFFICE PAL TEL7323701733 NJ	1,213.68
06-09	06-09	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	199.99
06-09	06-09	[redacted]	LASER EXPERTS 801-9779898 UT	1,420.56
06-09	06-08	[redacted]	ADVANCED DIGITAL SOLUT 08008779642 CA	879.96
06-09	06-07	[redacted]	EC AMERICA MCLEAN VA	15,276.41
06-12	06-11	[redacted]	DRI*FARONICS WWW.ESLR8.COM MN	28.98 CR
06-12	06-10	[redacted]	DRI*FARONICS WWW.ESLR8.COM MN	532.98
06-12	06-09	[redacted]	VSN*DOTGOVREGISTRATION 877-734-4688 VA	400.00
06-12	06-10	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	78.21
06-13	06-12	[redacted]	ATT*BILL PAYMENT 800-288-2020 TX	100.00
06-14	06-13	[redacted]	STAPLES DIRECT 800-3333330 MA	91.99
06-14	06-13	[redacted]	WWW.NEWEGG.COM 800-390-1119 CA	472.50
06-14	06-13	[redacted]	SMARTSIGN 07187971900 NY	540.43
06-14	06-12	[redacted]	PARABEN CORPORATION PLEASANT GROV UT	160.00
06-15	06-14	[redacted]	TWC*NATIONAL BUSINESS 866-718-5093 VA	293.68
06-16	06-16	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	43.92
06-16	06-18	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	826.61

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 06-19-2017

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-16	06-14	85180897166715319084252	EC AMERICA MCLEAN VA	11,972.19
06-19	06-15	75306377167321100642580	CARAHSOFT TECHNOLOGY C 703-8718500 VA	17,955.75

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$5,480.00	$22,231.48	$0.00	$16,751.48

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-22	05-19	[redacted]	THEREGGROUP 2024663205 VA	529.00
05-22	05-19	[redacted]	WESTERN FINANCE ASSOC 04122687588 PA	75.00
05-24	05-23	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	195.00
05-24	05-23	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	195.00
05-25	05-24	[redacted]	OPM-EMDC 202-606-0260 WV	4,865.00 CR
05-26	05-25	[redacted]	OPM-HRS GENERAL 202-606-0260 DC	6,250.00
05-31	05-30	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	70.00
06-01	05-31	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	195.00
06-02	06-01	[redacted]	FUTURES INDUSTRY AS WASHINGTON DC	680.48
06-05	06-02	[redacted]	CHICAGO BAR ASSOCIATIO 03125542137 IL	160.00
06-05	06-02	[redacted]	CHICAGO BAR ASSOCIATIO 03125542137 IL	160.00
06-06	06-05	[redacted]	SIFMA - CONF/PUBS NEW YORK NY	195.00
06-06	06-05	[redacted]	PAYPAL *COMPLEXITYE 4029357733 CA	50.00
06-09	06-08	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	50.00
06-12	06-08	[redacted]	AMERICAN MGMT ASSOC SARANAC LAKE NY	1,995.00
06-12	06-08	[redacted]	AMERICAN MGMT ASSOC SARANAC LAKE NY	1,995.00
06-12	06-08	[redacted]	AMERICAN MGMT ASSOC SARANAC LAKE NY	1,995.00
06-13	06-12	[redacted]	FEDERAL RESERVE BANK O KANSAS CITY MO	200.00
06-14	06-14	[redacted]	THE INST OF INT AUDITO 407-937-1100 FL	1,511.00
06-14	06-14	[redacted]	THE INST OF INT AUDITO 407-937-1100 FL	1,511.00
06-14	06-14	[redacted]	THE INST OF INT AUDITO 407-937-1100 FL	1,511.00
06-14	06-12	[redacted]	ACT-IAC 7032084800 EX VA	300.00
06-16	06-13	[redacted]	AMERICAN BAR ASSOCIATI 08002852221 IL	615.00 CR
06-16	06-16	[redacted]	GOVDELIVERY, INC. 651-726-7314 MN	825.00
06-19	06-17	[redacted]	AMERICAN SOCIETY OF AC 202-712-9054 DC	575.00
06-19	06-15	[redacted]	W3917-170615150155 MGTCONCEPTS VA	1,009.00

Department: 05009 Total: $90,558.67

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$196.25	$13,770.36	$0.00	$13,574.11

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-22	05-19	[redacted]	AMAZON MKTPLACE PMTS AMZN COM WA	249.75
05-22	05-22	[redacted]	AMAZON MKTPLACE PMTS AMZN COM WA	335.70
05-26	05-26	[redacted]	AMAZON MKTPLACE PMTS AMZN COM WA	196.25 CR
05-29	05-26	[redacted]	K1 TECHNOLOGIES CA	2,937.00
06-02	06-01	[redacted]	AMAZON MKTPLACE PMTS AMZN COM WA	33.98
06-02	06-02	[redacted]	[redacted]	631.92
06-02	06-01	[redacted]	CRIMSON IMAGING SUPPLI TORRANCE CA	373.20
06-05	06-03	[redacted]	AMAZON MKTPLACE PMTS AMZN COM WA	804.19
06-12	06-08	[redacted]	[redacted]	221.59
06-12	06-09	[redacted]	TORCHLARD [redacted] FL	59.99
06-14	06-13	[redacted]	[redacted] WA	1,219.00
06-19	06-16	[redacted]	[redacted] MA	2,878.40
06-19	06-16	[redacted]	[redacted] NY	4,025.64

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 06-19-2017

NEW ACTIVITY

Department: 05010 Total: $13,574.11
Division: 00005 Total: $104,132.78

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$3,001.19	$13,281.81	$0.00	$10,280.62

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-23	05-22	[redacted]	AMAZONPRIME MEMBERSHIP AMZN.COM/PRME WA	100.19
05-29	05-26	[redacted]	BARCLAY HEDGE LTD 641-472-3456 IA	6,750.00
06-05	06-02	[redacted]	AMAZON.COM AMZN.COM/BILL WA	1.19 CR
06-06	06-05	[redacted]	FUTURES INDUSTRY ASSOC 02024665460 DC	3,000.00 CR
06-14	06-13	[redacted]	EBE*ENCY. BRITANNICA 800-554-9862 IL	710.00
06-15	06-14	[redacted]	AICPA *AICPA 888-777-7077 NC	92.96
06-16	06-15	[redacted]	INTUIT *IN *GEO GRAIN 406-5873343 MT	1,800.00
06-16	06-16	[redacted]	TCD*GALE 248-699-4253 MI	1,428.66
06-16	06-15	[redacted]	CATLEFAX 03036940323 CO	2,400.00

Department: 05013 Total: $10,280.62
Division: 00007 Total: $10,280.62

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,396.56	$0.00	$1,396.56

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-25	05-24	55310207145286117600453	SMART CITY NETWORKS 08884466911 NV	154.68
06-01	05-30	75418237150040094242906	4IMPRINT 877-4467746 WI	1,001.88
06-06	06-05	55546507156083177840375	T3 EXPO LLC 08886983397 MA	240.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$1,183.66	$7,298.48	$0.00	$6,114.80

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-22	05-20	55432867140000584768555	FREEMAN DES MOINES 515-265-5601 IA	809.20
05-22	05-22	55432867142000780165582	FREEMAN DENVER 303-329-3442 CO	849.80
05-25	05-24	05230657145840065060439	THE BREWERY ON CHI LONDON EC1Y (FOREIGN CURRENCY) 1,981.94 GBP 05/25 (RATE) 0.7619	2,601.35
05-31	05-31	[redacted]	FREEMAN DES MOINES 515-265-5601 IA	214.00
06-01	06-01	[redacted]	FREEMAN DENVER 303-329-3442 CO	388.57
06-06	06-06	[redacted]	GLOBAL EXPERIENCE SPEC 800-475-2098 NV	81.56 CR
06-09	06-07	[redacted]	NATIONAL CATTLEMEN'S CENTENNIAL CO	1,250.00
06-12	06-10	[redacted]	GLOBAL EXPERIENCE SPEC 800-475-2098 NV	131.50
06-14	06-13	[redacted]	THE BREWERY ON CHI LONDON EC1Y (FOREIGN CURRENCY) 856.07- GBP 06/14 (RATE) 0.7768	1,102.10 CR
06-15	06-15	55204727166100535070670	GES LIMITED 441217803025 GBR (FOREIGN CURRENCY) 814.88 GBP 06/15 (RATE) 0.7731	1,054.04

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$118.00	$0.00	$118.00

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 06-19-2017

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-23	05-23	55432867143000175568494	DEPOSITION SERVICES, I 301-881-3344 MD	118.00

Department: 05015 Total: $7,629.36
Division: 00008 Total: $7,629.36

U.S. BANKCORP
P.O. BOX 6347
FARGO ND 58125-6347

ACCOUNT NUMBER	[redacted]
STATEMENT DATE	07-19-2017
AMOUNT DUE	$3,972.82
NEW BALANCE	$3,972.82

PAYMENT DUE IN ACCORDANCE WITH PROMPT PAYMENT ACT

000000013 02 SP 106481127228524 S
CFTC
[redacted]
1155 21ST STREET NW
WASHINGTON DC 20581-0002

AMOUNT ENCLOSED
$

Please make check payable to"U.S. Bank"

U.S. BANKCORP
PO BOX 6313
FARGO ND 58125-6313

[redacted]

Please tear payment coupon at perforation.

ACCOUNT MESSAGES

Foreign transactions include a 1% foreign currency conversion fee incorporated in the exchange rate.

BILLING ACCOUNT SUMMARY

CFTC [redacted]	Previous Balance	Purchases And Other Charges +	Self Assessed Interest Penalty +	Checks +	Check Fee +	Credits -	Current Activity =	Payments	Account Balance
Company Total	$26,443.79	$267,988.84	$0.00	$3,935.53	$66.90	$6,924.90	$265,066.37	$287,537.34	$3,972.82

Default Accounting Code:

CUSTOMER SERVICE CALL

888-994-6722

ACCOUNT NUMBER
[redacted]

STATEMENT DATE	DISPUTED AMOUNT
07/19/17	.00

SEND BILLING INQUIRIES TO:

U.S. Bank Government Services
P.O. Box 6335
Fargo, ND 58125-6335

AMOUNT DUE
3,972.82

ACCOUNT SUMMARY

PREVIOUS BALANCE	26,443.79
PURCHASES & OTHER CHARGES	267,988.84
SELF ASSESSED INTEREST PENALTY	.00
CHECKS	3,935.53
CHECK FEE	66.90
CREDITS	6,924.90
CURRENT BILLING ACTIVITY	265,066.37
PAYMENTS	287,537.34
ACCOUNT BALANCE	3,972.82

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 07-19-2017

CORPORATE ACCOUNT ACTIVITY

CFTC
[redacted]

TOTAL CORPORATE ACTIVITY
$287,537.34CR

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-20	06-20	[redacted]	WIRE PAYMENT	26,443.79 PY
06-21	06-21	[redacted]	WIRE PAYMENT	3,867.77 PY
06-22	06-22	[redacted]	WIRE PAYMENT	1,226.40 PY
06-26	06-26	[redacted]	WIRE PAYMENT	22,513.80 PY
06-26	06-23	[redacted]	WIRE PAYMENT	7,118.16 PY
06-27	06-27	[redacted]	WIRE PAYMENT	19,436.50 PY
06-28	06-28	[redacted]	POST WIRE PYMT	3,686.44 PY
06-29	06-29	[redacted]	POST WIRE PAYMENT	2,472.65 PY
06-30	06-30	[redacted]	WIRE PAYMENT	2,685.02 PY
07-03	07-03	[redacted]	WIRE PAYMENT	23,362.74 PY
07-05	07-03	[redacted]	WIRE PAYMENT	9,765.47 PY
07-10	07-10	[redacted]	WIRE PAYMENT	11,077.27 PY
07-10	07-07	[redacted]	WIRE PAYMENT	593.70 PY
07-11	07-11	[redacted]	WIRE PAYMENT	34,167.40 PY
07-12	07-12	[redacted]	WIRE PAYMENT	7,316.34 PY
07-13	07-13	[redacted]	POST WIRE PYMT	71,525.20 PY
07-14	07-14	[redacted]	POST WIRE PAYMENT	1,678.22 PY
07-17	07-17	[redacted]	WIRE PAYMENT	29,387.40 PY
07-18	07-18	[redacted]	WIRE PAYMENT	9,213.07 PY

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,740.47	$1,100.00	$3,840.47

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-28	06-27	[redacted]	DAN KAIN TROPHIES FAIRFAX VA	127.00
06-29	06-27	[redacted]	ANDERSON COURT REPORTI 703-5197180 VA	818.35
07-03	06-29	[redacted]	ANDERSON COURT REPORTI 703-5197180 VA	1,247.49
07-03	06-29	[redacted]	ANDERSON COURT REPORTI 703-5197180 VA	528.93
07-06	07-05	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	1.70
07-06	07-05	[redacted]	CASH ADVANCE FROM - AIBA 001003 -ST. PAUL -MN	100.00
07-07	07-06	00000000004600001005000	*FINANCE CHARGE* CASH ADVANCE FEE	17.00
07-07	07-06	00000000004600001005000	CASH ADVANCE FROM - LIVESTOCK MARKETIN001002 -ST. PAUL -MN	1,000.00

Department: 00000 Total: $3,840.47
Division: 00000 Total: $3,840.47

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$392.72	$497.56	$890.28

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-28	06-27	75337007178414300591294	INUMBR 4157020918 CA	48.85
06-29	06-28	05227027179300176085452	ORANGE LEGAL 800-275-7991 FL	101.50
06-29	06-28	05227027179300176085528	ORANGE LEGAL 800-275-7991 FL	101.50
06-29	06-28	75337007179415500593781	INUMBR 4157020918 CA	30.91

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 07-19-2017

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-03	06-30	05227027181300197062973	ORANGE LEGAL 800-275-7991 FL	101.50
07-12	07-11	00000000004600003036000	*FINANCE CHARGE* CASH ADVANCE FEE	1.49
07-12	07-11	00000000004600003036000	CASH ADVANCE FROM - WELLS FARGO 001033 -ST. PAUL -MN	87.56
07-13	07-12	00000000004600002024000	*FINANCE CHARGE* CASH ADVANCE FEE	6.97
07-13	07-12	00000000004600002024000	CASH ADVANCE FROM - FIRST SOUTHERN NAT001031 -ST. PAUL -MN	410.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$8,555.06	$600.00	$9,155.06

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-03	06-30	[redacted]	[redacted]	1,191.22
07-03	06-30	[redacted]	[redacted]	1,143.75
07-03	06-30	[redacted]	[redacted]	784.20
07-03	06-30	[redacted]	[redacted]	1,041.10
07-03	06-30	[redacted]	[redacted]	1,287.95
07-11	07-10	[redacted]	[redacted] IL	1,579.20
07-13	07-12	[redacted]	[redacted]	10.20
07-13	07-12	[redacted]	CASH ADVANCE FROM - [redacted]	600.00
07-19	07-18	05410197199741231050920	[redacted]	19.24
07-19	07-18	55432867199100216487119	[redacted] IL	1,498.20

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$6,933.10	$179.72	$7,112.82

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-21	06-20	[redacted]	ORANGE LEGAL 800-275-7991 FL	101.50
06-21	06-20	[redacted]	ORANGE LEGAL 800-275-7991 FL	101.50
06-22	06-21	[redacted]	NV SEC OF STATE 7756845780 NV	24.00
06-23	06-22	[redacted]	US LEGAL SUPPORT 02816688568 TX	876.20
06-26	06-23	[redacted]	CAPITOL PROCESS SERVIC 202-4373167 DC	256.50
06-26	06-23	[redacted]	AZ QUICK SERVE 480-3145050 AZ	200.00
06-26	06-23	[redacted]	ALDERSON REPORTING 202-289-2260 DC	1,217.90
06-27	06-26	[redacted]	CAPITOL PROCESS SERVIC 202-4373167 DC	250.00
06-27	06-26	[redacted]	CAPITOL PROCESS SERVIC 202-4373167 DC	255.75
06-28	06-27	[redacted]	*FINANCE CHARGE* CASH ADVANCE FEE	0.42
06-28	06-27	[redacted]	CASH ADVANCE FROM - POSTMASTER 001069 -ST. PAUL -MN	24.84
07-13	07-12	00000000004600004024000	*FINANCE CHARGE* CASH ADVANCE FEE	0.42
07-13	07-12	00000000004600004024000	CASH ADVANCE FROM - POSTMASTER 001073 -ST. PAUL -MN	24.63
07-14	07-13	00000000004600004024000	*FINANCE CHARGE* CASH ADVANCE FEE	0.15
07-14	07-13	00000000004600004024000	CASH ADVANCE FROM - FLORIDA DIV 001068 -ST. PAUL -MN	8.75
07-14	07-13	00000000004600004025000	*FINANCE CHARGE* CASH ADVANCE FEE	0.15
07-14	07-13	00000000004600004025000	CASH ADVANCE FROM - FLORIDA DIV 001067 -ST. PAUL -MN	8.75
07-14	07-13	00000000004600004029000	*FINANCE CHARGE* CASH ADVANCE FEE	0.15
07-14	07-13	00000000004600004029000	CASH ADVANCE FROM - FLORIDA DIV 001070 -ST. PAUL -MN	8.75
07-17	07-13	85456117195701902036417	COUNTER INTELLIGENC 954-764-7393 FL	3,646.70
07-18	07-17	00000000004600003012000	*FINANCE CHARGE* CASH ADVANCE FEE	0.88

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 07-19-2017

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-18	07-17	00000000004600003012000	CASH ADVANCE FROM - NYC SHERIFF 001072 -ST. PAUL -MN	52.00
07-18	07-17	00000000004600003013000	*FINANCE CHARGE* CASH ADVANCE FEE	0.88
07-18	07-17	00000000004600003013000	CASH ADVANCE FROM - NYC SHERIFF 001074 -ST. PAUL -MN	52.00
			Department: 05002 Total:	$17,158.16
			Division: 00001 Total:	$17,158.16

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$22.24	$2,405.26	$0.00	$2,383.02

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-26	06-25	[redacted]	AMAZONPRIME MEMBERSHIP AMZN.COM/PRME WA	11.12
06-28	06-27	[redacted]	AMAZONPRIME MEMBERSHIP AMZN.COM/PRME WA	11.12 CR
06-28	06-27	[redacted]	AMAZONPRIME MEMBERSHIP AMZN.COM/PRME WA	11.12 CR
06-29	06-28	[redacted]	VARIDESK 08002072587 TX	395.00
07-10	07-06	[redacted]	IDENTICARD 07175695797 PA	132.00
07-13	07-11	[redacted]	IDENTICARD 07175695797 PA	621.00
07-17	07-15	[redacted]	VARIDESK 08002072587 TX	383.15
07-17	07-15	[redacted]	ULINE *SHIP SUPPLIES 800-295-5510 WI	550.06
07-19	07-19	[redacted]	ULINE *SHIP SUPPLIES 800-295-5510 WI	312.93

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$113.25	$0.00	$113.25

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-30	06-29	55547507180254401010015	CALDERON LOCKSMITH NEW YORK NY	113.25

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$550.00	$0.00	$550.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-28	06-26	55547507178254038016744	ALL STATE LEGAL CRANFORD NJ	275.00
07-12	07-10	55547507192254061014733	ALL STATE LEGAL CRANFORD NJ	275.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$171.49	$1,558.25	$1,729.74

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-21	06-20	05345887172000349153226	DARLING INGREDIENTS IRVING TX	145.00
07-10	07-07	00000000004600003003000	*FINANCE CHARGE* CASH ADVANCE FEE	26.49

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 07-19-2017

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-10	07-07	00000000004600003003000	CASH ADVANCE FROM - TST 525 WEST MONRO001002 -ST. PAUL -MN	1,558.25

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$47.68	$4,925.71	$0.00	$4,878.03

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-23	06-22	[redacted]	[redacted]	2,260.00
06-30	06-29	[redacted]	[redacted]	1,500.00
07-03	06-30	[redacted]	[redacted]	1,165.71
07-19	07-18	[redacted]	[redacted]	15.81 CR
07-19	07-18	[redacted]	[redacted]	16.06 CR
07-19	07-18	[redacted]	[redacted]	15.81 CR
			Department: 05004 Total:	$9,854.04

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$1,104.30	$0.00	$1,104.30

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-06	07-05	25536067187102006885683	SUN CLEANERS WASHINGTON DC	742.00
07-14	07-13	55310207194091771000010	R&D RUBBER STAMP CO IN LORTON VA	36.30
07-19	07-18	25536067200102006893706	SUN CLEANERS WASHINGTON DC	326.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$250.00	$500.00	$0.00	$250.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-03	06-30	55432867181100604637606	ISDA 212-901-6000 NY	500.00
07-06	07-05	55432867186100829487097	ISDA 212-901-6000 NY	250.00 CR
			Department: 05006 Total:	$1,354.30
			Division: 00003 Total:	$11,008.34

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$5,804.35	$190,324.89	$0.00	$184,520.54

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-20	06-19	55432867170100669620912	ATT*BILL PAYMENT 800-288-2020 TX	93.67
06-21	06-20	25247707172008937622764	TELESTREAM INC NEVADA CITY CA	304.00
06-22	06-20	55421357172627183958280	DLT SOLUTIONS 703-773- HERNDON VA	732.60
06-22	06-22	55432867173100083885692	APL*APPLE ONLINE STORE 800-676-2775 CA	239.85

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 07-19-2017

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-22	06-22	[redacted]	APL*APPLE ONLINE STORE 800-676-2775 CA	539.85
06-22	06-20	[redacted]	IMMIXTECHNOLOGY, IN 703-750-0610 VA	4,699.72
06-23	06-23	[redacted]	DMI* DELL FEDERAL 800-727-1100 TX	16,306.71
06-23	06-23	[redacted]	COMCAST 800-COMCAST MD	251.52
06-23	06-23	[redacted]	COMCAST 800-COMCAST MD	171.52
06-23	06-23	[redacted]	APL*APPLE ONLINE STORE 800-676-2775 CA	237.00
06-23	06-23	[redacted]	APL*APPLE ONLINE STORE 800-676-2775 CA	1,137.00
06-23	06-23	[redacted]	APL*APPLE ONLINE STORE 800-676-2775 CA	137.15
06-23	06-23	[redacted]	APL*APPLE ONLINE STORE 800-676-2775 CA	357.00
06-23	06-23	[redacted]	APL*APPLE ONLINE STORE 800-676-2775 CA	779.70
06-26	06-23	[redacted]	DTV*DIRECTV SERVICE 800-347-3288 CA	296.98
06-26	06-24	[redacted]	APL*APPLE ONLINE STORE 800-676-2775 CA	3,758.00
06-26	06-24	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	179.83
06-26	06-24	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	44.76
06-26	06-25	[redacted]	APL*APPLE ONLINE STORE 800-676-2775 CA	209.85
06-26	06-25	[redacted]	APL*APPLE ONLINE STORE 800-676-2775 CA	3,075.15
06-26	06-25	[redacted]	APL*APPLE ONLINE STORE 800-676-2775 CA	179.00
06-26	06-25	[redacted]	APL*APPLE ONLINE STORE 800-676-2775 CA	207.00
06-26	06-25	[redacted]	APL*APPLE ONLINE STORE 800-676-2775 CA	3,758.00
06-26	06-25	[redacted]	APL*APPLE ONLINE STORE 800-676-2775 CA	87.00
06-26	06-22	[redacted]	DISH NETWORK-ONE TIME 08003333474 CO	145.03
06-26	06-22	[redacted]	DISH NETWORK-ONE TIME 08003333474 CO	213.03
06-26	06-24	[redacted]	CARAHSOFT TECHNOLOGY C 703-8718500 VA	5,497.35
06-27	06-26	[redacted]	IT DEVICES 9252712300 CA	2,994.00
06-28	06-27	[redacted]	AVNGATE*BITDEFENDER.CO 8882471614 CA	109.99
06-28	06-27	[redacted]	WWW.DOMAINTOOLS.COM 2068389053 WA	995.00
06-28	06-27	[redacted]	MAXMIND INC 6175004493 MA	100.00
06-28	06-28	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	109.99
06-28	06-27	[redacted]	B&H PHOTO 800-606-696 800-2215743 NY	112.20
06-28	06-27	[redacted]	BLUE FISH WORX00 OF 00 832-8130566 TX	591.60
06-29	06-28	[redacted]	KPAUL - SDVOSB 317-271-4651 IN	41.28
06-29	06-27	[redacted]	UNITED OFFICE SOLUTION MINNETONKA MN	69.26
06-29	06-27	[redacted]	FOCUS CAMERA/ ASAVINGS 800-221-0828 NY	554.38
06-29	06-28	[redacted]	PREMIER OP 800-7276534 CA	447.28
06-30	06-30	[redacted]	GLOBAL DATA CENTER INC 800-200-1718 CA	5,054.27
06-30	06-30	[redacted]	APL*APPLE ONLINE STORE 800-676-2775 CA	216.95
06-30	06-30	[redacted]	APL*APPLE ONLINE STORE 800-676-2775 CA	7,017.00
06-30	06-30	[redacted]	APL*APPLE ONLINE STORE 800-676-2775 CA	69.95
06-30	06-30	[redacted]	APL*APPLE ONLINE STORE 800-676-2775 CA	147.00
06-30	06-30	[redacted]	APL*APPLE ONLINE STORE 800-676-2775 CA	2,050.05
06-30	06-30	[redacted]	TWC*TIME WARNER CABLE 816-358-8833 NY	618.00
06-30	06-28	[redacted]	GRASSHOPPER LLC 08008208210 MA	66.71
06-30	06-28	[redacted]	DOCUMENT MANAGEMENT SO LONDONDERRY NH	1,878.60
06-30	06-28	[redacted]	ALL CITI TONER TEL8882376002 NY	2,645.55
06-30	06-29	[redacted]	THE OFFICE PAL TEL7323701733 NJ	1,820.52
07-07	07-06	[redacted]	ESTIMA EVANSTON IL	240.00
07-07	07-06	[redacted]	MONOPRICE, INC. 8772712592 CA	47.04
07-07	07-06	[redacted]	COMPUTECH INTERNATIONA 516-4870101 NY	6,600.42
07-07	07-06	[redacted]	B&H PHOTO 800-606-696 800-2215743 NY	1,297.44
07-10	07-07	[redacted]	WWW.MUHIMBI.COM INTERNET GBR	1,199.40
07-10	07-07	[redacted]	VINITECHINC 7032315122 VA	22,104.00
07-10	07-08	[redacted]	WWW.IBSUPPLY.COM 414-778-3040 WI	1,125.52
07-10	07-09	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	199.99
07-10	07-07	[redacted]	PRIMEARRAY SYSTEMS INC 09784559488 MA	824.00
07-10	07-07	[redacted]	STATACORP LP 09796964600 TX	3,655.00
07-10	07-07	[redacted]	EC AMERICA MCLEAN VA	2,246.25
07-11	07-10	[redacted]	CRU DATAPORT VANCOUVER WA	1,517.98
07-11	07-10	[redacted]	MONOPRICE, INC. 8772712592 CA	860.06
07-11	07-10	[redacted]	SOFTWARE MORE 08009449931 GA	128.16
07-12	07-11	[redacted]	APRISA TECHNOLOGY LLC 516-629-4771 NY	9,610.07
07-12	07-10	[redacted]	GIT SATELLITE LLC 5129189102 TX	5,804.35
07-12	07-10	[redacted]	GIT SATELLITE LLC 5129189102 TX	6,735.85
07-12	07-11	[redacted]	BAHFED CORP 05032088410 OR	188.60
07-12	07-10	[redacted]	DLT SOLUTIONS 703-773- HERNDON VA	5,338.95

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 07-19-2017

NEW ACTIVITY

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-12	07-10	[redacted]	DLT SOLUTIONS 703-773- HERNDON VA	2,802.37
07-12	07-10	[redacted]	DLT SOLUTIONS 703-773- HERNDON VA	9,068.38
07-12	07-11	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	113.25
07-12	07-12	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	386.95
07-12	07-11	[redacted]	OMEGA BROADCAST GROUP 0512251778 TX	3,898.53
07-12	07-11	[redacted]	B&H PHOTO 800-606-696 800-2215743 NY	314.50
07-12	07-07	[redacted]	AUGUST SCHELL (301) 907-947 MD	4,098.60
07-13	07-12	[redacted]	STAPLES DIRECT 800-3333330 MA	237.00
07-14	07-12	[redacted]	IMMIXTECHNOLOGY, IN 703-750-0610 VA	24,420.00
07-17	07-14	[redacted]	KOI COMPUTERS, INC. 06306278811 IL	2,176.22
07-17	07-14	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	132.00
07-17	07-17	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	444.01
07-17	07-13	[redacted]	DISH NETWORK-ONE TIME 08003333474 CO	213.03
07-18	07-17	[redacted]	GIT SATELLITE LLC 5129189102 TX	5,804.35 CR
07-19	07-17	[redacted]	UNITED OFFICE SOLUTION MINNETONKA MN	50.25
07-19	07-19	[redacted]	TWC*TIME WARNER NYC 718-358-0900 NY	43.92
07-19	07-18	[redacted]	MARKERTEK VIDEO SUPPLY 845-2463036 NY	804.95

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$798.00	$11,035.90	$0.00	$10,237.90

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-07	07-06	[redacted]	NW3C INC 8042736932 VA	399.00
07-07	07-06	[redacted]	NW3C INC 8042736932 VA	399.00
07-07	07-07	[redacted]	AAEA 414-918-3190 WI	685.00
07-10	07-07	[redacted]	ISDA 212-901-6000 NY	487.50
07-10	07-06	[redacted]	W3917-170706213740 MGTCONCEPTS VA	609.00
07-11	07-10	[redacted]	NW3C INC 4029357733 VA	399.00 CR
07-11	07-10	[redacted]	GRADUATE SCHOOL REG 08887444723 DC	729.00
07-12	07-10	[redacted]	W3917-170710160946 MGTCONCEPTS VA	1,149.00
07-12	07-10	[redacted]	W3917-170710163535 MGTCONCEPTS VA	979.00
07-13	07-12	[redacted]	NW3C INC 4029357733 VA	399.00 CR
07-14	07-12	[redacted]	AMERICAN MGMT ASSOC SARANAC LAKE NY	1,814.40
07-14	07-12	[redacted]	AMERICAN MGMT ASSOC SARANAC LAKE NY	1,995.00
07-14	07-13	[redacted]	CENTRE LAW AND CONSULT 703-2882800 VA	1,095.00
07-17	07-13	[redacted]	STANDARDS ENGI00 OF 00 603-9260750 NH	695.00

Department: 05009 Total: $194,758.44

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$8,622.04	$0.00	$8,622.04

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-20	06-19	[redacted]	AUTOMATION AIDS INC. 800-2342790 PA	1,274.10
06-21	06-19	[redacted]	17TH STREET PHOTO SUPP 800-6641971 NY	574.40
06-30	06-28	[redacted]	CAPRICE ELECTRONICS TEL7182220436 NY	109.94
07-19	07-18	[redacted]	BLUE FISH WORX00 OF 00 832-8130566 TX	6,663.60

Department: 05010 Total: $8,622.04
Division: 00005 Total: $203,380.48

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 07-19-2017

NEW ACTIVITY

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$6,429.41	$0.00	$6,429.41

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-20	06-19	[redacted]	AG COMMODITY RESEARCH NORTH VANCOUV BC	2,500.00
06-22	06-21	[redacted]	AGRESOURCE.COM 3124080045 IL	715.00
06-30	06-29	[redacted]	REITERS BOOKS WASHINGTON DC	54.95
07-03	06-30	[redacted]	AMAZON.COM AMZN.COM/BILL WA	122.62
07-03	07-02	[redacted]	AMAZON.COM AMZN.COM/BILL WA	411.35
07-03	07-03	[redacted]	AMAZON.COM AMZN.COM/BILL WA	239.65
07-07	07-06	[redacted]	MARQUIS WHO' S WHO NEW PROVIDENC NJ	345.00
07-11	07-10	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	900.94
07-13	07-11	[redacted]	AMERICAN NATIONAL STAN NEW YORK NY	167.00
07-17	07-15	[redacted]	AMAZON MKTPLACE PMTS AMZN.COM/BILL WA	509.20
07-17	07-13	[redacted]	AMERICAN BAR ASSOCIATI 08002852221 IL	463.70

Department: 05013 Total: $6,429.41
Division: 00007 Total: $6,429.41

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$2,000.00	$0.00	$2,000.00

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-11	07-10	55480777191206131200014	ELIZABETH LEADER 02027234071 DC	2,000.00

[redacted]

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$0.00	$20,672.75	$0.00	$20,672.75

Post Date	Tran Date	Reference Number	Transaction Description	Amount
07-12	07-11	55480777193206081400067	FUTURES INDUSTRY ASSOC 02024665460 DC	4,450.00
07-12	07-11	55480777193206081400075	FUTURES INDUSTRY ASSOC 02024665460 DC	8,000.00
07-12	07-11	85121527192727868794630	FUTURES INDUSTRY AS WASHINGTON DC	8,222.75

[redacted]2

CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
$2.63	$579.39	$0.00	$576.76

Post Date	Tran Date	Reference Number	Transaction Description	Amount
06-22	06-22	55432867173100224947427	FREEMAN DES MOINES 515-265-5601 IA	167.14
06-26	06-22	85186887174980019086040	IOWA STATE FAIR DES MOINES IA	100.00
06-27	06-27	55432867178100320580135	GLOBAL EXPERIENCE SPEC 800-475-2098 NV	186.69
06-29	06-28	55432867179100175676185	MARRIOTT ORLANDO WORLD 866-435-7627 FL 038885 ARRIVAL: 06-28-17	125.56
07-07	07-06	05230657188870062316532	THE BREWERY ON CHI LONDON EC1Y (FOREIGN CURRENCY) 2.00- GBP 07/07 (RATE) 0.7605	2.63 CR

Company Name: CFTC
Corporate Account Number: [redacted]
Statement Date: 07-19-2017

Department: 05015 Total:	$23,249.51
Division: 00006 Total:	$23,249.51

Customer Protection Fund (CPF)

47. Mr. Aderholt: What is the current balance of the Customer Protection Fund?

Response:

As of July 31, 2017, the balance in the Customer Protection Fund (CPF) was $236,019,304.

48. Mr. Aderholt: What were the total obligations for the CPF in FY 2016 and FY 2017 to date?

Response:

Total obligations in the CPF for FY 2016 were $19,899,491 and obligations as of the period ending July 31, 2017 were $10,573,241.

49. Mr. Aderholt: What are the planned obligations of the Fund for the remainder of FY 2017 and FY 2018?

Response:

Estimated obligations for the fund are provided in the table below:

	FY 2016 Actual ($000)	FY 2017 Estimate ($000)	FY 2018 Estimate ($000)
Budget Authority – Prior Year	**$264,251**	**$245,161**	**$235,200**
Budget Authority – New Year	490	1,189	1,400
Prior Year Recoveries	**352**	**575**	**821**
Sequestration	(33)	(82)	(92)
Total Budget Authority	**265,060**	**246,843**	**237,329**
Whistleblower Program	**2,293**	**2,841**	**3,187**
Whistleblower Awards	11,851	0	82,000
Customer Education Program	**5,782**	**9,227**	**13,307**
Total Planned Expenditures	**19,926**	**12,068**	**98,494**
Unobligated Balance	**$245,134**	**$234,775**	**$138,835**

Planned Obligations

	FY 2017 Estimated	FY 2018 Request
Whistleblower Awards	$0	$82,000,000
Customer Education Program	$9,227,000	$13,307,000
Whistleblower Admin Program	$2,841,000	$3,187,000

50. Mr. Aderholt: How many FTEs will the Fund use in fiscal years 2017 and 2018?

Response: In FY 2017, a total of 13 FTE are projected to be funded from the Consumer Protection Fund. A total of 15.8 FTE are projected to be funded in FY 2018.

Full-Time Equivalents (FTE) usage in the Customer Protection Fund	**FY 2017 Estimated Usage**	**FY 2018 Requested FTE**
Customer Education Program	7.0	10.0
Whistleblower Admin Program	8.0	10.0

Leveraging All Resources

51. Mr. Aderholt: Please provide a table showing the budget and staff of the National Futures Association since FY 2012.

Year*	Total Operating Expenses	Average Staffing
2013	$62 million	330
2014	$69 million	415
2015	$77 million (reduced from 79)	467(reduced from 471)
2016	$83 million	482
2017	$92 million	520

* Fiscal year ending June 30

52. Mr. Aderholt: How many regulatory staff are dedicated to regulatory compliance across the entire Self-Regulatory Structure of the futures, options, and swaps market?

Response:

The CME dedicates approximately 240 regulatory surveillance staff. ICE dedicates approximately 30 regulatory surveillance staff. The NFA has a total staff of approximately 520.

Performance Measures

53. Mr. Aderholt: Please provide a table showing CFTC's performance measures and actual performance for the past three years. Also indicate how each of these measures relate to specific outcomes.

Response:

Below are the past three years of results for CFTC performance measures. Each measure relates to and falls under one of CFTC's outcomes (labeled goals and strategic objectives). Where an asterisk * appears, the measure was new to the strategic plan published in FY 2015. Below the results is a list of discontinued measures and an explanation for why each was discontinued.

Goal One: Market Integrity and Transparency

Objective 1.1: Markets not readily susceptible to manipulation and other abusive practices	
Performance Indicator 1.1.a*: Strive for percentage of high impact contract and rule submissions received by the Commission through the OPERA portal.	
FY 2015	FY 2016
Nearly 96%	99%
Performance Indicator 1.1.b: Strengthen capacity to receive and expeditiously evaluate all trading data and associated information to identify potential violations of the CEA or Commission regulations and the timely response to market emergencies.	
FY 2016	CFTC is in the early stages of a multi-year effort to develop analytic tools to harmonize data and improve trading data evaluation.
No reporting	

Objective 1.2: Establishment of an effective self-regulatory framework	
Performance Indicator 1.2.a*: Examine compliance by exchanges with the CEA Core Principles and Commission regulations, prioritizing systemically important entities.	
FY 2015	FY 2016
Baseline Year – Commission completed four rule enforcement reviews (RERs) [1] and completed on-site interviews for 3 1/2 of four additional RERs	One DCM Rule Enforcement Review complete and two RERs initiated

[1] Revised to four Rule Enforcement Reviews (RER) from 2015 APR figure of one RER.

Objective 1.2 continued: Establishment of an effective self-regulatory framework	
Performance Indicator 1.2.b*: Review exchange and SDR notifications and periodic status updates regarding significant systems disruptions and material planned changes to mission-critical systems or programs of risk analysis and oversight.	
FY 2015	FY 2016
Baseline year – Commission reviewed 100% of notifications and updates during the fiscal	100% review

year.	
Performance Indicator 1.2.c*: Examine compliance by exchanges and SDRs with the system safeguards and cyber security requirements of the CEA Core Principles and Commission regulations, prioritizing systemically important entities.	
FY 2015	FY 2016
Baseline Year – Commission completed SSEs for five systemically important entities.	Five on-site reviews for SSEs conducted

Objective 1.3: Availability of market information to the public and for use by authorities		
Performance Indicator 1.3.a: Percentage of derivatives activity covered by regularly published Commission reports.		
FY 2014	FY 2015	FY 2016
75%	90%	98%
Performance Indicator 1.3.b*: Publish economic research reports to inform the public about market structure of the derivatives markets.		
FY 2015	FY 2016	
Four reports	Five reports	

Objective 1.4: Integrate futures and options positions and transactions data	
Performance Indicator 1.4.a*: Percentage of derivatives for which trader data can be matched across CFTC datasets.	
FY 2015	FY 2016
Baseline year – Commission made limited progress because CFTC is waiting for Ownership and Control Reporting to begin.	Due to data reporting relief granted through No Action Letter 16-32 (NAL 16-32), CFTC was not in receipt of the data required to make progress on this target in FY 2016.

Goal Two: Financial Integrity and Avoidance of Systemic Risk

Objective 2.1: Avoid disruptions to the system for clearing and settlement of contract obligations	
Performance Indicator 2.1.a*: CFTC strives to conduct back testing of DCOs' material product and portfolio initial margin requirements to assess their sufficiency.	
FY 2015	FY 2016
Conducted back testing of products and portfolios of two DCOs	Five DCOs
Performance Indicator 2.1.b*: CFTC develops and calculates clearing members' ability to fund variation and initial margin requirements using hypothetical market scenarios.	
FY 2015	FY 2016
Assessed 10% of clearing members	Assessed 10 clearing members (approx. 25% of overall clearing members)
Performance Indicator 2.1.c*: Aggregate cleared swaps, futures, and options positions into a comprehensive risk surveillance process and conduct analysis for each material market participant.	
FY 2015	FY 2016
CFTC aggregated the risk of 25 interest rate swap (IRS) and interest rate (IR) futures accounts.	16 CFTC aggregated the risk of 16 interest rate swap (IRS) and interest rate (IR) futures accounts.
Performance Indicator 2.1.d*: Review Derivatives Clearing Organization (DCO) notifications regarding: hardware or software disruptions, cyber security events or threat events, activation of the DCOs' business continuity or disaster recovery plans, significant planned changes to mission-critical systems, planned changes to the DCOs' programs of risk analysis, and other notifications that potentially impact or could impact the DCOs' ability to process, clear and manage the risk of its business activities.	
FY 2015	FY 2016
Filings reviewed within appropriate timeframe, 75% of the time.	Reviewed 93% of material notifications within 2-5 business days. 80% of non-material notifications reviewed within 30 days.

Performance Indicator 2.1.e.1: Strive to examine compliance by DCOs with the Core Principles, including system safeguards and cyber security requirements, of the CEA and Commission regulations, prioritizing systemically important entities.		
FY 2014	FY 2015	FY 2016
100%	100%	100%

Performance Indicator 2.1.e.2: Strive to examine compliance by DCOs with the Core Principles, including system safeguards and cyber security requirements, of the CEA and Commission regulations, prioritizing systemically important entities.		
FY 2014	FY 2015	FY 2016
0%	30%	Completed fieldwork for four exams.

Objective 2.2: Provide market participants with timely guidance	
Performance Indicator 2.2.a.2*: Percent of swap dealer and major swap participants registration documentation completed.	
FY 2015	FY 2016
71% - Commission worked with NFA to develop NFA's capacity to review swap dealer applications effectively.	100%

Objective 2.3: Strong governance and oversight by financial registrants	
Performance Indicator 2.3.a.1*: Conduct oversight reviews of Swap Dealers (SDs).	
FY 2015	FY 2016
Three SDs	49 SDs
Performance Indicator 2.3.a.2*: Conduct oversight reviews of Futures Commission Merchants (FCMs).	
FY 2015	FY 2016
Zero FCMs	55 FCMs
Performance Indicator 2.3.b*: Review Chief Compliance Officer (CCO) annual reports for Swap Dealers (SDs), Major Swap Participants (MSPs), and Futures Commission Merchants (FCMs), and provide feedback to the registrants on governance and compliance oversight.	
FY 2015	FY 2016
49%	96%

Objective 2.4: Market participants maintain sufficient financial resources, risk management procedures, and customer protection practices	
Performance Indicator 2.4.b*: Monitor high-risk registrants focusing on Futures Commission Merchants for signs of financial stress.	
FY 2015	FY 2016
100%	100%

Goal Three: Comprehensive Enforcement

Objective 3.1: Strengthen capacity to receive and expeditiously handle high-impact tips, complaints and referrals	
Performance Indicator 3.1.a.1*: Strengthen and ensure a coordinated approach to receiving, assessing, and referring tips, complaints and referrals as necessary and appropriate; establish a unit or office dedicated to this function.	
FY 2015	FY 2016
20-hour average time to review tips met	78% of referrals were converted by teams within 18 hours. 80% of referrals lead to an investigation.
Performance Indicator 3.1.b.1*: Develop a comprehensive communication strategy, geared for internal and external stakeholders, relating to the role of whistleblowers and the function of the Whistleblower Office (WBO).	
FY 2015	FY 2016
Completed training for 28 new Division of Enforcement staff, including training 13 newly hired division contractors.	Provided individualized training to over 20 employees in home office and regions.
Performance Indicator 3.1.b.2*: Develop a comprehensive communication strategy, geared for internal and external stakeholders, relating to the role of whistleblowers and the function of the Whistleblower Office.	
FY 2015	FY 2016
Participated in 12 public forums and trade shows	Participated in 18 annual public forums and trade shows.
	Launched new website for whistleblower office.

Objective 3.2: Execute rigorous and thorough investigations		
Performance Indicator 3.2.a: Percentage of enforcement investigations completed within 18 months of opening, depending on the nature and scope of investigations.		
FY 2014	FY 2015	FY 2016
23%	75%	76%

Goal Four: Broad Outreach on Regulatory Concerns

Objective 4.1: Broad outreach on regulatory concerns	
Performance Indicator 4.1.a*: Number and types of opportunities that have been provided for the exchange of views between the Commission and other domestic and international regulators.	
FY 2015	FY 2016
Contextual indicator – no annual result	Contextual indicator – no annual result
Performance Indicator 4.1.b*: Number and types of opportunities that have been provided for the exchange of views between the Commission and the public.	
FY 2015	FY 2016
Contextual indicator – no annual result	Contextual indicator – no annual result

Objective 4.2: Sound international standards and practices	
Performance Indicator 4.2.a*: Number and types of projects that have been initiated and/or completed within international regulatory and standard setting groups that promote the CFTC's regulatory policies.	
FY 2015	FY 2016
Contextual indicator – no annual result	Contextual indicator – no annual result
Performance Indicator 4.2.b*: Number of regulatory cooperation and coordination arrangements negotiated with international regulatory authorities to facilitate high-quality derivatives regulation worldwide and the CFTC's supervision of markets and entities that are global in nature.	
FY 2015	FY 2016
See FY 2015 APR for list of arrangements signed that year	Contextual indicator – no annual result

Objective 4.3: Provide global technical assistance		
Performance Indicator 4.3.a*: Number of non-U.S. regulators trained.		
FY 2014	FY 2015	FY 2016
260	150	113

Objective 4.4: Robust Domestic and International Enforcement Cooperation and Coordination	
Performance Indicator 4.4.a*: Leverage the impact of its enforcement program through coordination with Self-Regulatory Organizations (SROs) and active participation in domestic and international cooperative enforcement efforts.	
FY 2015	FY 2016
Participated in 11 domestic and international cooperative meetings, task forces, etc.	Participated in more than two dozen domestic/international cooperative enforcement meetings

Management Objectives

Objective 5.1: A High-performing, diverse, and engaged workforce		
Performance Indicator 5.1.a*: Implement operational planning across the Commission.		
FY 2015	FY 2016	
Commission developed budget strategy documents that Chairman used to make strategic resource decisions	Two divisions have fully functioning operational plans with active internal processes in place to track priorities and key projects	
Performance Indicator 5.1.b: Implement performance management plans for executives.		
FY 2015	FY 2016	FY 2017
Developed improved template for strategic alignment of executive plans, based on OPM's Executive Core Qualifications.	No reporting	2017 pilot will align strategic or operating goals with executive performance assessments for the 2017-2018 Performance Year.
Performance Indicator 5.1.c*: Establish and implement an Individual Development Plan (IDP) strategy.		
FY 2015	FY 2016	
Baseline year – CFTC completed baseline activities and projects – approximately 10 percent of Commission employees have IDPs.	Over 15% of Commission employees in have Individual Development Plans in place	
Performance Indicator 5.1.d*: Establish certification programs in executive, supervisory, and one core subject matter function.		
FY 2015	FY 2016	
80% of planned FY 2015 activities completed	Finalized a draft curriculum that addresses every level of derivatives education	
Performance Indicator 5.1.e*: Increase Employee Viewpoint Survey scores to achieve and maintain a ranking of Top 10 in the Best Places to Work (small agency category).		
FY 2014	FY 2015	FY 2016
27th	60% employee engagement index (EEI) score 25 (CFTC ranking)	65% employee engagement index (EEI) score

Objective 5.2: Effective stewardship of resources	
Performance Indicator 5.2.a*: Improved CFTC customer satisfaction with management programs and services.	
FY 2015	FY 2016
Commission identified programs and services that will be evaluated.	Created two draft customer satisfaction surveys: operations and technology/help desk. Received initial approvals by end of fiscal year.

Objective 5.3: A Robust and Comprehensive Consumer Outreach Program	
Performance Indicator 5.3.b*: Finalize and monitor campaign success measures.	
FY 2015	FY 2016
At outset of campaign, CFTC had one annual survey indicator, which has since been dropped.	144% of annual targets for reach, awareness, and engagement.

Discontinued Indicators from the CFTC strategic plan published in FY 2015.

Indicator	Why not Included?
2.2. a.1 – Review and provide feedback as appropriate on SD and MSP risk-exposure reports.	CFTC discontinued indicator at end of FY 2015 due to challenges encountered in gathering reliable and comprehensive data.
2.2.a.3 – Percent of substantive industry issues addressed in a timely manner.	The Commission determined in FY 2016 that the indicator contains fundamental flaws that cannot be effectively remediated. As a result, CFTC discontinued it.
2.4.a – Conduct limited scope reviews of Swap Dealers (SDs), Major Swap Participants (MSPs),and Futures Commission Merchants (FCMs) risk management and internal control systems and procedures, including controls, processes and procedures over technology risks.	Indicator had no reporting during FY 2015 because Commission determined that indicators 2.3.a.1 and 2.3.a.2 better encapsulate DSIO's activities. Commission discontinued indicator at end of FY 2015.
3.1.a.2 – Strengthen and ensure coordinated approach to receiving, assessing, and referring tips, complaints and referrals; establish a unit or office dedicated to this function.	Enforcement Division established new triage unit in FY 2015 to intake and triage tips and leads from all sources. Indicator was discontinued at the end of FY 2015. Success of campaign is now measured through indicator 3.1.a.1.
5.1.f – Number of diversity-related partnerships and alliances.	Commission met its strategic plan target of 10 new partnerships by end of FY 2016, and moved indicator to completed/discontinued Appendix for FY 2017.
5.3.a – Launch long-term anti-fraud campaign.	Anti-fraud campaign launched in FY 2015. CFTC discontinued indicator at end of FY 2015. Success of campaign is measured through indicator 5.b.3.
5.3.c – Complete Congressional report.	Annual report to Congress on customer initiatives is a routine report and is not a direct measure of CFTC priorities. Therefore, indicator does not merit inclusion in the APR.

54. Mr. Aderholt: In the past, CFTC measured success by the amount of fines and penalties imposed on the private sector. What types of outcome based performance measures does the CFTC plan to put in place that differ from those of the past?

Response:

The outcome performance measures CFTC will put in place for the FY 2018 – 2022 Strategic Plan will differ from past indicators because they will specifically reflect and demonstrate progress toward successful implementation of the Commission's clearly articulated priorities. These include:

- Implementing existing regulations and policies in straightforward, less burdensome and less costly ways (Project KISS – Keep it Simple, Stupid).
- Improving CFTC's swaps trading regulatory framework.
- Strengthen coordination and cooperation with other enforcement agencies, and with federal, state, and international regulators.
- Strengthen regulatory certainty by identifying and implementing an appropriate CFTC role in promoting FinTech innovation in CFTC regulated markets.
- Achieve comity, not uniformity, with international regulators to ensure CFTC regulations and their implementation do not conflict and fragment the global derivatives marketplace.

The Commission is taking a new approach to strategic planning, which includes steps to improve internal accountability. Once the CFTC 2018-2022 Strategic Plan is published, we will develop annual operating plans for each division. The operating plans will include performance indicators covering each division's responsibilities and commitments in the CFTC Strategic Plan. Operating plans and their performance indicators will become the foundation for aligning executive performance standards with organizational performance indicators so that executive performance assessments reflect the performance of their organizations.

Looking Ahead

55. Mr. Aderholt: The President has laid out several Executive Orders to provide for reforms. These reforms include a review of the core principles of financial regulation and a proposal for re-organization of agencies to achieve greater efficiencies and effectiveness. Please describe how the CFTC is complying with the President's Executive Orders and also how it plans to implement its own new initiatives and ideas for the future of the agency?

Response:

The Commission has undertaken a number of initiatives associated with the Executive Orders issued since January. The Commission has undertaken a review of agency rules to determine whether any are out of date with the current financial markets and industry practices, are inconsistent, or pose difficulties with achieving registrant compliance. The new focus is to make rules less burdensome, simpler, and easier to implement. The Commission has also sought public comments for ways to improve, streamline, or modernize our regulatory work at the CFTC. Through these and other efforts, the Commission has already reduced the burden on market participants by issuing no-action relief letters.

In addition, the Commission undertook a thorough review of the Commission's organizational structure and identified opportunities for efficiencies. The Commission's FY 2018 Budget request reflected some of these initiatives.

(1) Reorganizing elements of the surveillance branch from the Division of Market Oversight to the Division of Enforcement will strengthen CFTC's ability to identify violations of law and regulation.

(2) Establishing a Market Intelligence Branch within the Division of Market Oversight will facilitate analysis and communicate current and emerging market dynamics, developments and trends.

(3) Establishing FinTech and launching LabCFTC will enhance capabilities. The phase 1 launch will promote responsible FinTech innovation to improve the quality, resiliency, and competitiveness of the markets CFTC oversees and serve as a platform to inform the CFTC's understanding of new technologies.

(4) The Commission reorganized its business management functions to achieve efficiencies across the Commission, and increased the resources dedicated to mission capabilities supporting examinations, market oversight and enforcement.

Supreme Court Case on Disgorgement Penalties

56. Mr. Aderholt: A recent unanimous ruling by the Supreme Court established a new legal precedent that pertains to the Securities and Exchange Commission. The Court ruled that not only is disgorgement subject to a five-year statute of limitations, but in doing so qualified these penalties as "punitive" instead of remedial. This is a significant change for a financial regulator with a similar mission to the CFTC. In fiscal year 2014 for example, the Commission assessed almost $1.5 billion in disgorgement and restitution. These are significant amounts of money that may now be in question. Please explain what the legal and practical ramifications of this Supreme Court decision will have on the CFTC's mission?

Response:

The Supreme Court's decision regarding disgorgement will have a far lesser impact on the CFTC's mission due to the CFTC's and SEC's differing statutory authority. Both the CFTC and SEC have the authority to seek disgorgement, which deprives wrongdoers of their ill-gained profits. However, the CFTC unlike the SEC may also seek restitution, which requires wrongdoers to pay for their victims' losses. While the SEC uses disgorgement to provide relief to victims, the CFTC predominately uses restitution for that purpose.

The CFTC reports a combined number for total disgorgement and restitution assessed in its enforcement actions, but the CFTC historically obtains far more in restitution than disgorgement. For example, in FY 2014, while the CFTC reported $1,432,741,328 in total disgorgement and restitution, disgorgement accounted for only $33,888,368 of that amount.

57. Mr. Aderholt: Will the decision affect any already-completed legal actions the Commission has taken?

Response:

The CFTC will continue its practice of prioritizing restitution in its requests for relief. For CFTC enforcement actions that have been filed but not yet resolved, the CFTC will follow the Supreme Court's decision when requesting (in civil actions) and imposing (in administrative actions) disgorgement. For enforcement actions that have resulted in final judgment, the CFTC does not anticipate taking further action.

CHOICE Act and Clearing Houses

58. Mr. Aderholt: CFTC is responsible under Dodd-Frank to carry out one annual examination of the two Systemically Important Derivative Clearing Organizations under its purview- the Chicago Mercantile Exchange (CME) and the Intercontinental Exchange (ICE) in Atlanta, GA. While the Dodd-Frank law created transparency in the swaps marketplace, it forced a lot of new risk onto these institutions. The House recently passed the CHOICE Act that will put an end to guaranteed taxpayer hailouts for Wall Street institutions designated by the government as too-big-to-fail. How will the CHOICE Act affect CFTC's mandate to inspect each of these clearinghouses?

Response:

Section 807(a) of the Dodd-Frank Act requires the CFTC to examine annually the two derivatives clearing organizations that have been designated as systemically important, Chicago Mercantile Exchange Inc. (CME) and ICE Clear Credit LLC (ICC). If the CHOICE Act repeals Section 807, the CFTC will no longer be required to conduct annual examinations of CME and ICC. However, pursuant to its authority under the Commodity Exchange Act, the CFTC examines other DCOs at a frequency determined by the DCO's risk assessment (and the CFTC's available resources), and thus the CFTC might still examine CME and ICC annually.

Section 807(d) of the Dodd-Frank Act requires the CFTC to consult annually with the Board of Governors of the Federal Reserve System (FRB) regarding the scope and methodology of any examination of CME or ICC. The CFTC leads the examination; however, FRB may, in its discretion, participate in any examination. FRB has participated in every CME and ICC examination conducted since both DCOs were designated in 2012. CFTC staff dedicates a significant amount of time to working with FRB during the examination process as the staff considers FRB's views regarding the scope and methodology of the examination, views regarding compliance with items within the scope of the examination, document requests, scheduling of meetings with the DCO, views regarding topics to be discussed during those meetings, meetings to discuss differences of opinions, meetings to discuss the examination report prior to issuance, and meetings to discuss the progress of remediation of examination findings.

As a result, the CFTC has to prioritize its work in order to ensure the examinations of CME and ICC are completed timely.
As a result of Section 807(d) and the lack of adequate staff resources, the issuance of examination reports for other DCOs has been delayed, the review of remediation plans to address examination findings has been delayed, and some DCOs have not been examined. If the CHOICE Act repeals Section 807, the CFTC will have more time to focus on examinations, rule changes, or other activities of DCOs that are not CME or ICC.

59. Mr. Aderholt: When will CFTC be able to develop the examination program mentioned in its budget request under CFTC regulation 39.39 which requires clearinghouses to plan for certain types of market failure?

Response:

The CFTC has a draft of the examination program for measuring compliance with CFTC regulation 39.39 concerning resolution and wind-down plans. The program was recently used to measure compliance at one of the DCOs. Management is in the process of evaluating the results from that examination and its goal is to make any additional changes that are needed to finalize the examination program by the end of the year.

QUESTIONS SUBMITTED BY RANKING MEMBER SANFORD BISHOP

Staffing

Mr. Bishop: While your written testimony states you've "realigned portions of the surveillance staff under the enforcement division and refocused a team on developing improved market intelligence," the budget request depicts staff reductions in your two largest mission areas. As recently as this week, CFTC has both filed and settled charges against duplicitous actors attempting to fraudulently solicit U.S. customers to trade leveraged foreign currencies and were previously successful in spoofing and manipulating the gold and silver futures markets. Because the budget request contained minimal justifications and back-up information, it appears you may be asking staff to do more with less. Or it may well be that through the organizational assessment; you identified a more streamlined manner to remain vigilant.

61. Mr. Bishop: Can you walk us through how you'll continue to keep consumers safe under this new operating paradigm?

Response:

Elements of the market surveillance branch currently housed in the Division of Market Oversight (DMO) will move to the Division of Enforcement (DOE). This realignment will strengthen our mission to identify and prosecute violations of law and regulation, such as spoofing, manipulation and fraud. It will foster increased efficiencies through knowledge-sharing and cross-training under unified leadership; thus benefitting the Commission's surveillance mission and enforcement responsibilities.

Other elements will be reorganized within DMO as a new market intelligence branch, the function of which is to understand, analyze and communicate current and emerging derivatives market dynamics, developments and trends – such as the impact of new technologies and trading methodologies.

By separating the two units – surveillance within DOE and market intelligence within DMO – we will sharpen our surveillance capability while increasing our knowledge of evolving market structures and practices to inform sound policymaking at the Commission and promote efficient and sound markets. The overall goal is to make the CFTC more adept in each of the two disciplines.

62. Mr. Bishop: I notice that 20 of the 36 additional staff you would hire with the increase in the budget and almost a quarter of the increased funds would go to the "Agency Direction and Management" mission area. There have been reports of substantial delays with responding to industry due to inadequate staffing at CFTC. Can you explain and justify this?

Response:

In its FY 2018 Budget Request, CFTC has prioritized its mission functions, and 100% of the FTE increases are for new Commissioners and their staffs and mission staff as follows:

- Agency Direction, 5 FTE – Provides new Commissioners and staff Chief Economist, 15 FTE – Provides expanded analytical and cost benefit analysis capabilities
- Clearing & Risk, 6 FTE – Increases examination staff
- Enforcement, 1 FTE – Provides paralegal support for attorney staff
- General Counsel, 7 FTE – Provides 6 FTE for FinTech and 1 attorney position
- Market Oversight, 1 FTE – Increases surveillance staff
- Swap Dealer and Intermediary Oversight, 1 FTE – Increases examinations staff

What appears to be an increase to administration actually will result in reduced administrative costs. In FY 2017 CFTC notified the committees of a reorg (March 7, 2017 letter from Acting Chairman Giancarlo) of its business management functions from the divisions to Agency Support to centralize and streamline operations. It is expected that this effort will result in approximately $1.3M in savings over time. CFTC has already realized approximately $450K in savings (2 FTE) from this effort.

63. Mr. Bishop: Are these 20 meant to reduce response delays?

Response:

As discussed in the response for question 62, the 31 of the 36 FTE increase in the CFTC budget request are intended for the mission divisions to improve the Commission's overall effectiveness, including in areas such as responding to industry inquiries in a timelier manner. The remaining 5 FTE provide for New Commissioners and their staffs.

64. Mr. Bishop: If not these 20, then do you think this would necessitate an increase in hiring actions?

Response:

The Commission's budget request seeks additional resources for the mission divisions that are responsible for communicating with industry.

Congressional Communications

Mr. Bishop: Again, I want to thank you for maintaining open lines of communication with me, my office, and my Agriculture subcommittee colleagues. That professionalism is what, I hope, all Departments and Agencies would emulate to keep America prosperous.

65. Mr. Bishop: Are you aware of any policy or guidance that would prohibit or delay responses to Ranking Members of Congressional Committees or subcommittees of jurisdiction?

Response:

We are aware of a May 1, 2017 Department of Justice Letter Opinion for the Counsel to the President regarding information requests by individual members of Congress including Ranking Members of Congressional Committees. This document does not prohibit responses to these members of Congress. The CFTC is committed to responding to requests for CFTC information from Ranking Members of Congressional Committees or subcommittees of jurisdiction.

66. Mr. Bishop: Is there a policy or guidance that would prohibit or delay responses to Democratic Members of Congress?

Response:

We are aware of a May 1, 2017 Department of Justice Letter Opinion for the Counsel to the President regarding information requests by individual members of Congress. This document does not prohibit responses to these members of Congress. The CFTC is committed to responding to requests for CFTC information from individual Members of Congress.

67. Mr. Bishop: If such policies or guidance are in place, were they developed in consultation with the White House or the Office of Management and Budget?

Response: We are aware of a May 1, 2017 Department of Justice Letter Opinion for the Counsel to the President regarding information requests by individual members of Congress including Ranking Members of Congressional Committees.

QUESTIONS SUBMITTED BY CONGRESSMAN KEVIN YODER

FinTech

68. Mr. Yoder: Can you share with the Committee more about the CFTC's efforts to treat digital currency as a commodity, and in particular how the agency might work to facilitate digital currency exchanges?

Response:

The mission of the CFTC is to foster open, transparent, competitive, and financially sound markets. We further note that responsible innovation is market-enhancing and serves the public interest.

Within this context, the definition of "commodity" is broad, and includes, among other things, "all services, rights, and interests . . . in which contracts for future delivery are presently or in the future dealt in." The CFTC first found in 2015 that Bitcoin is properly defined as a commodity, see, In the Matter of: Coinflip, Inc., d/b/a Derivabit, and Francisco Riordan, CFTC Docket No. 15-29. Additionally, the CFTC's jurisdiction is implicated when Bitcoin or other similar virtual currencies are used in a derivatives contract, when there is a contract for sale of a commodity for future delivery, and when there is price manipulation or fraud involving a virtual currency traded in interstate commerce.

In accordance with the Core Principles set forth in Sections 5h and 5b of the Commodity Exchange Act (CEA), the CFTC granted Swap Execution Facility ("SEF") and Derivative Clearing Organization ("DCO") registration to LedgerX, LLC ("LedgerX") in July 2017. LedgerX plans to list for trading digital currency options, making it the first federally regulated digital currency options exchange and clearinghouse in the U.S. Trading on the platform is limited to "eligible contract participants," a type of sophisticated trader with assets above specified statutory minimums. TeraExchange, LLC, a SEF registered with the CFTC, has listed a Bitcoin swap for trading since September 2014. North American Derivatives Exchange Inc. ("NADEX"), a designated contract market, listed binary options based on the Tera Bitcoin Price Index from November 2014 to December 2016. Retail customers may trade on NADEX.

THURSDAY, MAY 25, 2017.

FOOD AND DRUG ADMINISTRATION

WITNESS

DR. SCOTT GOTTLIEB, COMMISSIONER, FOOD AND DRUG ADMINISTRATION

OPENING STATEMENT—MR. ADERHOLT

Mr. ADERHOLT. Well, good morning. Welcome to the Subcommittee. The Subcommittee will come to order. I want to welcome everyone to today's hearing. It looks like we have a nice turnout for this hearing, and we are pleased to have the new Commissioner of the FDA, Dr. Scott Gottlieb, testifying before the Subcommittee today.

Dr. Gottlieb, welcome. You are no stranger to the Food and Drug Administration or the Department of Health and Human Services. You have served in various leadership roles and on committees that make you well-qualified to lead the Food and Drug Administration. Again, welcome to our Subcommittee, and we look forward to working not only with you, but also with your team as we move forward with the budget process.

The intent of this hearing is to examine the Food and Drug Administration's fiscal year 2018 budget request. In addition to this committee's review of the budget request, the Members of the Subcommittee will seek information on the agency's use of current and past resources, including the activities, policies, and practices supported with appropriated funds.

As I have mentioned in previous hearings, we have established four primary goals for this Subcommittee as we progress through the 2018 appropriations process. The first goal is evaluating and accounting for taxpayer dollars to ensure efficiency and accountability. Number two, investing in rural infrastructure as a catalyst for growth. Three, to ensure support for American farmers, ranchers, and producers. And last, and probably most pertinent to FDA, protecting the health and safety of people, plants, and animals.

Congress has passed a number of noteworthy pieces of legislation over the past 10 years involving FDA's role and responsibilities. Included in this would be the Tobacco Control Act, the Food Safety and Modernization Act, the Food and Drug Administration Safety and Innovation Act, the Drug Quality and Security Act, and, most recently, the 21st Century Cures Act. Each of these major acts has resulted in new funding streams and a constant need for the Appropriations Committee to increase our oversight of the agency.

Our oversight not only covers the expenditure of resources, but also the corresponding action, the efficiency in delivering those actions, and the degree to which the agency delivered or failed to deliver meaningful and measurable outcomes.

At the end of the day, our constituents demand that limited resources are spent wisely. The FDA's fiscal year 2018 budget request is not unlike any other agency's request, because the Administration proposes to scale back some of the activities and to decrease spending.

As I reminded everyone at the budget hearing yesterday when we had Secretary Perdue here, our Nation's debt is unsustainable as this year it will exceed $20 trillion—that is trillion with a T.

In terms of your funding request, FDA is proposing a total of $4.9 billion at the program level for its salaries and expenses account. Of this total, $3.1 billion is delivered from user fees and $1.8 billion comes from discretionary budget authority. This change in budget authority represents a decrease of $939 million. While the budget proposes to recoup $769 million from additional user fees, the agency is proposing an overall reduction of $171 million.

We will likely have questions and comments about these proposed changes and some of the budget gimmicks of yesterday that we are seeing today.

In looking at the proposed user fees, FDA is, proposing to collect and spend $725 million in renegotiated user fees for the drugs, medical devices, generic drugs, and biosimilar user fee accounts. I give someone credit for coming up with the very creative proposal, but the legislation currently before Congress reflects agreements that take up to 2 years to work out. You are asking the Authorizing Committee to reopen their nearly finished product and renegotiate over $700 million in user fees without additional benefit in return.

These reauthorizations need to be complete by July or, as I understand it, FDA will begin the process of reducing their medical product review staff. At a time when the Administration is talking about speeding up medical product reviews, it would not help to lay off the very people you need to complete those reviews.

Lastly, I am skeptical of FDA's reopening user fee agreements for unexpired animal drug user fees to recoup an additional $53 million. This is a long way of saying that the agency's chances of offsetting budget authority with user fees face a very steep uphill battle in the future.

FDA oversees 20 cents of every consumer dollar, resulting in one of the safest medical product markets and the safest, most highly productive food and agricultural sectors in the world. The United States government plays a unique role ensuring that all of these sectors maintain their current vitality. We must continue to explore ways in which the FDA can fulfill its public health mission successfully, but do so in a way that regulated industry has clarity on the rules of the road and are not burdened with unnecessary regulation.

On a related note, I would like to express my appreciation for the FDA's recent decision to review the previous Administration's regulatory actions. Your agency can achieve the same ends as those required by Congress, but without the costly and burdensome means of some FDA's previous regulatory action.

I look forward to hearing about the agency's new priorities as well as the continuation of past priorities, such as reducing of

opioid abuse or your progress in implementing provisions of the Food Safety Modernization Act.

We expect to hear more about the planned changes to the medical product review process. The agency's recent fast approval of the cancer drug Keytruda may indicate FDA's greater willingness to utilize the latest medical advances to improve your regulatory process and make drugs accessible prior to the completion of a lengthy drug trial.

I also want to open up a dialogue about the orphan product review process so that Congress can determine whether underlying law or administrative changes are necessary to weed out the unscrupulous actors in this space.

At the end of the day, we want to hear from you that resources are adequately aligned with policies that will advance public health.

As I and my colleagues are keenly aware, the work you and your colleagues perform at FDA touches the lives of every American, and we appreciate the dedicated service not only you make, but also your entire team makes. You have no shortage of work, as there are many challenges that face the Food and Drug Administration today, from drug safety and effectiveness to opioid abuse to animal and food safety, just to name a few. We will look forward to hearing from you today about the President's budget proposal and what you are doing with the newly approved resources in the current year.

So at this time, I would like to ask Mr. Sanford Bishop, who is our Ranking Member from Georgia, if he has any opening remarks that he would like to make.

Mr. Bishop.

OPENING STATEMENT—MR. BISHOP

Mr. BISHOP. Thank you very much, Mr. Chairman.

And welcome to you, Commissioner Gottlieb.

Chairman, I am pleased to be back here again today as we have our Subcommittee's second hearing on the Administration's budget request released on Tuesday. It also gives me great pleasure to welcome Commissioner Gottlieb before the Subcommittee today.

Your background as an internist trained at Mount Sinai School of Medicine and policy expertise are impressive and will no doubt help you in executing the wide variety of responsibilities as the FDA Commissioner.

We have a big job ahead of us, and I look forward to working with you in order to help FDA fulfill its mission of protecting the public health by ensuring the safety, the efficacy, and security of human and veterinary drugs, biological products and medical devices, and by ensuring the safety of our Nation's food supply and cosmetics.

Mr. Chairman, I am very concerned about the impact of the proposed budget before us. It proposes replacing all of the discretionary budget authority that currently funds medical product reviews, largely for drugs and devices, with user fees, which would reduce discretionary spending by $769 million. The user fee reauthorization is very far along in the legislative process on the au-

thorizing side. It is doubtful whether these fees would be authorized for 2018, resulting in a $769 million hole in the FDA's budget.

Also, the proposed budget cuts $174 million, mostly in the food safety arena. And, specifically, this affects State and local health organizations that play key roles in education and inspection, as well as international work geared towards raising the food safety standards of countries and companies that export to the U.S. And, as such, these cuts would walk back much of the progress made in food safety over the last 5 to 6 years. We simply cannot afford to go backwards in food safety, and the proposal before us would lead us in that direction, I am afraid.

Commissioner Gottlieb, I look forward to working with you, Mr. Chairman, our Subcommittee, our colleagues in both the House and the Senate, to fill the holes that this budget presents and to ensure the safety of our Nation's drugs, food supply, and cosmetics.

Mr. Chairman, thank you for the opportunity to welcome the Commissioner and share my concerns, and I am delighted to yield back.

Mr. ADERHOLT. Thank you, Mr. Bishop.

Also joining us this morning we have the Ranking Member of the Full Appropriations Committee, Mrs. Lowey. She is with us. I would like to recognize her for her opening statement.

OPENING STATEMENT—MRS. LOWEY

Mrs. LOWEY. I thank you, Mr. Chairman.

I thank Chairman Aderholt and Ranking Member Bishop for holding this hearing. I am delighted to welcome Commissioner Gottlieb.

You have such an extraordinary responsibility, and I know the passion of all the Members on this Committee, and so we look forward to working closely with you. Congratulations.

The FDA regulates more than $2.4 trillion worth of products consumed by Americans, including food, cosmetics, prescription drugs, medical devices, and tobacco. That amounts to Americans spending about 20 cents of every dollar on FDA-regulated products.

Existing sequestration caps for the fiscal year 2018 appropriation bills are already insufficient and would lead to reduction in services that American families and communities need, like a robust FDA to ensure the safety of our food supply and other consumer products. It is time for a new budget deal to end sequestration once and for all.

And yet, the Trump budget would cut $54 billion from nondefense discretionary programs, threatening the health and safety of Americans and putting crucial government services, such as the FDA, at risk. By relying on user fees which have not been authorized by Congress, the Trump fiscal year 2018 budget proposal would, in effect, cut $943 million from FDA's discretionary authority.

This astounding 34 percent cut would do a great deal of harm, slowing the approval process of drugs qualified to come to market or pressuring researchers to approve items that, if additional staff or resources were available, might necessitate more in-depth review.

This budget would certainly inhibit FDA's ability to implement the new 21st Century Cures Act, combat a growing opioid epidemic, curb antibiotic resistance, and enforce crucial public health regulations on tobacco products. We cannot allow these national priorities to go by the wayside in order to meet an arbitrary spending cap or to pay for a wasteful, unnecessary border wall.

Before I close, I would like to note my concern about FDA's recent announcement to delay enforcement of the tobacco deeming rule for 3 months. This decision seems to encourage tobacco companies to use a new playbook: to engage in litigation in hopes of achieving a regulatory delay. I sincerely hope the FDA, whose central mission is to protect public health, will not allow itself to be bullied by the tobacco lobby.

I look forward to discussing this topic more during my questions. I look forward to working with you. You have an extremely important responsibility. I know how committed the colleagues are on both sides of the aisle to your success. So thank you very much.

Thank you so much, Mr. Chairman.

Mr. ADERHOLT. Thank you, Mrs. Lowey.

Dr. Gottlieb, without objection, your entire written testimony will be included in the record. At this time, we would like to recognize you for your opening statement, and then after that we will proceed with the questions. So the floor is yours.

OPENING STATEMENT—DR. GOTTLIEB

Dr. GOTTLIEB. Thanks a lot, Chairman Aderholt, Ranking Member Bishop. I appreciate the opportunity to testify before the Committee today regarding the President's budget.

I have been in my new role at FDA for 2 weeks, and I am eager to have the opportunity to work with Members of this Committee to ensure that FDA has the resources it needs to fulfill its critical mission to protect and promote the public health.

FDA values our partnership with Congress and this Committee, and we very much appreciate the funding that you have provided for fiscal year 2017.

As a physician, a cancer survivor, and a father, I know personally the importance of FDA's role in improving and protecting the lives of Americans. More than $2.4 trillion annually, roughly 20 cents of every dollar, are spent by consumers on products that FDA regulates.

The President's budget recognizes our significant public health challenges and opportunities. FDA's fiscal year 2018 budget requests $5.1 billion, a nearly 10 percent increase over the fiscal year 2017 continuing resolution funding level. I look forward to discussing with you how FDA's budget will support the agency's key priorities.

Based on my discussions with Members of Congress about your concerns, I want to focus on one of those key priorities in my opening remarks today. That is the issue of how FDA can take steps to make the market for prescription drugs more competitive and help increase access to the medicines that your constituents rely on.

Simply put, too many patients are priced out of the medicines they need. While FDA does not play a direct role in drug pricing,

we can take steps to facilitate entry of lower-cost alternatives to the market and increase competition. This is especially true when it comes to safe and effective generic medicines.

Towards these goals, we are working on a drug competition action plan that I will unveil soon. We believe FDA can be doing even more to improve our processes and communication with generic drug developers, both individually during the drug development process and through more helpful guidance documents. We believe better and more frequent dialogue can make the generic review process more efficient and easier for applicants to bring generic products to the market for a broader range of drugs.

At the same time, FDA also needs to take steps to make sure its regulatory processes are not being used inappropriately in ways that take advantage of patients. To these ends, we want to do three things.

First, curtail gaming by industry of our regulations, which can extend monopoly periods beyond the timeframe Congress intended, hindering competition.

Second, improve the processes that enable generic versions of complex drugs to be approved for marketing.

And finally, increase the overall efficiency of the generic drug review process while completely eliminating the backlog of generic applications, something that requires action on the part of both FDA and the generic drug industry.

FDA has an important role to play in preserving the balance between innovation and access and making sure that its statutory and regulatory processes are working as intended and not being manipulated in ways that FDA and Congress didn't intend. We will be announcing soon a public meeting to solicit input on situations where manipulation occurs so that we can assess the ways our regulatory processes may not properly balance innovation with competition, as Congress intended.

For example, we know that processes related to the Risk Evaluation and Mitigation Strategies (REMS), which are intended to ensure that certain drug products are used safely, are sometimes used in ways that slow generic competition. We are going to be taking steps to address this.

To this end, we are evaluating ways to streamline the process FDA uses to determine whether to waive the requirement that a generic drug applicant and brand company share a single system for ensuring safe use. We are asking can FDA waive this requirement more readily than we have in the past in situations where sponsors cannot reach agreement after a reasonable period of time in implementation of a shared system.

We also want to take steps to improve the overall efficiency of the generic drug review process to help increase product competition. This includes additional guidance to reduce the multiple cycles of review that generic drugs often undergo before their applications can be approved.

We also want increased transparency in those cases where competition is absent by highlighting situations where off-patent drugs lack approved generic competitors. We believe greater transparency in these circumstances can help entice competitors into the market.

To provide such transparency, we will publish a list of those drugs that are off-patent but for which FDA has not approved a single generic applicant, and we will update this list regularly. We will consider whether we can provide further transparency by disclosing additional information to help generic manufacturers target drugs with little or no market competition.

In closing, current law strikes a delicate and critical balance between drug innovation and access. New drug innovation is essential; it creates new and improved therapies. But access to lower-cost alternatives once the market protections that Congress intended to have lapsed is equally and essentially important to the protection and promotion of the Nation's public health.

With your support and the resources outlined in the President's budget, FDA is poised to take on these and other challenges and opportunities with our public health mission.

From improving patient access and choice when it comes to medicines they take, to implementing the 21st Century Cures law, to continuing implementation of the Food Safety Modernization Act (FSMA), the resources proposed in the President's budget and provided by this Committee are critical for carrying out the public health mission you and your constituents are counting on us to fulfill. I look forward to discussing these and other issues with the Committee today and working together with you to fulfill FDA's critical public health mission.

I am happy to answer any questions you have.

[The information follows:]

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration
Silver Spring, MD 20993

STATEMENT
OF
SCOTT GOTTLIEB, M.D.

COMMISSIONER OF FOOD AND DRUGS
FOOD AND DRUG ADMINISTRATION

DEPARTMENT OF HEALTH AND HUMAN SERVICES

BEFORE THE

SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES

UNITED STATES HOUSE OF REPRESENTATIVES

May 25, 2017

Good afternoon Chairman Aderholt, Ranking Member Bishop, and Members of the Subcommittee, I am Dr. Scott Gottlieb, Commissioner of the Food and Drug Administration (FDA). Thank you for the opportunity to appear before you today to discuss the President's fiscal year (FY) 2018 Budget request for FDA.

First of all, I would like to thank you all for your continued support of FDA. FDA has received strong bipartisan support throughout the appropriations process in recent years. This funding is critical to the agency fulfilling its mission. Without your support, we could not meet the critical public health challenges confronting the nation.

I am honored to have been chosen by the President and confirmed by Congress to lead FDA. As a physician, an entrepreneur, a cancer survivor, and a father, I know personally the importance of FDA's role in improving and protecting the lives of all Americans. Every person in this country is affected in one way or another by the decisions made by FDA. For this reason, I am honored and humbled to serve as FDA's Commissioner.

FDA's FY 2018 Budget requests $5.1 billion—a nearly 10 percent ($456 million) increase over the FY 2017 Continuing Resolution (CR) funding level. Mindful of the larger pressures on the federal budget, FDA has focused our request on the most urgent needs. The FY 2018 Budget aims to protect the public health by wisely investing taxpayer dollars, requiring industries that benefit from the FDA's review process to pay their share, and advancing regulatory and administrative efficiencies.

I. FDA Plays a Critical Role in America's Public Health System

As a science-based regulatory agency, FDA's broad mission is to promote and protect the nation's public health touches the lives of all Americans. Over $2.4 trillion annually, roughly 20 cents of every dollar, is spent by consumers on a product that FDA regulates. These products include human and animal drugs, medical devices, biologics, such as vaccines and blood, dietary supplements, and cosmetics. Tobacco is another product within FDA's purview—the agency protects the public health of future generations by reducing tobacco use by America's children.

FDA's regulation of food is another critical part of FDA's mission. FDA works to assure that the nation's food supply is safe, sanitary, wholesome, and appropriately labeled. FDA has made great strides in promoting the safety of the foods we eat as envisioned by Congress in the FDA Food Safety Modernization Act (FSMA). Thanks to the support of this Committee and your colleagues in the Senate, we have been working closely with stakeholders, including our state partners, to educate and assist them with implementing FSMA's provisions. These include preventive controls for manufactured human and animal foods, sanitary transportation of our food, and beginning next week, verification that our high food safety standards have been met by foreign suppliers. FDA remains committed to working with industry to facilitate innovation to make safe and healthy food choices available to consumers.

II. FDA Has a Proven Track Record of Success, But There's More Work to Do

In the last year, FDA has helped bring new treatments, including several life-saving cures, onto the market. FDA's Center for Drug Evaluation and Research approved 22 novel drugs in 2016; approvals included the first treatment for patients with spinal muscular atrophy, a new drug to treat patients with a rare chronic liver disease known as primary biliary cirrhosis, and two new treatments for patients with hepatitis C. Additionally, 2016 marked the highest number of generic drug approvals and tentative approvals in the history of the FDA's generic drug program – more than 800 in total. In September 2016, FDA approved the first "artificial pancreas," a medical device that automatically monitors blood sugar and provides insulin doses when needed. This device has the potential to improve the lives of roughly 1.5 million Americans living with
Type-1 diabetes.

As highlighted by the above examples, FDA's collaboration with innovators brings products to the market that make a difference in the lives of all Americans. Since the creation of the first user fees in 1992, user fees have been instrumental in allowing FDA to build capacity and improve the timeliness of the medical product review process without compromising the agency's high standards. The user fee programs provide FDA with the critical and stable funding we need to hire and train the highly-qualified reviewers needed to keep pace with innovation.

However, the medical products field is ever-changing and advancing, and to ensure the agency has the critical resources needed to keep pace with this field, the
FY 2018 Budget recalibrates how the agency finances our medical product review work. Calling for an increase of $1.2 billion in user fees, the FY 2018 Budget includes a total program level of

$3.2 billion for medical product safety investments, which is $505 million above the FY 2017 CR level. The Budget finances the full cost of FDA pre-market review through user fees. These resources will dramatically increase the agency's capacity for pre-market review, and bring more new products to market faster than ever before.

III. Cures Implementation

The FY 2018 Budget's focus on medical products complements Congress' direction last December in passing the 21st Century Cures Act (Cures). Cures provided a dual directive to FDA— to support innovation while maintaining the evidentiary standards that provide assurance to the American public about the safety and efficacy of medical products. This includes advancing patient-focused drug development and using real-world evidence in modern clinical trial design. As a result, Cures will help FDA facilitate more patient-centered, efficient, and less costly medical product development, ultimately leading to more timely patient access to important medical products. The FY 2018 Budget requests a total of $60 million to support this critical work, and we look forward to working with Congress, and this Committee, as FDA continues its work on implementing Cures.

IV. Promoting Innovation by Prioritizing Regulatory Efficiency

As FDA's Commissioner, part of my job is to ensure the Agency has the policies and processes in place needed to address the important public health issues of our day, as well as emerging threats of tomorrow. We must hold true to our consumer protection mission, while not hampering innovation.

The Administration is committed to the goal of reducing barriers to innovation and spurring innovation on behalf of patients. At FDA, we understand the impact our regulations

have on industry and the public – which is why we have, and will continue to engage in robust dialogue with outside stakeholders to ensure our actions strike the right regulatory balance while maintaining our gold standard.

The FY 2018 Budget includes proposals designed to make sure we are taking a risk-based approach to our work and make the process for developing safe and effective medical products more efficient. By leveraging FDA's statutory mandates, including recent enhancements made by Cures, the agency is working to reduce review times by improving processes and gaining efficiencies to the greatest extent possible. These proposals will help reduce uncertainty in medical product development by increasing engagement and early interactions with manufacturers. Improved regulatory science and policies will not only lead to more efficient approvals and increased competition that can help reduce costs to consumers, but more importantly, they will improve patient-outcomes. By streamlining clinical trials, integrating patient voice throughout the regulatory process, and promoting greater preparedness for novel and emerging public health threats, Americans will get better products, faster.

V. Prioritizing Administrative Efficiencies

In addition to regulatory efficiencies, FDA is taking a close look at all of our programs, policies, and procedures to ensure that every dollar dedicated to administrative costs is spent wisely. The FY 2018 Budget proposes the establishment of a Working Capital Fund (WCF) to support agency-wide business services. A WCF will allow FDA to operate in a more efficient and transparent business environment. Over time, this WCF will also allow FDA to recapitalize resources to support IT infrastructure, reduce cost redundancy and improve service delivery for mission critical needs.

Dollar for dollar, FDA remains one of the smartest investments made by the American taxpayer. The FY 2018 Budget also identifies targeted reductions and program changes totaling $127 million in budget authority while preserving core mission activities. These reductions in budget authority are targeted to certain areas where better tools and policies will allow us to do more with less, and will be coupled with policy efforts to improve the efficiency of the programs that see reductions, to make sure that we are improving our effectiveness and taking a risk-based approach to our consumer protection mission.

VI. Conclusion

Today, we are at an inflection point in public health. Cures for diseases we once believed were incurable are now within our reach. The FY 2018 Budget will protect and advance the health and well-being of every American, while providing American taxpayers the assurance that we are requiring industries that benefit from the FDA's review process to pay their share. I look forward to answering your questions today and to working with all of you going forward.

Mr. ADERHOLT. Thank you.

We were just discussing the vote schedule this morning. Of course, today is designated as a day for Members to fly out to their respective districts, so they are moving votes earlier in the day than usual. It looks like late morning we will probably be called for votes, which will keep us on the floor for about an hour.

So what we are going to try to do is to go ahead and make sure everybody gets a round. We are going to do 4 minutes for each Member so that we can be sure to get at least one round in before we have to leave for votes being called.

So, with that, I will begin.

FY2018 PRIORITIES

As I mentioned in my opening statement, you are certainly very familiar with the Food and Drug Administration, its functions and responsibilities, and I foresee you agreeing with some of the policies of the last administration, but disagreeing with some of the other policies.

You and your team have an opportunity to define your vision and your priorities for the agency itself. If you could take just a brief moment to tell us what you believe are the top three most pressing issues that you hope to address as the new FDA Commissioner.

Dr. GOTTLIEB. Thank you for the question, Congressman.

I have outlined some of my top priorities in a talk I gave to the entire FDA staff about 2 weeks ago when I came on board.

I am going to be focusing very hard on the problem of addiction to opioids, looking at places where we can address the issue of high-cost drugs. While FDA doesn't have a direct role in drug pricing, we do have a role to play in trying to bring competition to the market.

And also looking at places we can help facilitate more innovation by looking at the regulatory rules that we create, making sure that they are efficient, they are science-based, they are modern and up to date.

And in that regard, I plan to use the 21st Century Cures Act as a touchstone and a strategic plan to help guide our implementation of policies that can help facilitate innovation.

OPIOID ADDICTION

Just to back up on the first issue, if I may, two days ago we announced the beginning of an initiative to try to address the opioid addiction crisis. And where I think FDA has a critical role to play is on the new addiction problem.

We know that most people who are going to become addicted to opioids are going to first be exposed to opioids through a legitimate prescription that they will receive from a physician, but a certain percentage of people who receive an opioid prescription go on to be addicted to the products.

And so what we need to do, as a matter of public health, is to make sure that patients are only getting exposed to opioids in appropriate clinical circumstances and only for the appropriate duration that is needed. So no more 30-day prescriptions for tooth extractions.

We think that there are steps we can take to help facilitate these goals, and that is going to be a focus of mine.

Mr. ADERHOLT. All right. Let me move on quickly since time is running out.

DRUG REVIEW PROCESS

In the President's first speech to a Joint Session of Congress in March, he called the drug review process slow and burdensome. You too have voiced concerns about the pace of drug development and the length of time it takes to get human drugs to the patient.

Your fiscal year 2018 budget request, as well as your written testimony, indicate that you have ideas of how the agency can make the process more efficient. And there is a quote in your testimony that says: "Improved regulatory science and policies will not only lead to more efficient approvals and increased competition that can help reduce costs to consumers, but more importantly, they will improve patient outcomes."

Could you give a quick summary of how you might speed up development costs, which will deliver reduced costs to consumers, improve outcomes, and maintain the gold standard for safety and effectiveness?

Dr. GOTTLIEB. Congressman, I believe that there are parts of the agency that work exceptionally well and have implemented Congress' laws, like the breakthrough therapy pathway, in a very robust fashion. And I would single out the Oncology Division, which I think has been very forward-leaning with respect to some of the new legislative authorities and how it has implemented them.

You know, unfortunately, as in any organization, there is not always uniform adoption of those kinds of principles. And so one of my goals would be to try to make sure that there is uniform adoption of the principles that Congress has outlined in laws like the creation of the breakthrough therapies pathway.

I think another critical goal in this regard in trying to help facilitate new innovations coming to market is just to make sure that the regulatory tools that we are using, the science that is informing our regulatory decisionmaking, is as modern and up to date as possible, so that we have the right metrics by which we are judging the safety and effectiveness of products.

This might mean things like looking at different kinds of trial designs, as Congress outlined in the 21st Century Cures Act. It might mean looking at new scientific tools that could be used to help judge efficacy and safety and help make our process even more rigorous, like the use of modern biomarkers, another thing that is outlined in the 21st Century Cures Act.

So these are the kinds of ideas that I think can help facilitate new innovations coming to market and lower the cost of the development process.

Mr. ADERHOLT. All right. Mr. Bishop. I understand you want to defer to Mrs. Lowey.

Mr. BISHOP. Yes. I would like to yield to the Ranking Member of the Full Committee. She has some varied responsibilities. She is riding circuit on Appropriations hearings this morning. I would like to defer to her so that she can get on to her next stop.

Mrs. LOWEY. Thank you. Thank you, my friend.

I understand, Dr. Gottlieb, you served on the board of directors of Kure, a vaping retailer. During your confirmation, you stated you would sell your investment in the company. Have you done so?

Dr. GOTTLIEB. I have, Congresswoman.

Mrs. LOWEY. To be clear, you no longer have any financial interest in vaping or any tobacco products you now regulate, including investments or other deferred compensation, correct?

Dr. GOTTLIEB. I was fully divested from all my holdings the day I was sworn in.

Mrs. LOWEY. Thank you very much.

Last week, the Appropriations Committee welcomed several NIH directors, including National Institute on Drug Abuse Director Volkow, who confirmed that e-cigarettes used to deliver nicotine are an addictive substance and a gateway for teenagers to use tobacco.

Here is what Dr. Volkow had to say: "Teenagers that otherwise would have no transition into smoking combustible tobacco are doing so after they first get exposed to electronic cigarettes. So we are concerned that all of the advances we have done on prevention of smoking may be lost by the accessibility of these electronic cigarette devices."

The FDA recently delayed enforcement of its tobacco deeming rule for 3 months. I really hope the Administration will not back off from enforcing this law at a time when e-cigarettes are the most commonly used tobacco product among kids. For years, I have seen efforts by the tobacco industry to change or weaken the deeming rule, and FDA has stood strong with science and public health.

Commissioner Gottlieb, will you commit to preserve and fully implement the deeming rule, including through the courts, if need be?

Dr. GOTTLIEB. Congresswoman, thanks for the question.

I share your concerns around the youth use of e-cigarettes. And as you know, the issue of youth initiation when looking at reduced-harm products is a mandatory consideration as part of our regulatory process.

I have been on the job now 2 weeks. In those 2 weeks, I have spent probably 6 collective hours with the leadership of the Tobacco Center and met with them for about 2 hours on my first day, because I am concerned about this issue and I take it very seriously.

I will confess that, in that time, given the fact that this is a new statute for me and the Tobacco Center didn't exist the last time I was at the agency, most of that time has been spent basically going through 101 briefings and coming up to speed on the issue and not discussing the policy going forward.

But I will assure you that anything we do with respect to the policy and the regulatory infrastructure that is going to be in place is going to be science-based and it is going to be designed in a way to make sure we are maximally achieving the public health goals set out by Congress in this regard and creating a sustainable infrastructure for doing that.

I am committed to this goal. I am not going to preside over a period of time when teenage smoking went back up in this country.

As a cancer survivor and a physician, that is not going to be my legacy in this position, and I am committed to that.

Mrs. LOWEY. Just in closing, as a father, would you be comfortable with your children having such easy access to e-cigarettes and other flavored tobacco products?

Dr. GOTTLIEB. Congresswoman, as a father, I am not comfortable with any child being started on a nicotine product.

Mrs. LOWEY. I hope you will keep that thought in mind in your new role.

Millions of teenagers now have easy access to these products. And if the FDA does not do its job, these numbers will continue to rise and we will face a new epidemic of addictive substances that threaten the public health of our children.

Thank you very much.

And thank you, Mr. Chairman.

And thank you, my friend.

Mr. ADERHOLT. Dr. Harris.

Dr. HARRIS. Thank you very much.

And thank you, Dr. Gottlieb, for being with us today. I know we have limited time, so I am just going to briefly run through a group of topics that are of interest to me and then you can comment at the end.

E-CIGARETTES

Look, everyone agrees that we don't want teenagers to start a bad habit with regards to e-cigarettes, but clearly, no one is suggesting that it be legal for these products to be sold to children. And we certainly have to acknowledge, as I think Public Health England has, that there is definitely some use to tobacco vapor products to break the cycle of addiction to combustible cigarettes for adults. I know we all know people who have been able to use vapor products, in order to break the addiction to combustible cigarettes, which are certainly more harmful.

NUTRITION LABELING

One other issue is dietary fiber, which is a complicated issue. Obviously, the food manufacturers are concerned that the deadline for compliance is fast approaching. It is difficult. The products into which dietary fibers are added is an immense number of products. There are labeling issues, all kinds of things.

I would like you to make sure that the manufacturers have the ability to comply with these. Look, they want to comply with the laws, but there have to be realistic timeframes so that we don't harm manufacturers or industry with these well-intentioned rules.

SODIUM

With regard to sodium, I know I have mentioned this in the past. I know the FDA will issue guidance based on the DRI review. I just hope that the DRI review is scientifically founded and realizes that extreme restrictions on sodium would be harmful to some people.

Restrictions on sodium in general, large amounts of sodium, are probably a good thing, but large restrictions on some people—athletes, people who live in different climates, whatever—may actually

be harmful, so that we take an approach that considers that it may not be one size fits all. And I know public health approaches frequently are one size fits all, but let's keep in mind that that may not be the best for everyone, and I would like the FDA to take that in consideration.

NUTRITION LABELING

We obviously know that we have a problem with obesity in the country, no question about it. It leads to a wide variety of issues, including diabetes. I still remember, as you probably do, when eggs were bad, but now they are good, when margarine was good and now it is bad. Now we are going to turn our attention to sugars and we are going to talk about added sugars versus non-added sugars and things like this.

Don't lose sight of the fact that a single-nutrient approach hasn't worked in the past, I don't think it is going to work in the future. We need a much more complex approach than that. Take that in consideration.

PROTECTING FOOD-RELATED PROPRIETY INFORMATION

There is some concern that when the FDA implements rules that there is this protection of food-related trade secrets and whether or not the FDA has adequate protections. You have statutory obligations to protect trade secrets, and I hope that when you ask various regulated entities to share trade secrets with you that they stay protected. These industries, again, are concerned about that.

NUTRITION LABELING

Finally, the last thing is the regulatory impact of food labeling. I mean, look, I think everybody agrees that food labeling is a good thing, but that the timeframes for implementing food labeling really have to take into account that there are 300,000 food products on the market, it costs a certain amount of money to change food labeling.

Again, I have one of the largest bakeries, H&S, in Maryland. I am very, very concerned that there won't be an adequate timeframe to initiate the new food labeling requirements and that there will be one change this year and then you will decide, well, there is going be to another change next year. You have to take industry into consideration so that we don't harm industries as we make progress in these topics.

So, with that, I think I have a minute left, if you want to address any of these.

Dr. GOTTLIEB. I would look forward to following up with you on all of them. I will pick up where you left off.

NUTRITION LABELING

We are sensitive, as well, to the issues around the timeframes on the implementation of the nutrition facts label and food labeling and are going to be taking a hard look at the implementation schedule.

I will say with respect to dietary fiber, we have been working through the petitions we have been receiving, and also plan to put

out guidance to better clarify how sponsors can bring forward those new fibers.

SODIUM

I will just pick up on the other point you made, since we are on this realm, with respect to sodium and 10-year targets I think you address. We won't do anything until the National Academy's report is ultimately issued and has completed its review. So we will look forward to following up with you on that and continuing that discussion.

[The information follows:]

E-CIGARETTES

The Agency is committed to protecting kids from all tobacco products, including e-cigarettes. FDA is actively enforcing the federal prohibition on sales of e-cigarettes to minors, issuing more than 2,200 warning letters to retailers for illegal sales of these products and their components to kids.

Much remains to be learned about the risks of e-cigarettes to health, as well as their potential benefits. For example, e-cigarettes could benefit public health if they encourage current smokers to switch completely, and if they are not widely used by youth. On the other hand, e-cigarettes could harm public health if they increase the likelihood that youth initiate smoking, diminish interest in quitting cigarettes, and/or lead to long-term dual usage with other tobacco products. FDA is engaged in and funding ongoing research that seeks to answer important questions about e-cigarettes, including who is using these products and how they are used.

FDA is committed to implementing the Tobacco Control Act, as intended by Congress, including Section 911 related to modified risk products, which FDA recognizes could provide helpful tools for current tobacco-users to transition off combustible tobacco. The agency will rely on sound science to evaluate the public health impact of new FDA-regulated tobacco products.

PROTECTING FOOD-RELATED PROPRIETY INFORMATION

FDA takes very seriously its responsibility to safeguard certain commercial information under applicable law, including section 301(j) of the Food Drug &Cosmetic Act (21 U.S.C. 331(j)), the Trade Secrets Act (18 U.S.C. 1905), and applicable FDA regulations.

FDA is aware of industry concerns regarding the protection of trade secret (TS) and confidential commercial information (CCI) under the Nutrition Facts label (NFL) rule. The new recordkeeping requirements associated with the NFL are designed to apply narrowly and provide flexibility for companies to comply. The preamble to the NFL final rule states, "The final rule does not require a specific document to be retained nor does it require information on proprietary recipes or overall formulations. Instead, the recordkeeping requirements seek specific content information for certain nutrients, and this information can be provided in various forms" (81 Fed. Reg. 33962, May 27, 2016). The NFL rule states that the Agency would protect any confidential information from disclosure, consistent with applicable statutes and regulations.

Industry also has expressed concerns about protection of TS and CCI under the seven foundational FDA Food Safety Modernization Act (FSMA) rules. FDA has experience protecting trade secrets and confidential commercial information in records required by pre-FMSA regulations, such as seafood and juice HACCP. FDA investigators are trained to safeguard any information that they might review or collect during an inspection, and

the Agency's Office of Information Management and Technology helps ensure that security controls are appropriately applied to FDA's network systems.

NUTRITION LABELING

In May 2016, FDA issued two final rules updating the Nutrition Facts label to reflect new scientific information and to improve public health, including the link between diet and chronic diseases such as obesity and heart disease.

Among other changes, the declaration of added sugars, vitamin D, and potassium is now required on the label; information regarding vitamins A and C is no longer required. The declaration of total sugars, which was required previously, continues to include the amount of both added sugars and naturally occurring sugars in foods. Added sugars is now required to be indented below the declaration of total sugars and is intended to provide consumers with clear information to help them make dietary choices.

FDA considers consumer education to be an important component of the implementation of the new NFL requirements, especially for nutrients such as added sugars. A key message related to added sugars will be that consumers should consider all of the information on the Nutrition Facts label when constructing a healthful dietary pattern and should not focus on any one specific nutrient. Further, added sugars can be accommodated within a healthy dietary pattern, and the daily value gives consumers information on how to do that.

FDA plans to work with other Federal government agencies, including other parts of HHS and USDA, State health departments, health professional organizations, food manufacturers, retailers, and non-profit organizations that have an interest and responsibilities in nutrition education and health promotion.

FDA is sensitive to the concerns that you and other stakeholders have raised regarding implementation of the final NFL rules. The current compliance date for these rules is July 2018. However, manufacturers with less than $10 million dollars in annual food sales will have an additional year to comply. FDA is reviewing requests to either maintain or extend the NFL compliance date and will communicate publicly any changes to this date.

Dr. HARRIS. Thank you very much.
I yield back, Mr. Chairman.
Mr. ADERHOLT. Mr. Bishop.
Mr. BISHOP. Thank you very much, Mr. Chairman.

COMPOUNDING

I have got two lines of questioning. The first I want to get right into, and I will offer to submit the question in writing with some background material. It is relating to compounding.

Mr. BISHOP. The budget justification says that you are unaware of any compounded medications needed for office administration that are unavailable from the large outsourcing facilities.

It is my understanding that healthcare providers who have been getting their compounded medications from local pharmacies have been unable to get many of these same medications from the outsourcing facilities in limited quantities and short timeframe that they need in order to meet their patients' needs. And because the FDA has taken the position that local pharmacists cannot compound for office use, this is creating a problem of patient access to these critical medications.

I applaud the exhaustive work that has been done on trying to reconcile this issue to find a solution that balances public safety and patient access. I was provided a list of dozens of compounded medications identified by pharmacist and provider groups highlighting what they cannot get from the large outsourcing facilities.

Are you aware of this list? If not, I can provide it to you, because I would like for FDA's review and policy on office use of compounding by local pharmacists to appropriately balance public safety with patient access. And I will let you submit that to us in writing, but I will also be happy to provide that list of compounds for you.

E-CIGARETTES

My other question, which I would like to spend more time on, relates to the subject matter of e-cigarettes, which my distinguished Ranking Member discussed in her questions. I wanted to thank you for announcing the 90-day delay in the requirements of the final Deeming rule to allow additional assessment time, particularly in light of the numerous legal challenges to the final Deeming rule.

As coauthor of the Cole-Bishop amendment, the topic is near and dear to my heart, and we believe it will help to address many of the public health community's concerns about youth access to e-vapor products. I am a strong advocate for getting it right the first time. I am not sure that 90 days is enough time for the Deeming review. If so, that is great. But I would like for you to describe for us how FDA and HHS are reviewing the final Deeming rule.

Public Health England and the Royal College of Physicians both conclude that e-vapor products are 95 percent less harmful than combustible cigarettes. The predicate date in the Deeming rule creates a severe problem for existing e-vapor companies, and not changing the predicate date will result in e-vapor products having more onerous and costly process to come to the market than cigarettes have.

I don't know if we really want to stifle innovation in a product category which is 95 percent less harmful and is effective in moving people off cigarettes. I have numerous constituents who are being referred by their physicians, in an effort to stop smoking, to the e-vapor products, and many of them testify that they, in fact, have found that to be the most feasible step for them as they get away from the combustible tobacco products.

The Cole-Bishop legislation would protect what I think the public health community wants: To require keep out of reach of children and underage sale prohibition language on the label of the products. It would restrict advertising only to publications that meet the FDA's existing regulatory criteria of an adult-only publication, prohibit self-service displays, require nicotine content to be labeled, require vapor retailers to register with the FDA, and require FDA to issue a final product standard for vapor product batteries.

All of this is designed to help foster the protection for youth and at the same time protect the public health.

Can you comment on that, please, sir?

Dr. GOTTLIEB. Thank you, Congressman.

Look, I believe in Congressional intent, and I think that there is a reason why Congress wrote 2,400 words into section 911 of the Tobacco Control Act, because Congress intended for there to be a pathway for modified-risk products. And I think that there is a place for modified-risk products in the risk continuum and helping smokers move off of combustible tobacco, which we know kills, onto products with lower risk associated with them.

As I mentioned, I am still working through these issues. I want to make sure that I am fully grounded in the facts before I begin a policy discussion, a substantive policy discussion with the career professionals inside the Tobacco Center, and I am still working through that process, having only been at the agency for 2 weeks. But I can assure you whatever we do in this regard is going to be science-based and is going to be dedicated towards the long-term goals of the Tobacco Control Act.

COMPOUNDING

I don't know if I have 60 seconds to address the first part of your question on compounding. I would be happy to do it.

Mr. ADERHOLT. This is an important issue, so go ahead and take a second.

Dr. GOTTLIEB. I appreciate it.

I deeply respect the role for the practice of pharmacy. I think it provides critical differentiation for patients. But we have seen in the marketplace bad actors operating under the guise of a pharmacy license with tragic outcomes, and the Drug Quality and Security Act (DQSA) was a response to that.

I think ultimately the question we are going to need to grapple with in this regard is the prescription—the line of demarcation for regulation. I believe it is. Historically, it has always been the line of demarcation for the practice of pharmacy.

I think if we want to revisit that as a matter of regulation we are going to have to revisit it as a matter of statute, because the statute, in my interpretation, clearly defines the prescription as the line of demarcation for the legitimate practice of pharmacy.

But, make no mistake, I believe in the practice of pharmacy and the local practice of pharmacy, and I believe that compounders do provide critical differentiation when compounders are practicing local pharmacy.

Mr. BISHOP. Thank you.

Mr. ADERHOLT. Mr. Palazzo.

Mr. PALAZZO. Thank you, Mr. Chairman.

SEAFOOD SAFETY, TRACEABILITY

Commissioner, thank you for being here today.

Commissioner, over the past decade, the worldwide consumption of fish and seafood has increased 17 percent. This means more seafood is being imported and exported around the world from more countries into the U.S.

According to a CDC study reported in February, 97 percent of fish and shellfish consumed in the United States are imported, of which the GAO estimates only 2 percent is inspected by the FDA on an annual basis.

Although the number of foodborne illness outbreaks reported per year dropped by more than half from 2000 to 2014, during the same time period the number of outbreaks reported from imported food doubled. In the same period, the CDC reported that fish and shellfish were responsible for 55 percent of outbreaks and 11 percent of outbreak-associated illnesses. I think we can safely classify seafood imports as high-risk.

However, this is not a new issue. Here is what I know. As mandated by the 2011 Food Safety Modernization Act, FDA and USDA and the Institute of Food Technologists conducted pilot projects for improving product tracing and recordkeeping requirements for high-risk foods. The report was released on March 4, 2013. The report contains recommendations to FDA for improving the tracking and tracing of food and also establishes best practices.

I know that the seafood industry has used the Global Food Traceability Center to survey best practices, so I know they are reputable. I also know that this is still a huge problem, made evident in the CDC study I mentioned. What I don't know is what FDA did with those recommendations and established best practices.

Now, correct me if I am wrong, but FDA has not issued a final rule to implement the recommendations made in these pilots and studies, the very ones that were mandated by Congress and commissioned by FDA.

Now, Commissioner, I am a firm believer that the Gulf Coast produces the best seafood in the world, so having tainted imported seafood saturating our markets is a big concern for me. Now, I understand that FSVP puts pressure on importers to audit and verify the safety of the foods, but without this traceability portion of the FSMA food safety mandates, how do we know if the foreign suppliers are actually the source of the seafood that is being imported?

So my question to you is, if you have not already, when does FDA intend to utilize the work that has already been done and finalize these food traceability rules to improve the safety of our food system?

Dr. GOTTLIEB. Congressman, thanks for the question. I would be delighted to follow up with your office and work with you on some of these provisions. It is not, admittedly, an area that I have had the opportunity in the last 10 days to sink deeply into.

I will tell you that, thanks to Congress, the FDA has vastly greater authorities with respect to foreign imports. We have extraterritorial jurisdiction, owing to the Food and Drug Administration Safety and Innovation Act (FDASIA), and greater ability to enter into multilateral collaboration with foreign bodies to help augment our food inspection system more broadly. So I think that we are operating off a much better platform to achieve many of the goals that you have outlined in your question. I would be happy to work with you on achieving them.

[The information follows:]

SEAFOOD SAFETY, TRACEABILITY

FDA issued its recommendations on enhancing the tracking and tracing of food and recordkeeping in the FDA Food Safety Modernization Act (FSMA) section 204(a) report to Congress, dated November 11, 2016. The Agency's recommendations were based on the findings and recommendations from pilot projects and focus primarily on establishing a uniform set of data elements, a method of linking product along the supply chain, as well as measures to advance FDA's ability to receive and analyze these data. FDA's recommendations also encourage voluntary and proactive science-based international and industry-led food traceability initiatives. Implementation of some of these recommendations is already underway. The extent to which FDA can implement these recommendations will depend on resources, information technology support, and engagement by industry and government food safety partners.

Mr. PALAZZO. Okay. I look forward to working with you, Commissioner.

I yield back.

Mr. ADERHOLT. Ms. DeLauro.

Ms. DELAURO. Thank you very much, Mr. Chairman.

And, Dr. Gottlieb, welcome this morning. It is a pleasure to get a chance to meet you and talk with you.

USER FEES

Two very, very quick things, because my colleagues have covered this. I just want to say that your proposal for a user fee increase, quite frankly, is not going to happen. On both sides of the aisle, we have been dealing with that for a very long time.

FOOD SAFETY

And I would also like to associate myself with Mr. Palazzo's remarks with regard to food safety, an issue on which I have spent a lot of time on over the years.

MEDICAL PRODUCT SAFETY

But I want to focus my time on what your interest is to reduce the agency review times in terms of approvals, whether they be for devices or for drugs. FDA has already been reporting faster review approval periods and that Americans have access to new drugs sooner. This has come at the cost of rigorous scientific evaluation.

Approval of medical devices on limited scientific data can have life-threatening consequences. I am going to give you several examples.

Thirteen models of St. Jude's defibrillators are currently being recalled for battery failure linked to two deaths, people fainting, people feeling dizzy, and sudden and unexpected failure of the defibrillator battery. Two hundred thousand people in the United States have a defibrillator included in the recall.

These medical devices were approved without any clinical data under an already-existing FDA expedited pathway. The risks of the device were known for 22 months before the FDA issued any formal safety communication.

Further, GAO has reported that FDA's medical device approval process underscores that new devices do not need to be proven as either safe or effective before consumers begin to use them.

That is the defibrillators. There are others. A recent article: A deadly form of cancer being linked to breast implants. Essure, a contraceptive device, more than 60,000 adverse event reports filed by doctors and patients. In each one of these cases, FDA has failed in its responsibility as a regulatory agency. You have refused to take corrective actions to protect consumers.

There is also the issue of faulty lead tests, which recently FDA announced that certain devices have been found to provide inaccurate results, jeopardizing the lifelong health of 8 million Americans who utilized the test. They went through the FDA's 510(k) pathway program.

I know you want to speed up the process; there are others who want to speed up the process. First I want to know is, what are the regulations that you would roll back to accomplish the goals of reducing barriers?

Why does the FDA—and it is not you, because you are just there. You are there for 2 weeks. But this is, quite frankly, an agency that has a history of erring on the side of industry and not the public, refuses to pull faulty devices off the market.

Will you use your mandatory recall to deal with that? And why do we continue to use a pathway that has been proven ineffective in ensuring patient safety?

A lot of questions, not a lot of time to answer them, but I will submit for the record as well.

Dr. GOTTLIEB. I will use my 15 seconds, if I may, Congresswoman. I appreciate the question.

Ms. DELAURO. Maybe the Chairman will give me a little bit longer time.

Dr. GOTTLIEB. Thanks a lot. I appreciate the question and the concerns.

MEDICAL PRODUCT SAFETY

I would like to go back to the original premise of the question and the issue of speed versus safety. I think that what we need to think about isn't speeding up the review process or speeding up review times. We know review times are very short and the agency is very efficient in terms of how it approaches the review of applications.

I think the question we need to be asking is the overall efficiency of the development process itself, and do we have the right tools, are we asking the right scientific questions to make sure that that part of the process isn't just efficient, but we are learning all we can about both the safety and the efficacy of products in the development process.

That is where I would like to focus attention, making sure that we have the right guidance in place, the right rules in place, the right scientific tools in place, and we are working with the broader scientific community to make sure that we have the right framework in the drug development process, in the medical device development process, to make sure that it is not only efficient, that we are not imposing costs without benefit to consumers, but that we are learning all we can about both the safety and the benefit of new products. I think that there is more we can do in that regard.

That is the framework in which I have always talked about trying to make the drug review process better. I haven't talked about speed historically. I have talked about the efficiency of the development process.

Ms. DELAURO. I understand that, but you have got some products that are on the market now that have been demonstrably putting the public health and safety at risk.

My question to you, and you can't answer them now because we have run out of time, but we need to know from you what this agency is now going to do. It has a past history of erring on the side of industry, not recalling products, waiting 22 months before we do anything about a product. You need to act on those products we now know are putting people's lives in danger.

Dr. GOTTLIEB. I will be happy to follow up with you on this.

[The information follows:]

The Agency is continually working to improve its recall handling practices, aiming both to ensure the safety of medical devices and reduce the burden required to quickly and effectively recall and correct device problems. In December 2016, FDA issued the guidance "*Factors to Consider Regarding Benefit-Risk in Medical Device Product Availability, Compliance, and Enforcement Decisions.*" This document laid the groundwork for how FDA and industry will consider device benefit and risk when encountering device problems and how together they can arrive at the best method to address such problems.

In order to fulfill its mission of ensuring that the American public has access to safe and effective devices, FDA must always balance the benefit and risk of device use. Medical devices often carry some level of risk. There are times when devices should be available, even if the risks of the marketed device are found to be greater than was initially believed when it was introduced into the market. For example, the benefit of the device may still outweigh its risk, particularly for certain patient populations.

Typically, when safety or performance issues are discovered after a medical device is on the market, manufacturers quickly identify the issue and voluntarily take appropriate steps to correct the issue or remove the device from the market. Manufacturers typically identify risk mitigations on their own and inform their customers of necessary actions. Manufacturers and importers are required to promptly report to FDA any correction or removal of a medical device if the correction or removal was initiated to reduce a risk to health posed by the device or to remedy a violation of the Federal, Food, Drug and Cosmetic Act (FD&C Act) caused by the device that may present a risk to health. The Agency works with the reporter to ensure they are properly assessing the scope of the issue with their device and addressing any necessary risk mitigations.

FDA can also issue a safety communication to let health care providers, patients, and consumers know about newly observed potential risks of an FDA-approved or cleared device and to offer recommendations as to how these devices may best be used in light of this new information. FDA posts these to its website and broadly disseminates the communication to physician groups, hospitals, news outlets, and patient organizations, amongst others.

FDA has the authority to order the recall of a device under section 518(e) of the FD&C Act (see implementing regulations at 21 CFR Part 810) when there is a reasonable probability that a device intended for human use would cause serious, adverse health consequences or death. However, in most circumstances, such a mandatory recall is not needed as manufacturers will work with FDA to address the issues with the device, including by voluntarily removing it from the market.

The Agency is also working to improve the post-market surveillance system for medical devices. The current system is a *passive* one, relying on patients and health care

providers alerting FDA to a medical device issue. The Agency is working to build a system that collects data as part of an *active* surveillance system through the National Evaluation System for health Technology (NEST).

FDA is a founding member of NEST, an independent public-private partnership designed to efficiently generate better evidence for medical device evaluation and regulatory decision-making. NEST will be able to generate evidence across the total product lifecycle of medical devices by strategically and systematically leveraging real-world evidence and applying advanced analytics to data tailored to the unique data needs and innovation cycles of medical devices.

This collaborative national evaluation system will link and synthesize data from different sources across the medical device landscape, including clinical registries, electronic health records, and medical billing claims. NEST will help improve the quality of real-world evidence that health care providers and patients can use to make better informed treatment decisions and strike the right balance between assuring safety and fostering device innovation and patient access.

NEST is governed by a board with representation from the primary medical device ecosystem communities, e.g., patients, providers, payers, industry, and government. Last year, the Agency selected the Medical Device Innovation Consortium (MDIC) to establish and run the Coordinating Center. The initial phase will include demonstration projects piloting methods for tracking medical device data and patient-reported outcomes through the use of real-world evidence.

Ms. DELAURO. Thank you.

Mr. ADERHOLT. Mr. Yoder.

Mr. YODER. Thank you, Mr. Chairman.

Dr. Gottlieb, welcome to the Committee. I appreciate your testimony this morning.

E-CIGARETTES

I would like to associate myself with the comments of Mr. Bishop, Dr. Harris, and partially Mrs. Lowey on the issue of the Tobacco Control Act. You know, the Act itself had some unintended consequences, and I think we are seeing those play out here.

First of all, all of us, I think, on this Committee strongly agree that we must keep tobacco products out of the hands of kids and that we need smart regulations to do that, and we appreciate your leadership in that regard.

But in some ways we are actually regulating, as Mr. Bishop laid out, e-cigarettes or vaping products more significantly than combustible cigarettes, which I don't think was the intent. I don't think that is what Congress wanted to do. And I think you saw this Committee, with the amendment it passed last year, with the Cole-Bishop amendment, try to fix that.

You have significant regulatory authority. I think where we are now is we created some real uncertainty in our community, in terms of the regulations relating to stopping kids from receiving e-cigarettes, but also the deeming rule and the regulations that are affecting these new products.

Would you be willing to consider reviewing this and extending this deadline beyond the 90 days, maybe to a year, to allow the Committee to continue to advise the FDA on how we think you should proceed, and to create more certainty and not rush this process and really overregulate products that I don't think was the intent to overregulate them more than we are regulating cigarettes.

And so I would ask, one, if you would be willing to extend that deadline and to review the process using your regulatory authority.

Secondly, on the issue of keeping tobacco products out of the hands of children, we know that premium handmade cigars are also a product that really is being overregulated in a way that does not help keep products away from children. The deeming rule's one-size-fits-all regulations in this regard are actually causing job losses, uncertainty about the future of many of these products.

And so I would also ask would you to be willing to reevaluate the overreach of the Tobacco Control Act as it relates to a one-size-fits-all model that affects this very small industry that is different than cigarettes, it is different than other tobacco products, and doesn't fall in the hands of children.

Dr. GOTTLIEB. Thank you, Congressman.

In my discussions with the leadership of the Tobacco Center, I am fully aware that a lot of thought has gone into precisely the issues that you outlined by the career leadership in the Tobacco Center, and they share your concerns and I share your concerns.

Whatever we do with respect to the deeming regulation and the 90-day pause that is in place right now and how we go forward after that is going to be based on our own scientific evaluation of what is the best pathway to make this framework sustainable for

the long run in achieving its public health goals, and that is the touchstone that I am going to be entering into policy discussions with the leadership of the Center once I feel I am firmly grounded in the facts and decisions that have been made to the point to date.

With respect to cigars, whatever we do needs to be science-based here. We are currently reconsidering aspects of the rule, as you know. I understand the concerns that have been voiced, and we are going to be having a discussion around those concerns. And if Congress acts, I am also happy to work with you to mitigate any unintended consequences that might flow out of the effort to try to address some of the concerns that you raised.

Mr. YODER. Thank you. I appreciate your leadership and your consideration to the comments the Committee has made and the work of Congress in trying to have smart regulations.

21ST CENTURY CURES

I wanted to ask you quickly about the 21st Century Cures Act we discussed earlier this week, your leadership to ensure—the 21st Century Cures Act is a very bipartisan bill, strongly supported by Congress—that the dollars that go to the FDA, that those are appropriated properly. Can you talk quickly about the Oncology Center of Excellence and the work that we can do to make sure it gets the resources necessary to carry out its mission?

Dr. GOTTLIEB. Right. So I believe the model that we have created with respect to the Oncology Center of Excellence could be a regulatory model going forward for how we think about a broad range of therapeutic areas. I think the idea of trying to consolidate different domains within a center of excellence in that way makes a lot of sense in certain therapeutic areas, and oncology is probably the one that is most prominent in that regard.

Obviously, what we do in that regard also needs to be resourced, and there were some resources that I believe were intended to be allocated to the Oncology Center of Excellence that haven't flowed to the Center yet.

I would be happy to work with Congress to make sure we can properly resource that, not just because I think it is vitally important that we make that Center viable, but I do believe that there is a more sustainable model for how we might regulate therapeutic spaces more generally. And if we get it wrong in this first instance, then we can't skate towards that goal.

Mr. YODER. Thank you for your testimony.

Mr. Chairman, this is an issue that we need to resolve, and there are dollars that we intended to get to the FDA to create these Oncology Centers of Excellence, to get drugs to market, to help people who are suffering from cancer, and because of basically technicalities it is not happening. I think this is something we need to take up and fix.

Mr. ADERHOLT. I am happy to follow up on it.

Mr. Pocan.

Mr. POCAN. Thank you, Mr. Chairman.

And welcome, Commissioner Gottlieb. I really enjoyed hearing some of the things you said in the beginning of your testimony, about people being priced out of prescription drugs and some of the work that you are talking about on generics, and I want to come

back to that in a minute. If I can just do two other subjects, I think one really quickly, hopefully.

ARTISANAL CHEESE

Before you were there, in 2014, there was a problem that we had with the FDA when they were trying to ban the aging of raw milk cheese on wood boards. Talk about a small issue, but in my district it is a very big issue. This was a bipartisan outcry from Congress, working with some of the other stakeholders. We were able to get it put on pause.

The only problem is, I had a very unproductive circular conversation with the former Deputy Food Commissioner within the FDA who would not give me a concrete "we are not going to keep going after this." There were no health problems whatsoever. There were a couple of ordinance violations. I have been in many cheese facilities where they are doing it on wood boards.

I just want to know, is this an issue that you are done trying to ban or trying to increase regulation on the aging of cheese boards that has been done for centuries?

Dr. GOTTLIEB. As a consumer of artisanal cheese, I share your concerns around making sure we have enough prepared.

But it is an issue that I am aware of and I am happy to follow up with you and delve deeper into it. My current understanding is that wood boards can be used as long as they are adequately cleanable and properly maintained for their intended purpose. So there is a framework in place to allow them to be used. Whether or not that is having unintended consequences on certain manufacturers, I am happy to try to work with you on this issue.

[The information follows:]

ARTISANAL CHEESE

FDA has not prohibited or banned, and is not prohibiting or banning, the long-standing practice of using wood shelving in artisanal cheese production, nor does the FDA Food Safety Modernization Act (FSMA) require any such action. Any reports that FDA has taken steps to end use of wooden boards to age cheese are not accurate.

FDA communicated our position to industry in 2014 after the Agency learned of industry's concerns that FDA might take steps to end the usage of wooden boards to age artisanal cheeses. That position was posted on the Agency's website in 2014 and remains available today.

The food safety requirements that apply to all food contact surfaces, including wood shelving used as a food contact surface for ripening cheeses, requires that the surface must be "adequately cleanable" and "properly maintained" for its intended purpose, to prevent the growth of pathogenic microbiological organisms. ("FDA Constituent Update: Clarification on Using Wood Shelving in Artisanal Cheesemaking," June 11, 2014).

The Agency's regulations do not specifically address the use in cheese making of shelving made of wood, nor is there any FSMA requirement in effect that addresses this issue. Moreover, FDA has not taken any enforcement action based solely on the use of wooden shelves.

FDA has taken enforcement action in some situations where we have found the presence of Listeria monocytogenes at facilities that used such shelving. Since 2010, FDA inspections have found Listeria monocytogenes in more than 20 percent of inspections of artisanal cheesemakers. However, we do not have data that directly associates these instances of contamination with the use of wood shelving.

In the interest of public health, FDA's current regulations state that utensils and other surfaces that contact food must be "adequately cleanable" and "properly maintained." Historically, we have expressed concern about whether wood meets this requirement, and these concerns have been noted in our inspectional findings. However, we will engage with the artisanal cheese making community, State officials, and others to learn more about current practices and discuss the safety of aging certain types of cheeses on wooden shelving, as well as to invite stakeholders to share any data or evidence they have gathered related to food safety and the use of wood surfaces.

Mr. POCAN. Great. I appreciate that. Thank you.

KRATOM

Another issue and the only other issue I had a little conflict with the FDA in the past on was an issue around a plant called Kratom that was being by the DEA trying to put as a Schedule I drug, because they said because of FDA actions saying that there were problems with Kratom. This is a plant that we are finding a lot of people with PTSD and opioid addiction especially are getting weaned off of opioid addiction through this process.

Mr. Salmon from Arizona and I led a bipartisan letter, 35 of us, it was almost 50/50 bipartisan, it was a really strong bipartisan letter, to try to get this to stop the scheduling of as a Schedule I drug. Since then, that has happened. They put it on pause. But they are waiting for the FDA to do an eight-factor analysis, which has, I think, already been done by people from the Kratom Association.

I think this all started, quite honestly, because there was a synthetic heroin that one of the components people were using was kratom. Yet, this has no addictive properties that any study has shown.

Where are we at on this eight-factor analysis, and has the FDA changed its position on some of the earlier claims they had that led this to becoming a Schedule I?

Dr. GOTTLIEB. Thank you, Congressman.

I think you rightly noted FDA in 2014 expressed concerns around the product based on the potential for toxicity to multiple organs. And the eight-factor analysis that DEA asked us to do in 2016 is currently underway. I actually don't know currently what the status is. It is another question I would be happy to look into and follow up with you on. But I know it is underway within the center.

[The information follows:]

KRATOM

On August 30, 2016, the DEA published in the Federal Register a notice of intent to temporarily schedule mitragynine and 7-hydroxymitragynine, which are the main active constituents of the plant kratom. DEA announced its intention to place these active constituents into Schedule I of the Controlled Substances Act (CSA) to address an imminent hazard to public safety. On October 12, 2016, the DEA announced it would discontinue its pursuit of the temporary scheduling and asked that FDA expedite its scientific and medical evaluation and scheduling recommendation for the active constituents in kratom (8-Factor Analysis).

The CSA requires the FDA to complete its analysis and scheduling recommendation within a reasonable time. As a part of FDA's 8-factor analysis and scheduling recommendation, the Agency is examining the currently available data on the abuse potential and risks to humans of kratom and its active constituents. Consistent with these processes, FDA and DEA must take a number of steps prior to DEA issuing a final regulation. FDA is diligently working towards finalizing and sharing our recommendation with DEA. The Agency is committed to ongoing and vigorous efforts to provide a recommendation as expeditiously as possible so that the process can continue.

Mr. POCAN. Great.

GENERIC DURGS

And then the final question, just to go back to the generics, one of the other issues I know is there is this pay-for-delay by some of the companies that is going on when it comes to generic drugs. Are you looking at that issue as well?

Dr. GOTTLIEB. I think that is probably an issue more for, I believe, the FTC.

What I will say is that, as I said in my opening remarks, I am concerned that there are places where I believe certain companies might be gaming the regulatory process in ways that Congress didn't intend to extend exclusivity periods beyond what Congress intended. If we are going to balance innovation and access and have a place for market-based returns to bona fide innovations, we need to make sure there is the capacity for market entry of competition after patents have expired, patent periods that Congress intended.

I don't want to be in a position of playing whack-a-mole with companies. What I want are clear rules and bright lines in place that prevent these kinds of abuses. We are going to be having a hearing, a Part 15 hearing soon, to try to solicit these ideas from the consumers and the broader public on where these things might be happening.

Sorry, Mr. Chairman.

Mr. ADERHOLT. Thank you very much.

Mr. Valadao.

Mr. VALADAO. Thank you, Chairman.

Thank you, Commissioner for taking some time, and congratulations on your appointment.

FOOD SAFETY MODERNIZATION ACT

The Food Safety Modernization Act, FSMA's purpose is to shift the focus of food safety towards prevention. I believe this is a positive approach for producers, processors, and consumers. However, it is important that implementation is done properly in order to avoid unintended consequences to a supply chain that do not improve food safety.

With the understanding that the foundation of FSMA is based on risk, there is a concern over the definition of a farm and whether it is consistent and accurate in accounting for risk. I have heard from my constituents in the tree nut and cotton industries who have expressed concern regarding the flaw in using ownership of the commodities that are hulled, shelled, and ginned at their facility as one of the determining factors for a secondary activities farm.

This inconsistency is of great concern to my constituents who grow and process these products, and I am under the impression that it is likely to cause mass confusion among industry and regulators.

What is the best way for FDA to address this issue, and do you believe guidance is sufficient or is opening up the rulemaking the only option?

The compliance deadline for the produce safety rule is roughly 8 months away, January 2018. Will this farm definition issue be addressed in a timely manner, allowing the industry enough time to get compliance measures in place? And if clarity is not reasonably provided prior to the compliance date, will a compliance date extension be given for the produce rule, given the lack of guidance as how to apply to the rule?

Dr. GOTTLIEB. Congressman, I have to confess this isn't an issue that I have broached in my first 2 weeks on the job. I am happy to follow up with you on it and see what the issues are and what we can do to accommodate any concerns that you and others might have if it is causing unintended consequences.

Mr. VALADAO. Yes, it is a serious issue. And it is literally the definition on how the ownership or what the ownership of a facility is. And there is no reason for the ownership to play any role in how to regulate it. So I would appreciate it.

Dr. GOTTLIEB. Happy to work on it.

[The information follows:]

FARM DEFINITION

FDA is aware of industry's concerns regarding whether certain entities are classified as farms or facilities, as that distinction determines which regulations apply. The Agency recognizes a desire by stakeholders for similar activities to be covered by the same regulation where feasible or treated similarly by different regulations. FDA is looking at how to draw the line between farms and facilities differently to better accomplish this goal in certain situations, without creating unintended consequences.

To facilitate this effort, on August 23, 2016, FDA announced an extension for compliance dates on several issues related to the farm definition, including ownership. Also in August 2016, FDA shared draft guidance for industry entitled, "Classification of Activities as Harvesting, Packing, Holding, or Manufacturing/Processing for Farms and Facilities." When finalized, the guidance will provide information about FDA's current thinking on farming and processing activities.

FDA will continue to dialogue with industry stakeholders as we work to address their concerns about the farm definition.

Mr. VALADAO. Thank you.

ANIMAL DRUG COMPOUNDING

The Omnibus budget agreement for fiscal year 2017 that was just signed into law contained report language expressing the Committee's concern regarding a draft guidance on compounding from bulk ingredients for animal drugs, GFI No. 230.

I appreciate the response to this report language included in the budget justification, which seems to indicate that it is attempting to apply a provision similar to 503A and 503B to animal drug compounding, even though these provisions are limited by statute to human drug compounding.

Can you provide the Committee with specific statutory provisions that support the implementation of GFI 230 for animal drug compounding, and does the FDA plan on requesting statutory changes to support these protocols?

Dr. GOTTLIEB. Again, Congressman, I am generally familiar with the issue, but in the interest of making sure I don't misspeak before Congress, I am going to defer and let you know that I would be happy to work with you on this issue. So I appreciate the question, and I will follow up with your office.

Mr. VALADAO. I look forward to seeing your follow-ups on these. I know they are both important issues and I would love to get a response on that.

Dr. GOTTLIEB. Thanks a lot, Congressman.

[The information follows:]

ANIMAL DRUGS COMPOUNDING

The Federal Food, Drug, and Cosmetic Act (FD&C Act or the Act) provides FDA with the authority to regulate the manufacturing, labeling, and marketing of drugs for use in animals. Under provisions of the FD&C Act, it is unlawful to introduce or deliver for introduction into interstate commerce a "new animal drug" that lacks FDA approval, conditional approval, or inclusion on the Index of Legally Marketed Unapproved New Animal Drugs for Minor Species (21 U.S.C. §§ 331(a), 351(a)(5), 360b, 360ccc, 360ccc-1). To obtain FDA approval of a New Animal Drug Application, an applicant must submit, among other things, full reports of investigations that demonstrate that the drug is safe and effective for use, a description of the manufacturing of the drug, and copies of the proposed labeling for the drug. Under the Minor Use and Minor Species Animal Health Act of 2004, similar submissions are required to obtain conditional approval of new animal drugs for a minor use or a minor species or to place a new animal drug on the index of legally marketed unapproved new animal drugs for minor species.

FDA acknowledges that animal drugs compounded from bulk drug substances can serve important public health purposes, in very limited circumstances, by meeting the needs of patients for whom FDA-approved, commercially available drugs are inadequate or unavailable. While FDA generally defers to state authorities on the day-to-day regulation of compounding by veterinarians and pharmacists of animal drugs, as well as human drugs that are intended for use in animals, the Agency remains concerned about the use of animal drugs compounded from bulk drug substances, especially when approved alternatives exist that can be used as labeled or in an extralabel manner consistent with the requirements of FDA's extralabel provisions. Compounded drugs have not undergone premarket FDA review of safety, effectiveness, or manufacturing quality. The unrestricted compounding of animal drugs from bulk drug substances has the potential to compromise food safety, place animals or humans at undue risk from unsafe or ineffective treatment, and undermine the incentives to develop and submit new animal drug applications to FDA containing data and information to demonstrate that the product is safe, effective, properly manufactured, and accurately labeled.

In May 2015, FDA proposed draft guidance for industry (GFI #230) "Compounding Animal Drugs from Bulk Drug Substances" to provide clarity regarding the conditions under which FDA would generally not intend to take action for certain violations of the law when an animal drug is compounded from a bulk drug substance. Draft GFI #230 does not propose to extend the exemptions and provisions of sections 503A or 503B of the FDCA to animal drugs, as these statutory provisions by their terms apply only to drugs intended for human use and not to drugs solely for animal use. FDA intends to further clarify this issue when the Agency finalizes this guidance.

Through GFI #230, FDA intends to strike the proper balance between providing access to necessary drugs in limited circumstances where no legal pathway exists, and preserving the drug approval process with its associated protections of animal and human health.

Mr. VALADAO. Thank you.

I will yield back the rest of my time.

Mr. ADERHOLT. Thank you.

Ms. Pingree.

Ms. PINGREE. Thank you very much, Mr. Chair.

Welcome, Dr. Gottlieb. It is nice to have a chance to have you before our Committee, and I appreciate you being here today. I am sorry, I was in my other Committee and I didn't get to hear your opening remarks. I will follow up with those, to make sure I connect on those.

DRUG PRICING

I am interested to hear more of what you had to say about drug pricing. It is an issue I have cared about for a very long time, going back to when I was a State legislator. And we don't have time to get into the topic today.

But particularly on that topic of reimportation of drugs from Canada. I am from Maine, a border State. I have accompanied many busloads of senior citizens who have taken that trip across the border, gotten a duly licensed physician to rewrite their prescription, and bought virtually the same drugs in Canada for a much lower price.

And drug pricing overall, our inability to negotiate for better pricing, is a huge issue. The President has brought it up several times, so he seems to be willing to talk about this. Yet there was nothing in the budget around it.

I know there have been safety concerns raised about prescriptions being filled in Canada. It is a much longer topic, but I would be interested in taking that up with you at some point. And I will submit some questions for the record around that.

FOOD SAFETY MODERNIZATION ACT

Just a couple of other topics, and I appreciate you have only been there for 2 weeks. This is a lot to absorb. I know you already know a lot about it, and you have given some very detailed answers already today. But I am going to bring up two other topics that I will submit to you and we can follow up on later, because I am pretty sure you are going to say, as you did to my colleague from California, you don't have a lot of experience with the Food Safety Modernization Act.

I have worked quite a bit on the issues of how that is practically applied to farmers. I represent a lot of small to medium-sized farmers, and I have a farm myself. So the implementation is close, and working with the Department to make sure it is not a one-size-fits-all plan has been really critically important, and it is something we have focused a lot of attention on.

Food safety, obviously, is critically important to us. But if you have three rows of lettuce, it is different than having a thousand acres of lettuce, and the application has to be different.

There are some outreach and training efforts going on right now. I will say in advance I don't expect you to know the answer to this question, but with the deadlines coming up soon, the training issues for farmers are very critical. This is complicated stuff to learn, and everyone wants to be in compliance with the law when

it is out there. But for a lot of small to medium-size farmers there is just not enough time.

We are waiting on FDA to provide some alternate curricula guidance. I am anxious to know when that will be out there so more of the training can be developed. And, like I said, I don't expect you to know that answer today, because it is a specific question. But it means a lot to a lot of organizations who are hoping to do some of that training and particularly the farmers who need it.

MAPLE SYRUP

Secondly, I want to just talk to you a little bit about food fraud, which is actually quite a big issue. And, specifically, right now I want to talk about maple syrup.

It is about a $15 million industry in my State. We, of course, think that we have the best maple syrup, no matter what Vermont says. Our producers yielded about 675,000 gallons of maple syrup last year. So it is an important industry to us.

In 2016, I sent a letter to the former Commissioner, with some of my colleagues, about maple syrup fraud issues. Frequently, cheap, industrially produced sweeteners and artificial flavors are added to products, yet they still have a real maple syrup label. So you can imagine the consumers, who pay a premium price, don't want to think that their food is adulterated or, in fact, it is not what they purchased.

So, again, I am going to run out of time. But I will send you that more detailed question in writing. And I also have a lot of concern about the cheese board issue, because we have a lot of cheese producers in our State as well.

So you've got 3 seconds.

Dr. GOTTLIEB. Thanks. I will just say quickly, as someone who produces his own maple syrup and lives in Connecticut, that I am not subject to FDA's regulation, because I am an individual manufacturer. And also, I raise seven egg-producing hens. I am sympathetic to the concerns of small farmers and producers. I am happy to work with you on these issues, particularly the maple syrup issue.

Ms. PINGREE. Great. We will follow up with all that. And we are thrilled to know that you are an agriculturist in your spare time.

Dr. GOTTLIEB. Thank you.

Mr. ADERHOLT. Mr. Young.

Mr. YOUNG. Thank you, Mr. Chairman.

Welcome, Commissioner. Nice to see you here today.

I share many of the thoughts many of my colleagues have brought up today. The food labeling issue, thank you for taking the extra time to get that right.

DRUG PRICING

Following up on my colleague from Maine, Ms. Pingree, said regarding prescription drug costs, all of us hear about this issue from our constituents. I have heard this in my roundtables with doctors, nurses, hospital administrators, specialists and pharmacists. We have seen spikes from EpiPen to insulin.

How do we address this issue? I understand competition, and I love competition, but it seems to me that without transparency,

how can you really have competition if you don't know what the pricing is out there?

Can you address things like transparency and the pricing of prescription drugs? As you talk about the FDA review process and the approval of drugs, and we want these drugs to be safe when they are approved, what are your comments and criticisms about the current process?

Dr. GOTTLIEB. Thank you for the question, Congressman.

I think where FDA can play an important role with respect to the drug pricing issue more broadly is in making sure that we have adequate product competition, especially when exclusivity periods that Congress intended have lapsed, and drugs should be subject to vigorous competition.

In some of the cases that you highlight and some of the cases that I would highlight, and we all have our own personal examples of where markets aren't working efficiently, there are different problems at work. I mean, in some of these cases it is issues of complex drugs that are hard to genericize under current scientific standards.

There are things FDA can do from both a policy and scientific standpoint to facilitate to market more generic competition to complex drugs. That is where we have seen some drugs sort of be monopolized in perpetuity because it was hard to bring on generic competition.

There are issues with the overall efficiency of the generic drug review process itself historically, although it has gotten a lot better, and the commitments that the agency is making now are for very rapid review times. But we do have situations where speculators, for lack of a better word, can come in, buy a low-volume generic, jack up the price, knowing that it is going to take potentially years for a generic competitor to come on to the market, and so they have sort of that exclusivity period.

We need to make sure we are prioritizing applications in those cases, we intend to do that, and also making sure that the generic drug review process itself is working as efficiently as possible so that competition can enter.

GENERIC DRUGS

Mr. YOUNG. We are due to reauthorize the generic drug law soon, and I hope you will bring forth some ideas that you think could work better.

Now, you talk about within current laws, and in some places we need to clearly brighten that line and highlight it because you think some companies may be out there gaming the system. But you don't want to mention them publicly, because you don't want to play whack-a-mole.

I think there is a power to shaming, and Congress has proved that before. Industry has proved that before. Our constituents have proved that before. Sunlight is the best disinfectant to put people in place and try to get to better behavior. So don't be so shy about playing whack-a mole sometimes.

Dr. GOTTLIEB. I would be happy to work with you in a shaming initiative.

Mr. YOUNG. I am sure you can. But this is a serious issue that all of our constituents hear about, and we want to make sure that they are given safe products——

Dr. GOTTLIEB. I agree.

Mr. YOUNG [continuing]. But affordable as well, because many are choosing between some of those important things in life, sometimes food, sometimes their rent check, or their medicine.

Dr. GOTTLIEB. With respect to legislation—and I realize how serious this issue is. That is why this is one of the first issues that I am trying to tackle in my first 2 weeks on the job.

Mr. YOUNG. Thanks for that priority.

Dr. GOTTLIEB. You know, there are things that I think we can do administratively but potentially Congress can do better. And if there are areas where new statutory definitions or frameworks can be helpful in trying to achieve some of our goals and making more competition available to consumers, I would be delighted to work with you on that.

Mr. YOUNG. I think Congress, in general, would like to work with you on that.

Thank you, Mr. Chairman.

Dr. GOTTLIEB. Thanks a lot.

Mr. ADERHOLT. Thank you.

We successfully got through one round and they have called the votes. We will go for just a few more minutes before we have to leave for votes.

ORPHAN DRUGS

I want to follow up on where I left off about orphan drugs. I want to hear your thoughts on another more specific subject, about drug approval process, the orphan product review for rare diseases, and the dramatic increase in the number of orphan drug designations requested and some rather unusual approvals.

In particular, tell us your thoughts on the situation with Marathon Pharmaceuticals and how it can be fixed. It is very hard for us to go and explain to our constituents, whether it be in Maryland or Wisconsin or Alabama, that the only way a parent can improve their child's quality of life from the terrible effects of Duchenne is if they spend over $89,000 a year, versus $1,000 a year they were paying the year before.

So if you could, we would appreciate hearing your thoughts on that.

Dr. GOTTLIEB. Thanks a lot, Congressman, for the question.

There is an issue, a statutory issue, with respect to a whole host of drugs that are unapproved drugs, currently, that when they do come in for FDA approval, under current statute, they are entitled to New Molecular entity (NME) exclusivity. They are entitled to a period of exclusivity.

That is the current framework. Periodically there are a number of drugs that continue on the market and continue to be sold that aren't FDA approved. And periodically drugs will come in for approval and gain exclusivity, and then you will see high prices sometimes result. A monopolist will behave like a monopolist when it has the opportunity.

I think that this is a difficult issue, because we try to strike a careful balance between having drugs that are FDA reviewed—Congress wants us to do that—but also concerns around the situations that you highlighted. I would be happy to work with Congress on this.

I know from my prior experience at the agency, periodically the agency will get criticized for the fact that there are a lot of these drugs out in the market that aren't FDA approved. And then we would bring them in for FDA approval and they gain NME exclusivity, then sometimes you see prices increase.

And so there is a very difficult balance there between safety and access that I think needs to be struck, and I would be happy to work with you on that.

Mr. ADERHOLT. Thank you very much.

I think you are going to yield to Ms. DeLauro?

Mr. BISHOP. I am. Mr. Chairman, I would just like to request that I be allowed to submit my additional questions for the record.

And, with that, I would yield my time to Ms. DeLauro.

Mr. ADERHOLT. Yes. Because all of us have had limited time because of the vote schedule, if anybody wants to submit questions for the record, that will be fine.

Mr. ADERHOLT. Ms. DeLauro, go ahead.

Ms. DELAURO. Thank you, Mr. Chairman.

Many, many thanks to the Ranking Member for his courtesy.

I, too, will submit and follow up on the questions that I already asked on the safety issue versus the approval process. I think it is critically important these days.

FOOD SAFETY

Let me move to something that a couple of my colleagues have mentioned, and that is food safety. The budget is $119 million in a cut, roughly 9 percent. No mention of FSMA funding in the budget, which is very, very troubling to me. The agency has finalized seven of the rules and is conducting outreach to ensure that the stakeholders understand the new requirements.

I want to get your view, both domestically and internationally, that we are shortchanging our ability to inspect and to review the safety of our food products. I believe that the budget, reflecting a 9 percent cut, $119 million, is shortsighted. Do you agree that that is a shortsighted approach?

Dr. GOTTLIEB. Congresswoman, I wasn't, as you know, involved in the formulation of the budget. As the new Commissioner of the agency, I am going to do everything I can to work with the Administration, and in particular work with Congress and this Committee, to make sure that the agency has the resources it needs to fulfill its mission.

There could be perhaps no more critical mission than food safety because of the potential for distributed harm if we get it wrong and if something does go wrong with the food supply. So this is something I am extremely focused on.

I have spent time talking to the leadership at FDA's Center for Food Safety and Applied Nutrition (CFSAN) on how we could continue to move forward in implementing FSMA and making sure we fulfill the intent of Congress and protect consumers, whether this

budget is enacted or we work with Congress to make sure that we have the right framework in place.

Ms. DELAURO. I am just going to express a view to you which I have had for the number of years I have served on this Committee, and that with the mission of the FDA with food, drugs, devices, and tobacco, that in the past food safety has become a stepchild at the agency, in addition to which it has struggled to get the resources. I would just say, I am proud of the time that I spent as Chair of this Subcommittee to increase resources in a whole number of areas, including food safety.

Foodborne illness causes $36 billion a year in medical costs, 3,000 deaths, 128,000 hospitalizations, and 48 million foodborne illnesses every single year. We know the answer to this issue, and not providing the resources to deal with this because of its potential results. This is not a road, park, or bridge. This is about people's lives.

On the international side of this—and I don't know what the hiring freeze—and you might want to address that—has done to an inspection regime that you have, but we inspect less than 2 percent of the product that comes in from overseas. And you all have the bulk of the jurisdiction with regard to food safety.

So that wherever the decisions were made on this budget, my hope—and I would like a commitment from you and continue to have this conversation—is that this lack of focus on food safety by this agency will change under your directorship.

Dr. GOTTLIEB. There will be no lack of focus by me, Congresswoman, I can assure you that. The hiring freeze was lifted at 9 a.m. this morning. I sent an e-mail out to the staff informing them of that.

I was at FDA during a period of time when I believe the food program was underresourced and we didn't have adequate authorities. Thanks to Congress, we now do have much more robust authorities and resources. I don't want to go back there either.

Ms. DELAURO. I want you to be able to use the authority. Sometimes there has been reluctance to use the authorities when it comes to food safety.

Thank you, Mr. Bishop and Chairman Aderholt.

Mr. ADERHOLT. I think this Committee has been very committed to funding for food safety, and I think the record will show that. I want to go on record and say that.

Let me say thank you, again, Commissioner, for being here. I'm sorry, we have had a little bit condensed session today because of votes. As I mentioned, votes have been called. There are about four minutes left in the votes, so we will go ahead and adjourn so we can cast our votes on the floor.

All the best to you. We look forward to working with you. Thanks for following up with these questions.

QUESTIONS FOR THE RECORD
FOOD AND DRUG ADMINISTRATION
FY 2018 BUDGET HEARING
MAY 25, 2017

QUESTIONS SUBMITTED BY CHAIRMAN ROBERT B. ADERHOLT

FDA Priorities in the New Administration

1. Please inform the Committee of FDA's top five most pressing issues or priorities in the last three months of fiscal year 2017 and fiscal year 2018.

Response: Below are brief descriptions of the FDA's five most pressing priorities for the last three months of fiscal year (FY) 2017 and for FY 2018.

1. Opioids: FDA is committed to reducing the scope of the opioid epidemic, which continues to grow and have staggering human and economic costs. Among its mandates, FDA's efforts are focused on using the Agency's regulatory tools to reduce overall our reliance on opioids, and in turn, addressing opioid addiction and opioid-related overdose deaths. To that end, FDA is advancing policies to help provide greater assurances that exposure to opioids is occurring under only appropriate clinical circumstances, and for appropriate patients. FDA is also re-examining its risk-benefit framework for evaluating opioids in the pre- and post-market setting; and examining the role of increased provider education on prescribing patterns and rates of new addiction. To most effectively combat the opioid epidemic, FDA is committed to considering a spectrum of potential actions, including actions relating to prescriber education information (e.g., acute and chronic pain management, non-pharmacologic treatments for pain, and different types of pharmacologic treatments); overdose reversal drugs; and treatment options for opioid addiction and opioid dependence. FDA's actions will be guided and informed by the work of the recently established FDA Opioid Policy Steering Committee.

2. Drug Competition Action Plan: Another priority for the FDA is its Drug Competition Action Plan, aimed at facilitating increased competition in the prescription drug market through the approval of lower-cost generic medicines, in order to enhance patient access to needed drugs. As part of this initiative, the Agency is working to encourage generic drug development and expedite and re-prioritize the Agency's review of generic drug applications. FDA also is evaluating whether the Agency's own rules are being used in ways that may create obstacles to generic access, instead of ensuring the vigorous competition Congress intended. Moreover, FDA is evaluating policy and regulatory

obstacles that may impede access to approved, generic copies of complex drugs, after the relevant intellectual property on the branded drugs has lapsed.

3. Medical Product Innovation: FDA is committed to fostering innovation and other scientific advancements in medical products to allow for the availability of safe and effective new therapeutic and diagnostic options. To that end, the Agency is working to expand FDA's capacity to utilize real world evidence to evaluate the safety and effectiveness of medical products; establish a new paradigm for digital health technologies; foster advancements in manufacturing innovation; and provide for a more efficient development process for molecularly targeted drugs aimed at unmet medical needs.

4. Comprehensive Nicotine and Tobacco Framework: As set forth in its July 28, 2017 announcement, FDA is establishing a new comprehensive plan for tobacco and nicotine regulation that will serve as a multi-year roadmap to better protect kids and significantly reduce tobacco-related disease and death. The Agency will be seeking public input on a variety of significant topics in this area. FDA plans to issue foundational rules to make the product review process more efficient, predictable, and transparent for manufacturers, while upholding the Agency's public health mission and putting the concept of harm reduction, and nicotine, at the center of the Agency's policies. FDA also will continue efforts to assist industry in complying with federal tobacco regulations through online information, meetings, webinars, and guidance documents.

5. Building a Strong FDA Workforce: Integral to FDA's public health mission and its ability to bring innovative new therapies to patients is the technical, scientific, and clinical expertise of its people. FDA staff must remain current with the rapid advances in science and medicine and meet the increasing demands that globalization and other trends place on our core consumer protection functions. As such, the Agency is committed to building and maintaining a diverse, talented, and dedicated professional workforce. FDA has begun a comprehensive effort to evaluate our hiring practices and procedures so that the Agency can reliably and predictably identify, recruit, and efficiently hire the scientific personnel the Agency needs. FDA is working to speed the hiring process while also improving the retention of scientific and technical experts. The FDA Reauthorization Act (FDARA) of 2017, coupled with key provisions of the 21st Century Cures Act, will greatly assist FDA in these efforts.

Drug Review Times, Development Costs & Orphan Drugs

In the President's first speech to a Joint Session of Congress in March, he called the drug review process "slow and burdensome." In the past, you have voiced concerns about the pace of drug development and the length of time it takes to get human drugs to the patient. The FY 2018 budget as well as your testimony indicates that you have ideas about how the Agency can make the process more efficient. I want to quote from your testimony where you say: "Improved regulatory science and policies will not only lead to more efficient approvals and increased completion that can help reduce costs to consumers, but more importantly, they will improve patient-outcomes."

2. Please provide a summary of how you might speed development costs which will deliver reduced costs to consumers, improved outcomes and maintain the gold standard for safety and effectiveness.

   Response: PDUFA VI provides resources for the highly successful and resource-intensive breakthrough therapy program and streamlines the review of drug/device or biologic/device combination products. As a result, products designated as "breakthrough therapies" will continue to benefit from early and frequent, and meaningful communications with the Agency that help ensure safe and effective products reach patients faster. Further, PDUFA VI builds upon patient-focused drug development efforts. It enhances drug development tools, including biomarker qualification, and provides resources to increase understanding of how "real-world evidence" can be generated and used appropriately in regulatory decision making. It establishes pilot programs to explore novel approaches to the design of complex clinical trials and the application of advanced modeling techniques to pre-clinical and clinical data. PDUFA VI also enables FDA to leverage real-world health data by enhancing the capabilities of FDA's Sentinel system.

   GDUFA II's pre-ANDA program, ANDA review program enhancements, and priority review program is intended to increase the odds of so-called "first cycle" approval of generic drugs and thus reduce the number of application review cycles needed and therefore the total time it can take for some generic drugs to reach the market for patients. It is FDA's hope that GDUFA II will expand consumer access to quality, affordable generic medicines

   BsUFA II includes enhancements to FDA's review program for biosimilar marketing applications, improved mechanisms for communications during product development, and commitments by FDA to provide additional guidance to industry on the development of biosimilar and interchangeable products. It also includes goals to strengthen FDA's capacity. BsUFA II will support FDA's goal of facilitating timely access to safe and effective biosimilar and interchangeable products for patients.

3. Please provide any updates to policies related to another more specific drug approval process – the orphan product review for rare diseases and the dramatic increase in the number of orphan drug designations requested and some rather unusual approvals. In particular, please provide comments on the situation with Marathon Pharmaceuticals and the potential need to fix the situation where a company has not invested in the research necessary to help find a cure for a rare disease but the FDA grants exclusivity to the product and the company gains a priority review voucher in the process. Members like me have trouble explaining this situation to a mother and father in my district whose son can improve his quality of life from the terrible effects of Duchenne Muscular Dystrophy if they spend over $89,000 a year versus the $1,000 a year they were paying before last year from the same imported drug.

   Response: While FDA does not regulate drug pricing, the Agency understands and shares the concern that rising drug prices can have an impact on patient access to medications.

   Although deflazacort has been available for many years in other parts of the world, Marathon Pharmaceuticals was the first company to seek FDA approval of the drug in the United States in its application for Emflaza. Consequently, Marathon was entitled to the incentives provided under the law. FDA has no discretion to deny these incentives in these circumstances.

   FDA notes that, although Marathon did not conduct the primary clinical studies that were relied upon to show the efficacy of the drug, they used the results of clinical studies with this drug conducted by another group. Because Marathon's approval relied on investigations that were not conducted by, or for the company, Marathon did not have a right of reference to demonstrate the drug's safety and effectiveness, so the Emflaza application was classified as a 505(b)(2) application. Importantly, both the orphan drug laws and the rare pediatric disease priority review voucher laws permit companies to submit 505(b)(2) applications for FDA approval and to be eligible for the statutory incentives.

   Orphan drug designation provides development incentives, such as tax credits to defray the cost of conducting clinical trials and waiver of marketing application user fees. In addition, section 527 of the FD&C Act provides that a drug that is designated and approved for a rare disease or condition will receive seven years of exclusivity (subject to certain exceptions). Emflaza met the legal requirements laid out in laws and regulations for eligibility, first for orphan drug designation and ultimately for orphan drug exclusive approval. Again, FDA has no discretion to deny exclusivity in these circumstances. In addition, Marathon met the legal requirements that required FDA to award a rare pediatric disease priority review voucher upon the approval of Emflaza. It is important to note that even if Emflaza had not been eligible for the orphan drug incentives, Marathon could still have obtained approval for the drug as a non-orphan drug, and because Emflaza contained a never previously approved

active moiety, upon FDA approval it received five years of new chemical entity exclusivity. Thus, Emflaza concurrently has both seven-year orphan drug exclusivity and five-year new chemical entity exclusivity. As is the case with all medical products, FDA does not control drug pricing – the decision is left up to the drug application holder.

The number of requests for orphan drug designation has increased dramatically, more than doubling since 2012. The rise in the number of requests for orphan drug designation holds promise for the future of rare disease drug development. To maintain the scientific review standards necessary to safeguard the intent of the Orphan Drug Act (ODA) while managing this increasing workload, FDA is modernizing its orphan drug designation program, as announced in the *Orphan Drug Modernization Plan.* [1] The plan intends to further FDA's commitment to safeguarding the intent of the ODA and ensuring a thorough scientific review to ensure the drugs FDA designates fully satisfy the criteria for orphan designation.

21st Century Cures

The medical community, patient groups, researchers, and numerous other groups expressed high hopes for the eventual benefits of the 21st Century Cures Act. At a time when we continually see strong political disagreement, this legislation brought people together.

4. In addition to the $20 million available to you this fiscal year and then an additional $40 million in FY 2018, how is FDA spending these specific funds as well as any additional resources within the Agency? In other words, how will FDA utilize these new funds and does FDA anticipate repurposing base funds to supplement the 21st Century Cures funding?

   Response: The 21st Century Cures Act (Cures Act), signed into law on December 13, 2016, is designed to help accelerate medical product development and bring new innovations and advances to patients who need them faster and more efficiently.

   The Cures Act authorized $500 million over nine years to help FDA cover the cost of implementing specific innovation provisions of the law. The final work plan, which includes the recommendations from the Science Board, was delivered to Congress on June 9th. As per the work plan, FDA will use the $20 million available in FY 2017 and the $60 million, if appropriated, in FY 2018 to support implementation of the following subtitles.

[1] Please see the full plan at:
www.fda.gov/downloads/ForIndustry/DevelopingProductsforRareDiseasesConditions/HowtoapplyforOrphanProductDesignation/UCM565068.pdf.

	FY 2017	FY 2018	Grand Total
Subtitle A—Patient-Focused Drug Development	$ -	$ 2,298	$ 2,298
Subtitle B—Advancing New Drug Therapies	$ 4,975	$14,179	$ 19,154
Subtitle C—Modern Trial Design and Evidence Development	$ 1,900	$ 4,616	$ 6,516
Subtitle D—Patient Access to Therapies and Information	$ 7,837	$23,855	$ 31,692
Subtitle F—Medical Device Innovations	$ 5,287	$12,262	$ 17,550
Subtitle G—Improving Scientific Expertise and Outreach at FDA	$ -	$ 2,790	$ 2,790
Grand Total	**$20,000**	**$60,000**	**$ 80,000**

The work plan is available online at:

www.fda.gov/regulatoryinformation/lawsenforcedbyfda/significantamendmentstothefdcact/21stcenturycuresact/default.htm.

As the Cures Act builds on FDA's ongoing work to support the development and review of drugs, biological products, and devices, FDA Cures Act activities are complementary with current medical product safety activities and build on current medical product safety resources. FDA's estimated total resources supporting medical product safety at the FY 2017 Enacted level is $2.7 billion, including budget authority and user fees.

5. What will be the impact of FDA's new hiring authority on current vacancies and the FY17 and FY18 budgets (i.e., how common or frequent will this authority be utilized and what will that corresponding use translate to in increased costs?). Specifically, please specify how FDA plans to utilize this new authority and how will it impact salaries and benefit costs if you begin to hire more scientists and medical specialists at a salary over $250,000?

Response: The Cures Act provided FDA with important new hiring and salary authority that will improve the Agency's ability to recruit and retain highly qualified staff. In January 2017, shortly after the Cures Act was enacted, FDA established a governance structure, including a 21st Century Cures Hiring Working Group and Steering Committee, to ensure the new authority is implemented strategically, transparently, fairly, and sustainably, recognizing that implementation is dependent in part on appropriated funds. In order to accomplish this goal, the Working Group is designing an alternative pay system (APS). It is forecasted that this new system will have no impact on the FY 2017 budget, and it may have some impact on the FY 2018 budget in the medical product centers, some of which will be offset by user fees. Until the new APS is fully implemented, the Agency will use the Cures authority in a targeted and strategic manner to focus on mission critical positions that are difficult to fill, those that support 21st Century Cures priorities, and to retain critical staff.

FDA has established a Scientific Staffing Team, a cross-agency workgroup that is working to enhance identification of, and outreach to, highly qualified scientific and regulatory

candidates. With this team and the new APS, the Agency expects to be able to recruit highly qualified staff more rapidly.

FDA continues to analyze the anticipated impact the hiring and compensation authority will have on our vacancy rates and budgets in future fiscal years. The Agency recognizes the importance of taking cost into account as it designs and implements the APS and intends to use the Cures authority in the most cost effective way possible to support critical hiring.

6. Please provide the Committee with details on FDA's use of the newly expanded hiring authority for senior scientists and greater flexibility to pay competitive salaries (i.e., how common or frequent will this authority be utilized in fiscal years 2017 and 2018 and what will that corresponding use translate to in increased costs for both fiscal years?).

Response: The Cures Act provided FDA with important new hiring and salary authority that will improve the Agency's ability to recruit and retain highly qualified staff. In January 2017, shortly after the Cures Act was enacted, FDA established a governance structure, including a 21st Century Cures Hiring Working Group (Working Group) and Steering Committee, to ensure the new authority is implemented strategically, transparently, fairly and sustainably, recognizing that implementation is dependent in part on appropriated funds. In order to accomplish this goal, the Working Group is designing an alternative pay system (APS). It is forecasted that this new system will have no impact on the FY 2017 budget, and it may have some impact on the FY 2018 budgets of the medical product centers, some of which will be offset by user fees. Until the APS is fully implemented, the Agency will use Cures authority in a targeted and strategic manner to focus on mission critical positions that are difficult to fill, those that support 21st Century Cures priorities, and to retain critical staff.

In FY 2018, FDA will continue developing the new APS and the policies to support its implementation. The Agency recognizes the importance of taking cost into account as it designs the APS and intends to use the Cures authority in the most cost effective way possible to support critical hiring.

FDA is using its newly established Scientific Staffing Team to enhance identification of, and outreach to, highly qualified scientific and regulatory candidates. This cross-agency workgroup, in conjunction with a new pay system authorized under Cures, FDA expects to be able to recruit highly qualified staff at a much more rapid pace.
FDA continues to analyze the anticipated impact the use of Cures hiring and compensation authority in 21st Century Cures will have on our vacancy rates and budgets in future fiscal years. The Agency recognizes the importance of taking cost into account as it designs and implements the APS and intends to use the Cures authority in the most cost effective way possible to support critical hiring.

7. What is HHS doing to facilitate the transfer of 21st Century Cures Act funds from NIH to FDA in FY 2018? Additionally, what interagency agreements with NIH via the Economy Act are in place for fiscal year 2017 and what agreements are planned for the remainder of fiscal year 2017?

   Response: NIH and FDA are working to explore possible opportunities for funding the FDA OCE through an interagency agreement for FY 2018. For FY 2017, NIH and FDA did not finalize an interagency agreement for OCE activities.

8. What resources are being devoted to 21st Century Cures Act activities beyond those funds provided to the Agency via the FDA Innovation Account in fiscal years 2017 and 2018?

   Response: The Cures Act, signed into law on December 13, 2016, is designed to help accelerate medical product development and bring new innovations and advances to patients who need them faster and more efficiently. As the Cures Act builds on FDA's ongoing work to support the development and review of drugs, biological products, and devices, FDA Cures Act activities are complementary with current medical product safety activities and in many places build on current medical product safety resources. FDA's estimated total resources supporting medical product safety at the FY 2017 Enacted level is $2.7 billion, including budget authority and user fees.

9. Please explain the tie between FDA's Oncology Center of Excellence and the 21st Century Cures Act, its current role/function at FDA and future roles, and how this office is funded within the Office of Medical Products and Tobacco in fiscal years 2017 and 2018.

   Response: Section 3073 of the 21st Century Cures Act required FDA to establish one or more intercenter institute(s) to help develop and implement processes for coordination of activities in major disease areas between the drug, biologics, and device centers.

   FDA has established the OCE to create a unified policy approach and clinical review for all drugs, biologics, and devices used in medical oncology. It will leverage the combined talents and skills of all FDA regulatory scientists and reviewers who work in medical oncology product review. OCE will also serve as a single point of contact for external stakeholders for FDA's work in cancer, including professional societies and patient advocacy groups.

   FDA medical and professional staff will coordinate review of oncology product applications across the medical product centers, policy development, and collaboration with external stakeholders. This Center of Excellence will help expedite the development of oncology and

hematology medical products and support an integrated approach in the clinical evaluation of drugs, biologics, and devices for the treatment of cancer.

In fiscal year 2017, this Center is funded through a $3.6 million reallocation of existing funds. The FY 2018 President's Budget request included the same level of funding. In fiscal year 2018, the Center is also expected to be funded with an additional $2.8 million from the 21st Century Cures Act Innovation Account, if Innovation Account funding is appropriated. The FDA will prioritize activities in the OCE in response to anticipated funding levels for FY18. Regulatory science activities, guidance and policy development to aid industry in drug development, and outreach and networking activities may be limited without sufficient funding.

Opioid Abuse

My home of Alabama has a serious problem just like most other states across the country. In fact, a 2014 CDC report noted that Alabama had the highest number of opioid prescriptions per person – 142.9 per 100 people. During 2015, opioids were involved in over 33,000 deaths nationwide. This is a real problem and I have confidence that this Congress and the new Administration will continue to fight this vital challenge. So I support FDA's announcement in May that you have tasked the Opioid Policy Steering Committee with answering three major questions. One thing I would like for you to consider is for the Steering Committee to also take a look at FDA's work on the reduction of opioid abuse via abuse-deterrent technologies.

10. Do you think this is an appropriate use of the Committee? If not, why not?

Response: Yes, FDA believes this task is an appropriate use of the Opioids Policy Steering Committee. Under the newly established Opioid Policy Steering Committee, FDA's senior leaders and clinical experts are evaluating additional ways the Agency can confront the opioid crisis. The Committee has been asked to assess the Agency's policy framework for considering the risks of abuse and misuse when evaluating applications for approval of new opioid drugs and opioids with properties intended to deter abuse. Efforts are currently underway to assess the impact of opioid formulations with abuse-deterrent properties, including: (1) hosting a recent public meeting on this topic on July 10 and 11, 2017[2]; (2) finalizing guidance relevant to the evaluation of generic opioid products with abuse-deterrent properties; and (3) conducting a study of prescriber attitudes toward abuse-deterrent opioids to ensure product labels accurately convey their properties, and distinguish between the risk of abuse and the risk of addiction.

[2] *See* www.fda.gov/Drugs/NewsEvents/ucm540845.htm.

11. If you agree this is an area of focus for the Steering Committee, would you consider having them look at a fundamental challenge with abuse-deterrent formulations versus the prescribing of cheaper generic opioids? We have heard from some that the drug developers have worked with FDA to increase abuse deterrent formulations and spent millions of dollars, but there is no incentive to prescribe these more expensive drugs if generic versions are so much cheaper.

    Response: FDA shares your concerns regarding the opioid crisis. Fostering the development, and improvement of AD formulations of opioid drug products, including generic opioid drug products, is a top priority.

    To date, FDA's efforts to reduce the impact of opioid abuse have included working with sponsors as they develop AD technologies, publishing guidance on the evaluation and labeling of AD drug products, conducting and supporting research into pre-market tools for evaluating the abuse deterrence of drugs, and holding public meetings. FDA has approved 10 opioids with labeling describing AD properties, but has not yet approved any generic products with AD properties.

    FDA believes the availability of less costly generic versions of AD opioid drug products should accelerate prescribers' uptake of such formulations of opioids. To spur development of generic versions of AD opioids, FDA has issued draft guidance, which FDA is currently working to finalize, intended to assist sponsors planning to submit an application seeking approval for generic versions of an opioid drug product that references an opioid drug product with AD properties described in the labeling.

Critical Delivery of Lifesaving Medical Products

Express courier services ensure the timely delivery of many lifesaving medical products to the American people. Surgeries are often scheduled around express delivery times due to the time-sensitive nature of the medical devices, tissues, or various supplies contained in the shipments. I have heard from some of the courier services that FDA's staffing at key distribution points does not facilitate trade and some critical delivery packages are delayed as well.

12. Does the current or proposed budget allocate or request funds to ensure proper staffing for express facilities so that these critical medical shipments are not delayed due to lack of personnel or lack of personnel at critical times? If not, how can Congress help to ensure that FDA's review process does not delay the delivery of critical medical products imported into the U.S.?

Response: The proposed FY 2018 Budget does not include any additional funds or any proposed reduction in funds for express carriers. However, FDA's Office of Regulatory Affairs (ORA) recent realignment included the creation of five divisions to cover FDA's import program. This realignment is designed to provide direction, assistance, management, and oversight of all FDA field import operations. One aspect of this realignment centralized FDA's coverage of all courier ports under a single division. While the courier locations are geographically dispersed, the courier staffing model will provide for extended coverage while minimizing the need for extensive overtime to account for the courier business model, and will provide for more consistent coverage of products imported via express couriers.

Nutrition Facts Label – Date Harmonization

I know you are familiar with the issue of harmonizing the food labeling compliance dates as the Senate asked about this during your confirmation hearing. Now that you are on the job, I wanted to follow up on your thoughts in regards to harmonizing the deadlines food companies have to meet for complying with the Nutrition Facts label changes and USDA's forthcoming GMO labeling regulation and others. I believe this is a reasonable approach to avoid consumer confusion and lessen the cost on food manufacturers.

13. What is FDA's position on working with USDA Secretary Perdue to align these deadlines?

Response: On June 13, 2017, the FDA announced its intention to extend the compliance date for the Nutrition Facts label final rules. After careful consideration, the FDA determined that additional time would provide manufacturers covered by the rule with guidance from FDA, and would help them be able to complete and print updated nutrition facts panels for their products before they are expected to be in compliance. FDA also has heard requests from industry to align the compliance dates for the Nutrition Facts label and USDA's future bioengineered food disclosure rules, and is currently considering these requests. Additional compliance time also would provide an opportunity to try to align the compliance dates for the Nutrition Facts label rules with the compliance date for the U.S. Department of Agriculture's bioengineered food disclosure rules.[3] The FDA will provide details of the extension through a *Federal Register* notice at a later time.

[3] www.ams.usda.gov/rules-regulations/gmo.

Compounding Pharmacy

The recently enacted FY 2017 Consolidated Omnibus Appropriations bill is accompanied by report language related to pharmacy compounding, including language addressing Memorandums of Understanding, compounding for office use, FDA inspection of pharmacies and animal compounding. The language reinforces Congress' intent on how the Drug Quality and Security Act (DQSA) should be implemented. Specifically, the report language addresses these issues: Memorandums of Understanding - The report clarifies that distribution and dispensing are separate activities, and expresses concern that the current draft MOU exceeds statutory authority; Office Use - The report directs FDA to issue a new guidance document that allows a pathway for medications to be compounded for office use. As background, in December 2016 FDA finalized a guidance document that prohibits office use compounding for human use. This prohibition remains in effect; FDA Inspections - The report reminds FDA that 503A pharmacies are regulated by State Boards of Pharmacy and held to USP standards, not drug manufacturers held to current Good Manufacturing Practices (known as cGMP); and, Animal Compounding - The report expresses concern that FDA's draft guidance applies 503A and 503B to animal health, even though the statute is limited to human drug compounding, and directs that any final guidance be based on statutory authority.

14. Does FDA intend to implement its drug compounding policies as outlined in the appropriations language? If not, please explain.

    Response: FDA is implementing the Drug Quality and Security Act in accordance with the statutory language and the best interest of the public health.

    FDA solicited comments from the public on the draft MOU, and more than 3,000 comments were submitted to the docket. FDA may decide to withdraw or modify the MOU to take into account the comments it has received.

    Regarding "office use," compounding under section 503A of the Federal Food, Drug, and Cosmetic Act (FD&C Act) must be for an identified patient based on the receipt of a valid prescription order – either "on the receipt of a prescription for such individual patient" (section 503A(a)(1)), or under certain conditions, in limited quantities "before the receipt of a valid prescription order for such individual patient" (section 503A(a)(2)). Section 503A does not provide for the distribution of a compounded drug without the compounder first receiving a prescription for an identified individual patient. In contrast, section 503B of the FD&C Act specifically provides for outsourcing facilities to distribute compounded drugs to health care facilities for office use without receiving patient-specific prescriptions (section 503B(d)(4)(C)). Unlike compounders operating under section 503A, outsourcing facilities must comply with current good manufacturing practice (CGMP) requirements, must be inspected by FDA according to a risk-based schedule, and must meet certain conditions such as reporting adverse events and providing FDA with certain information about the products they compound, that provide greater assurance of the quality of their compounded drugs.

Regarding inspections, compounded drugs may only qualify for an exemption from CGMP requirements if they meet the conditions of section 503A. They remain subject to other requirements of the FD&C Act, including the prohibition on preparing drugs under insanitary conditions. FDA does not issue inspectional observations or take regulatory actions with respect to compounders that are not registered as outsourcing facilities based solely upon CGMP requirements unless their drugs are not compliant with section 503A.

Lastly, sections 503A and 503B of the FD&C Act do not provide exemptions from the FD&C Act for drugs compounded for animal use. The compounding of an animal drug from bulk drug substances results in a new animal drug that must comply with the FD&C Act's approval or indexing requirements. Further, all animal drugs are required to, among other things, be made in accordance with CGMP requirements and have adequate directions for use. FDA has not applied sections 503A or 503B to animal drug compounding.

Tobacco Deeming Rule

FDA finalized the Tobacco Deeming final rule in August of 2016. Since that time, over 700,000 products have registered with the FDA under this rule. The majority of these products have come onto the market since the passage of the Tobacco Control Act in 2009. These products are a result of market forces, innovation, and advances in technology finding new ways to help smokers transition away from tobacco and quit smoking through electronic cigarettes and vaping products.

The Tobacco Control Act [quote] "grandfathered" in traditional combustible cigarettes, but the FDA under the previous Administration brought these new products into an expensive and burdensome regulation process known as the Premarket Tobacco Application (PMTA) process. Already due to FDA's regulation, businesses are shutting down because one application costs, according to your own estimates, three-hundred thousand to five-hundred thousand dollars. These small businesses simply can't afford this regulation.

In terms of public health, the respected British Royal College of Physicians noted that e-cigarettes are 95 percent safer than traditional cigarettes. It seems like FDA's regulation is moving the clock back in time and stifling innovation.

This Subcommittee has now carried legislation for two years intended to modernize the Tobacco Control Act and is exploring ways to further find a balance between helping those who want it and protecting our kids from the dangers of tobacco.

15. What is FDA's position of the deeming regulation in its current form, including the upcoming deadlines and the decisions that businesses have to make for future planning?

Response: On July 28, 2017, FDA announced a comprehensive approach to the regulation of nicotine which includes the Agency's plan to begin a public dialogue about lowering nicotine levels in combustible cigarettes to non-addictive levels through achievable product standards. The Agency intends to issue an Advance Notice of Proposed Rulemaking (ANPRM) to seek input on the potential public health benefits and any possible adverse effects of lowering nicotine in cigarettes. The comprehensive approach also includes, among other things, a reconsideration of aspects of the implementation of the final deeming rule with an eye towards fostering innovation where innovation could truly make a public health difference, and making sure we have the foundational regulations we need in place to make the entire program more transparent, predictable, and sustainable for the long run.

On August 4, 2017, FDA issued a guidance extending the deadlines for the submission of marketing applications for those products that became newly-regulated by last year's deeming rule and were on the market as of August 8, 2016. With the extended deadlines, applications for newly-regulated *combusted* products – such as most cigars, pipe tobacco, and hookah tobacco – would be submitted by August 8, 2021. Applications for newly-regulated *non-combusted* products – such as most e-cigarettes – would be submitted by August 8, 2022. For newly regulated products on the market as of August 8, 2016, FDA anticipates that manufacturers will be able to continue marketing products while FDA reviews product applications submitted by the revised submission dates.

During this extended period, FDA intends to issue rules and guidances – covering topics such as the type of information FDA expects to be included in marketing applications – that will help make the product review process more efficient, predicable, and transparent, while still upholding the FDA's public health mission. This additional time, and rules and guidances, will help manufacturers develop higher quality and more complete applications.

This additional time will not only help manufacturers develop higher quality and more complete applications, but it allows the FDA additional time to explore measures to make tobacco products less toxic, appealing, and addictive. For example, during this time, the FDA intends to develop product standards to protect against known public health risks, such as e-cigarette battery issues and concerns about children's exposure to liquid nicotine.

In summary, the comprehensive plan for tobacco and nicotine regulation allows the FDA to apply our regulatory tools to help reduce tobacco-caused disease and death. The steps FDA has outlined above can help shift the trajectory that, left unchanged, will keep tobacco use as the leading cause of preventable disease and death in the United States. There are lasting and positive public health impacts from these actions that can protect generations to come.

16. What is FDA's position on product standards for all newly deemed tobacco products? Can product standards serve as a safe public health substitute instead of the current review process? If not, please explain how product standards would not achieve the same public health goal of protecting users of these products, especially the population under 18 years of age who cannot legally purchase these products.

Response: On July 28, 2017, FDA announced a plan for comprehensive regulation of nicotine and tobacco. A key piece of the new approach is demonstrating a greater awareness that nicotine in cigarettes – while highly addictive – is not directly responsible for all of the diseases, from cancer to heart disease and lung disease, attributed to smoking. Nicotine is delivered through a variety of products across a spectrum we sometimes call the "continuum of risk." That spectrum spans everything from cigarettes to FDA-approved smoking cessation aids like the nicotine gum, patch, and lozenge. When nicotine is delivered through smoke particles from combustible cigarettes the delivery mechanism is in its most harmful form.

With that in mind, FDA announced that the Agency is pursuing a regulatory approach that would lower the nicotine in combustible cigarettes to minimally or non-addictive levels. As part of that process, the Agency plans to begin a public dialogue on this topic and to issue an Advance Notice of Proposed Rulemaking (ANPRM) to seek input on the potential public health benefits and any possible adverse effects of lowering nicotine in cigarettes.

Nicotine plays a critical role in creating and sustaining addiction to cigarettes. But nicotine also can be part of the solution.

The FDA envisions a world where cigarettes would no longer contain nicotine at addictive levels. But at the same time, adults who still want nicotine could get it from alternative – and importantly, less harmful – sources. To that end, the FDA is committed to encouraging innovations that have the potential to make a notable public health difference and inform future policies.

Therefore, on August 4, 2017, FDA issued a guidance providing additional time for companies to submit premarket applications for newly regulated products that were on the market as of August 8, 2016, that will help make the product review process more efficient, predicable and transparent, while still upholding the Agency's public health mission. For newly regulated products on the market as of August 8, 2016, FDA anticipates that manufacturers will continue marketing products while FDA reviews product applications submitted by the revised dates.

During this extended period, FDA intends to issue rules and guidances – covering topics such as the type of information FDA expects to be included in marketing applications – to make the product review process more efficient, predictable, and transparent for manufacturers, while still upholding the FDA's public health mission. This additional time, and rules and guidances, will help manufacturers develop higher quality and more complete applications.

This additional time will not only help manufacturers develop higher quality and more complete applications, but it allows the FDA additional time to explore measures to make tobacco products less toxic, appealing, and addictive. For example, during this time, the FDA intends to develop product standards to protect against known public health risks, such as e-cigarette battery issues and concerns about children's exposure to liquid nicotine.

In summary, the comprehensive plan for tobacco and nicotine regulation allows the FDA to apply our regulatory tools to help reduce tobacco-caused disease and death. The steps FDA has outlined above can help shift the trajectory that, left unchanged, will keep tobacco use as the leading cause of preventable disease and death in the United States. There are lasting and positive public health impacts from these actions that can protect generations to come.

17. Your budget notes that one of your strategic priorities for next year will be to establish product standards under Section 907 of the Act. Does this authority give you the ability to regulate the marketing, labeling, sale, and manufacturing of flavors in e-cigarettes and vapor products or do you need additional authority?

    Response: The Food, Drug, and Cosmetic Act, as amended by the Family Smoking Prevention and Tobacco Control Act, gives the Agency authority to regulate the marketing, labeling, sale, and manufacturing of flavors in e-cigarettes and other electronic nicotine delivery systems (ENDS).

18. External stakeholders have been critical of the time FDA takes to review substantial equivalent reports (SE) and Premarket Tobacco Product Application (PMTA). Please provide the Committee with the number received, the jurisdiction reviews completed, the acceptance reviews completed, the number for which review has started, and the number resolved for: regular SE reports, streamlined regular SE reports, provisional SE reports, and PMTAs in fiscal years 2014, 2015, 2016, and 2017 to date.

    Response: Here are a few notes regarding the data provided in this response:

    1. Based on an August 2016 court decision, a modification to an existing tobacco product's label, standing alone, does not result in a new tobacco product subject to the

premarket review provisions of the FD&C Act. Therefore, Streamlined SE Reports now only include Product Quantity Change SE Reports.

2. SE Reports and PMTAs in FY 2016 and FY 2017 include both statutorily regulated and newly deemed products.
3. SE Reports are considered resolved when any one of the following occurs: the application is withdrawn, cancelled, or administratively closed, the agency refuses-to-accept the application, an SE order is issued, or a not substantially equivalent (NSE) order is issued. PMTA are considered resolved when any one of the following occurs: the application is withdrawn, cancelled, or administratively closed, the agency refuses-to-accept or file the application, a marketing order is issued, or a no marketing order (denial) is issued.
4. Provisional SE Reports were submitted by March 22, 2011. Therefore, data is not included for these SE Reports in the fiscal year tables below, but is included in the table with cumulative data.
5. Jurisdiction reviews are only completed for provisional SE Reports. Therefore, data is not included for these SE Reports in the fiscal year tables below, but is included in the table with cumulative data.
6. Number resolved is provided in FY 2017 data, but this data cannot be truly evaluated until the fiscal year is complete.

FY 2014

	SE Reports		PMTAs
	Full Regular	Streamlined Regular	
Number Received	92	0	0
Acceptance Reviews Completed (% of total received)	92 (100%)	N/A	N/A
Number resolved **(% of total received)**	**89** **(97%)**	**N/A**	**N/A**

FY 2015

	SE Reports		PMTAs
	Full Regular	Streamlined Regular	
Number Received	122	90	8
Acceptance Reviews Completed (% of total received)	122 (100%)	90 (100%)	8 (100%)
Number resolved **(% of total received)**	**116** **(95%)**	**36** **(40%)**	**8** **(100%)**

FY 2016

	SE Reports		
	Full Regular	**Streamlined Regular**	**PMTAs**
Number Received	374	21	363
Acceptance Reviews Completed (% of total received)	374 (100%)	15 (71%)	363 (100%)
Number resolved **(% of total received)**	**323** **(86%)**	**13** **(62%)**	**363** **(100%)**

FY 2017 through June 1, 2017

	SE Reports		
	Full Regular	**Streamlined Regular**	**PMTAs**
Number Received	55	17	11
Acceptance Reviews Completed (% of total received)	55 (100%)	17 (100%)	5 (46%)
Number resolved **(% of total received)**	**2** **(4%)**	**0** **(0%)**	**8** **(73%)**

Cumulative through June 1, 2017

	SE Reports			
	Full Regular	**Streamlined Regular**	**Provisional**	**PMTAs**
Number Received	1,575	128	3,593	386
Jurisdiction Reviews Completed (% of total received)	N/A	N/A	3,582 (99%)	N/A
Acceptance Reviews Completed (% of total received)	1,564 (99%)	122 (95%)	3,484 (97%)	380 (98%)
Number resolved **(% of total received)**	**1346** **(85%)**	**49** **(38%)**	**975** **(27%)**	**383** **(97%)**

FDA Budgetary Reductions

FDA's budget proposes a number of reductions in budget authority in the core mission areas of FDA totaling approximately $800 million. Of specific concern is those food safety and medical product safety by not backfilling positions as a result of attrition.

For the Foods safety area this will be a reduction of $115 million in budget authority. One of the main areas you mention will be reduced is food import inspections which will decrease to 1.3 percent of all foods entering the United States under FDA's jurisdiction from 2 percent. You will also reduce areas such as cosmetics inspections and research for outbreak response and technology.

The other area that will be reduced is the area of medical product safety along with human and animal drugs, biologics, medical devices, and radiological products, totaling a reduction of almost $700 million in these areas of budget authority. For the medical product safety area, some areas of concern include a reduction in inspections of medical device establishments and a significant reduction in import tests.

The total reduction in budget authority based upon efficiencies without a [quote] recalibration of user fees will total $127 million.

19. Given the significant overall reduction in budget authority to FDA's core areas and the progress already made by Congress on legislation to reauthorize the user fees, is FDA at all concerned that the Agency's ability to perform its mission could be significantly reduced if this budget were enacted without the increase in user fees?

    Response: The President's Budget Request was for a reduction of budget authority for medical product review offset by an equal increase in user fees. The FY 2018 House and Senate Agriculture Appropriation bills maintain budget authority for FDA at FY 2017 levels. The FDA Reauthorization Act of 2017 (FDARA) was passed by Congress on August 3, 2017 and signed into law by the President on August 18, 2017. FDARA did not authorize fees at 100 percent as the President requested. Therefore, if either the House or Senate FY 2018 Agriculture appropriations bills become law, as presently drafted, they would maintain Agency budget authority at levels enacted for FY 2017, supplemented by appropriated user fees.

20. Is FDA working with Congress to advance the newly proposed user fees and higher rates for the user fees in need of reauthorization?

    Response: On August 3, Congress passed H.R. 2430, the FDA Reauthorization Act of 2017 (FDARA), which amends and reauthorizes FDA's user-fee programs for prescription drugs, medical devices, generic drugs, and biosimilar products, among other measures. On August 18, the President signed FDARA into law. Reauthorization of these programs was imperative for the agency to continue fulfilling its mission of protecting and promoting public health. FDARA will provide FDA with necessary resources to increase regulatory efficiency and speed the availability of innovative, safe, and effective medical products.

21. How does FDA propose to create $127 million worth of efficiencies? I think it is clear that some of the examples I have mentioned regarding performance measures will be severely reduced.

Response: The FY 2018 President's Budget request includes $127 million in reductions, while preserving core mission activities. These reductions will be targeted to certain areas where better tools and policies will allow us to do more with less, and coupled with overall effort, to improve our effectiveness and take a risk-based approach to our consumer protection mission. To reduce expenditures, FDA will reduce staff across the Agency through attrition as well as reduce operating expenses. FDA will also make targeted reductions to lower public health impact areas. For food safety, these activities include international capacity building, cosmetics safety work, research, and funding for state and local health organizations. For medical product safety, these activities include scientific research activities, including contracts that promote drug safety, investments in innovation and research, and training and development opportunities for personnel. FDA will also reduce certain activities supporting blood components, tissues, and allergenic products and support at lower funding levels medical device post-market surveillance; and medical product field exams, risk assessments, and sample analysis to detect emerging threats or outbreaks.

The FY 2018 President's Budget Request also included proposals to achieve greater regulatory efficiency and speed availability of treatments and cures, separate from the proposed reductions. Outcomes will include:

- Streamlining clinical trials to reduce time and costs;
- Increasing patient input and promoting patient-centered outcomes;
- Increasing engagement with manufacturers;
- Reducing review times;
- Reducing regulatory burden; and
- Promoting greater preparedness for emerging public health threats.

Menu Labeling

For the past several years, I have heard from businesses of all sorts in my district and from stakeholders nationwide about the regulatory burden FDA's proposed menu labeling rule would place on them. This Subcommittee has raised the issue of menu labeling regulations countless times in the past few years, and, in fiscal year 2016, our bill included a delay in finalizing the menu labeling rule in hopes that FDA would address some of these concerns. On May 1, 2017, FDA released an interim final rule extending the compliance date of the FDA Menu Labeling rule to May 7, 2018 and establishing a 60-day comment period.

22. What steps has FDA taken to work with industry in addressing the concerns many food establishments have about menu labeling regulations?

Response: FDA has met and will continue to meet with industry groups to discuss their concerns with the menu labeling requirements. As an example, in 2016 FDA conducted three workshops at different locations across the country to discuss the requirements with interested stakeholders and scheduled consultations with individual firms to address their specific questions. FDA has provided webinars and presentations, as well as responded to industry questions submitted to the Agency's menu labeling email inbox.

On May 4, 2017, FDA published an interim final rule to extend the compliance date for menu labeling requirements to May 7, 2018, and to invite comments from industry and stakeholders on the implementation of the menu labeling requirements. The comment period ended on August 2, 2017.

In the interim final rule, FDA requested comments on the implementation of the menu labeling requirements, such as approaches to reduce regulatory burden or increase flexibility related to calorie disclosure signage for self-service foods, including buffets and grab-and-go foods; methods for providing calorie disclosure information other than on the menu itself; and criteria for distinguishing between menus and other information presented to the consumer.

The comments FDA received will help inform the Agency on how we might further reduce the regulatory burden or increase flexibility while continuing to achieve our regulatory objectives to provide consumers with nutrition information so that they can make informed choices for themselves and their families.

In addition, FDA announced on August 25, 2017 that the Agency will be providing practical guidance on the menu labeling requirements by the end of this year. This additional guidance will address concerns raised about challenges establishments faced in understanding how to meet their obligations under the new regulations and help the covered establishments implement the requirements by next year's compliance date.

23. What are FDA's top priorities in implementing the menu labeling regulations?

Response: Calorie labeling in chain restaurants and similar retail food establishments provides consumers with consistent, direct, and easy-to-understand nutrition information. An important priority in implementing the menu labeling regulations is to provide consumers with nutrition information that will assist them in making informed choices for themselves and their families.

Working with covered establishments to implement the menu labeling requirements nationwide in a consistent manner is another important priority for the Agency. FDA has

engaged in extensive dialogue with chain restaurants, covered grocery and convenience stores, pizza establishments, and other covered businesses, and has answered numerous questions submitted to the Agency's menu labeling email inbox on how the final menu labeling rule can be implemented in specific situations.

FDA is now focused on how the Agency might further reduce the regulatory burden or increase flexibility of the menu labeling requirements, while continuing to achieve FDA's regulatory objectives in implementing the menu labeling regulations. On May 4, 2017, FDA published an interim final rule to extend the compliance date for menu labeling requirements to May 7, 2018, and invited comments from industry and stakeholders on the menu labeling requirements. The comment period closed on August 2, 2017.

These comments will help inform FDA on how the Agency might further reduce the regulatory burden or increase flexibility while continuing to achieve our regulatory objectives to provide consumers with nutrition information so that they can make informed choices for themselves and their families.

In addition, FDA announced on August 25, 2017 that the Agency will be providing practical guidance on the menu labeling requirements by the end of this year. This additional guidance will address concerns raised about challenges establishments faced in understanding how to meet their obligations under the new regulations and help the covered establishments implement the requirements by next year's compliance date.

24. Will FDA exercise enforcement discretion of menu labeling regulations within the first year of its effectiveness?

Response: FDA's goal is to continue to work flexibly and cooperatively with establishments to reach compliance, and to emphasize educational and technical assistance for covered establishments and for state, local, territorial, and tribal regulatory partners. FDA has met and will continue to meet with industry groups to discuss stakeholder concerns with the menu labeling requirements. As an example, in 2016 FDA conducted three workshops at different locations across the country to discuss the requirements with interested stakeholders and scheduled consultations with individual firms to address their specific questions. FDA has provided webinars and presentations and has responded to industry questions submitted to the Agency's menu labeling email inbox.

On May 4, 2017, FDA published an interim final rule to extend the compliance date for menu labeling requirements to May 7, 2018 and to invite comments from industry and stakeholders on the implementation of the menu labeling requirements. The comment period closed on August 2, 2017. FDA will carefully review and consider all of the comments submitted, and

consider opportunities to further reduce the regulatory burden and cost and improve flexibility of these requirements while continuing to achieve our regulatory objectives to provide consumers with nutrition information so that they can make informed choices for themselves and their families.

25. Would FDA consider formally re-opening and modifying the rule should the comments warrant it?

Response: On May 4, 2017, FDA published an interim final rule to extend the compliance date for menu labeling requirements to May 7, 2018, and to invite comments from industry and stakeholders on the implementation of the menu labeling requirements. The comment period ended on August 2, 2017.

FDA will carefully review and consider all of the comments submitted, and consider opportunities to further reduce the regulatory burden and cost and improve flexibility of these requirements while continuing to achieve our regulatory objectives to provide consumers with nutrition information so that they can make informed choices for themselves and their families.

In addition, FDA announced on August 25, 2017 that the Agency will be providing practical guidance on the menu labeling requirements by the end of this year. This additional guidance will address concerns raised about challenges establishments faced in understanding how to meet their obligations under the new regulations and help the covered establishments implement the requirements by next year's compliance date.

Food Safety Modernization Act – Implementation Update

26. Please provide the Committee with the actions the FDA plans to take to measure specific food safety outcomes. Specifically, how will FDA monitor compliance and what outcome based metrics does the Agency plan to track and measure?

Response: FDA is currently developing and implementing performance measures for monitoring implementation of the FDA Food Safety Modernization Act (FSMA). These performance measures are at various stages of development, review, prioritization, approval, and implementation. Since the FSMA rules have staggered compliance dates, not all performance measures will be implemented at the same time.

The first major FSMA compliance dates were for large businesses under the Preventive Controls for Human Food (PCHF) rule and certain provisions of the Preventive Controls for Animal Food (PCAF) rule. As a result, the performance measures for those rules will be the

first to be implemented, including a set of measures to be published via FDA's Agency-wide performance management system, FDA-TRACK, beginning in fiscal year 2018.

Regarding performance measures for food safety outcomes, FDA will track the number of reported outbreaks and estimated illnesses in the U.S. population attributed to food produced at facilities subject to the PCHF rule. This number of estimated illnesses will be calculated from outbreak data using a method similar to that used in the rule's Regulatory Impact Analysis.

The development of additional public health outcome measures related to FSMA activities will be subject to the availability of sufficient data. For example, while there are robust surveillance systems for human disease, there is no similar surveillance system to track either pet or production animal diseases. As a result, for animal food, the FDA will track recalls attributed to food produced at facilities subject to the PCAF rule, instead of outbreaks or illnesses in animals. Likewise, for certain commodities or types of firms, relevant public health data either may not exist or may not be sufficient to track meaningful changes over time.

Regarding performance measures for compliance, the FDA will report percentages of final inspection results for PCHF and PCAF firms. The FDA will continue to monitor compliance with FSMA using facility inspections and sampling, and the FDA will work with its regulatory partners to carry out inspection and compliance in the risk-based, prevention-oriented manner envisioned by FSMA. Also, per FSMA, the FDA established a foreign supplier verification program (FSVP) to ensure that importers perform risk-based foreign supplier verification activities to verify that imported food is produced using processes and procedures that provide the same level of public health protection as the preventive controls rules and the produce safety rule, and is not adulterated or misbranded with respect to allergen labeling. FDA will similarly track percentages of final inspection results for importers subject to FSVP.

27. When does FDA expect to show a correlation between its work and reduced deaths, illnesses, and hospitalizations?

Response: The preventive controls framework envisioned in the FDA Food Safety Modernization Act (FSMA) is in place, and FDA estimates that a significant number of foodborne illnesses and outbreaks will be prevented once compliance with the rules is fully implemented, though no system could completely eliminate foodborne illness.

There are several challenges with predicting when reductions in foodborne illness may be observed. The number of foodborne illnesses and outbreaks is subject to many factors beyond the scope of implementation of the FSMA rules. In particular, advances in disease

surveillance and laboratory methods—such as whole genome sequencing—could significantly increase the number of illnesses detected and linked to outbreaks in the near future, even if other factors are held constant.

The FDA tracks the number of reported outbreaks and estimated illnesses in the U.S. population attributed to food produced at facilities subject to the Preventive Controls for Human Food (PCHF) rule. The FDA calculates this number of estimated illnesses from outbreak data using a method similar to that used in the rule's Regulatory Impact Analysis. Outbreak data reflects significant year-to-year variability, due to randomness and uncertainties throughout outbreak investigation and reporting. To assess changes over time, multiple years of data may need to be combined. These estimated illnesses may also be sensitive to changes in care-seeking behavior, diagnostic and detection methods, disease reporting, patterns of food consumption, and other unknown factors and therefore cannot be accounted for in our calculations.

The seven foundational FSMA rules have staggered compliance dates, extending as far as January 2022 for some farms subject to the Produce Safety rule. As a result, the benefits from the rules are expected to be phased in as well. With implementation of the Produce Safety rule alone, FDA estimates that about 515,000 illnesses per year are expected to be prevented by the provisions of this rule, but these full benefits will not be reached until seven years after publication of the rule, according to the Regulatory Impact Analysis. Because there are many factors involved, we anticipate that it may take years to detect measurable progress after the implementation of the FSMA regulations. For example, the U.S. Department of Agriculture (USDA) Food Safety and Inspection Service (FSIS) implemented a Hazard Analysis and Critical Control Point (HACCP) program for meat and poultry, with staggered implementation between 1996 and 2000. A 2009 study by Chui et. al. in BMC Public Health found evidence for decreased *Salmonella*-related hospitalizations by looking at 14 years of data—1991 to 2004—spanning the period before and after the rule went into effect.

28. Has the FDA started to measure and track outcomes from FSMA implementation? If so, what does any early data indicate?

Response: The initial compliance dates for six of the seven foundational FDA Food Safety Modernization Act (FSMA) rules have only recently occurred, and we would not expect measurable outcomes related to illness reduction this quickly. The Agency is in the process of developing and tracking outcomes for FSMA, related both to illness reduction and implementation progress. The FDA will begin to publish performance measures specifically for FSMA-related outcomes in fiscal year 2018.

Currently, FDA reports several outcome measures that inform FSMA implementation, but were initially developed for a separate purpose. The outcome measures are publicly available in the Congressional Justifications and on the FDA's Agency-wide performance management system, FDA-TRACK. These outcome measures can be provided for the record:

Outcome Measures That Inform FSMA Implementation

Outcome Measure	Measure Source and Link
214410: Reducing foodborne illness in the population. By December 31, 2017, working with federal, state, local, tribal, and industry partners, improve preventive controls in food production facilities and reduce the incidence rate (reported cases per 100,000 population per year) of Listeria monocytogenes (Lm) infections by 8%.	Congressional Justification[4] (pg. 45)
212404: Reduce the incidence of infection caused by key pathogens commonly transmitted by food: Campylobacter species.	Congressional Justification[5] (pg. 45)
212405: Reduce the incidence of infection caused by key pathogens commonly transmitted by food: Shiga toxin-producing Escherichia coli O157:H7.	Congressional Justification[6] (pg. 45)
212407: Reduce the incidence of infection caused by key pathogens commonly transmitted by food: Salmonella species.	Congressional Justification[7] (pg. 45)
Percentage of the domestic food industry subject to the preventive controls regulation participating in training conducted by FDA or funded by FDA or training using FDA-recognized curricula.	FDA-TRACK[8]

The current data for the outcome measures in Congressional Justification are from 2015, so at this time, they do not reflect implementation of FSMA. The FDA-TRACK measure on industry training for the Preventive Controls for Human Food (PCHF) rule has shown an increase from four percent in FY 2016-Q2 to 43 percent in FY 2017-Q2.

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[4] www.fda.gov/downloads/AboutFDA/ReportsManualsForms/Reports/BudgetReports/UCM559923.pdf

[5] *Id.*

[6] *Id.*

[7] *Id.*

[8] www.accessdata.fda.gov/scripts/fdatrack/view/track.cfm?program=cfsan&id=CFSAN-OFS-Percentage-of-the-food-industry-subject-to-preventive-controls-participating-in-training.

While FDA has been developing and implementing its own performance measures, it has also been working with its partners to encourage and facilitate performance measurement. FDA recently convened a call with its educational partners as part of the FSMA Collaborative Forum and provided examples of performance measures. Also, the FDA Office of Partnerships has developed proposed performance measures, targets, and timelines related to the first year of states' implementation of the Produce Cooperative Agreement (CAP). These proposed performance measures were developed to help the 42 states participating in CAP meet their requirement to develop a performance measurement system to measure progress toward the goals of the CAP for implementing the Produce Safety rule. FDA plans to aggregate certain performance data for national-level analysis. States participating in the CAP are expected to develop a performance monitoring program and provide available data this summer. Routine reporting by states will start in fiscal year 2018.

29. Will a larger allocation of the resources provided in the fiscal year 2017 be used for risk analysis and evaluation?

Response: The FY 2017 Omnibus included $1.4 billion in Budget Authority (BA) to support FDA's food safety efforts. FDA is grateful for the additional $36 million in funding directed to FSMA implementation. The FY 2017 Omnibus directs these new resources toward two FSMA categories, import safety and the Integrated Food Safety System (IFFS). The FY 2017 Omnibus provides an additional $16.9 million to support import safety activities. FDA plans to use these new funds to support implementation of the Foreign Supplier Verification Program (FSVP) regulation, which reached its initial compliance date in May 2017. The Omnibus also provided $18.7 million to support IFFS activities. FDA plans to dedicate the majority of these resources to increasing State funding for the Produce Safety Cooperative Agreements. FDA will provide detailed quarterly reports to Congress on this funding.

FDA will continue its risk analysis and evaluation efforts from previous fiscal years. These activities remain a high priority for FDA, especially in the context of FSMA implementation.

30. How can this Committee help to make sure FDA monitors compliance and uses other performance metrics to track effectiveness?

Response: FDA will continue to develop, implement, and refine performance metrics that will inform decision making, support risk management, and provide indicators of progress towards food safety outcomes. FDA will continue to report performance metrics that will track FSMA-specific performance through its budget justification requests and FDA's Agency-wide performance management system, FDA-TRACK. While FDA is developing and implementing its own performance measures, it will be important for the Agency to

continue to work with and provide support to its regulatory and educational partners on performance measurement, especially since those partners may have access to information that the FDA does not. As programs are implemented, there may be a need to identify new measures or to modify current measures to properly gauge effectiveness. FDA welcomes the input of the Committee and all stakeholders on its efforts to monitor compliance and track effectiveness.

Posting of FDA Form 483

When inspected by the FDA, compounding pharmacies potentially receive an FDA Form 483. This form is issued at the conclusion of an inspection when an investigator(s) has observed any conditions that in their judgement may constitute violations of the Food Drug and Cosmetic Act and related Acts.

The drug compounding inspections that have been conducted to date by the FDA are focused on community based compounding pharmacies. When a Form 483 is presented to a compounding pharmacy, it is also posted by the FDA to the FDA website

Conversely, Form 483's given to FDA registered manufacturers are seemingly unavailable on the FDA website, all that can be found are inspection citations and inspectional observation summaries. The manufacturer inspection citations are compiled for all FDA-registered entities and only published per fiscal year on an excel spreadsheet, listing a brief description of the general nature of the violation. This format makes it challenging to find information on FDA-registered manufacturers that have been cited. The inspectional observation summaries summarize the number of 483s in various fields and a specific field can be expanded to see the frequency of the violation. The manufacturers found on these spreadsheets are well known. The information posted to the FDA website pertaining to inspections of compounding pharmacies is much more detailed and in depth than those posted for FDA registered manufacturers. In fact, many of the same observations found in compounding pharmacies are the exact same ones found in FDA registered manufacturing facilities. However, FDA presents the findings of inspections of compounding pharmacies in a much more intense manner than those of registered manufacturers. This is evidenced by discussions at Pharmacy Compounding Advisory Committee (PCAC) meetings and reports to Congress, for example.

FDA publicizes the Form 483 and photographs from inspections of compounding pharmacies. However, there is evidence of several of the same observations from cGMP manufacturers, with no corresponding publicity from FDA.

31. As a regulator, why does FDA make inspection data from the Form 483 publically available for a 503A compounding pharmacy, but not for a drug manufacturer?

Response: FDA has conducted numerous inspections of compounders, including compounders seeking to operate under section 503A of the Federal Food, Drug, and Cosmetic Act (FD&C Act) and outsourcing facilities compounding under section 503B. Many of these inspections resulted in the issuance of FDA Forms 483 ("483"). A 483 is issued to company management at the end of an inspection when investigator(s) have observed conditions that may constitute violations of the FD&C Act. Companies are encouraged to respond to the 483. Taking any response into consideration, FDA may pursue regulatory action or close the investigation without further action.

FDA makes inspectional documents, including 483s, publicly available either proactively at its discretion or due to frequent public requests.

Following the 2012 fungal meningitis outbreak and other serious adverse events related to compounded drugs, FDA has generally decided to post 483s issued to compounders proactively. Compounded drugs present unique risks as compared to conventionally manufactured, FDA-approved drugs. Compounded drugs are not reviewed by FDA for safety and effectiveness, and in most cases are not held to the same production quality standards. FDA continues to observe concerning conditions at these facilities, including unsanitary conditions that could cause drugs to become harmful to health. In the most extreme cases, FDA has seen dead insects where employees prepare for sterile processing; and dog beds, dog feces, and dog hairs in close proximity to the compounding room.

For these reasons, FDA believes that proactive transparency about FDA's observations at compounding facilities is particularly important to protect the public health. Posting these documents provides information to purchasers to consider, and may allow other compounders to learn from the observations and correct problems at their facilities. In addition, states and other stakeholders frequently request information about inspections at compounding facilities, including 483s.

32. Does FDA intend to continue their current process, or will they report inspection data from 503A and cGMP facilities in an equitable manner?

Response: FDA has conducted numerous inspections of compounders, including compounders seeking to operate under section 503A of the Federal Food, Drug, and Cosmetic Act (FD&C Act) and outsourcing facilities compounding under section 503B. Many of these inspections resulted in FDA Forms 483 ("483"). A 483 is issued to company management at the end of an inspection when investigator(s) have observed conditions that

may constitute violations of the FD&C Act. Companies are encouraged to respond to the 483. Taking any response into consideration, FDA may pursue regulatory action or close the investigation without further action.

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For these reasons, FDA believes that proactive transparency about FDA's observations at compounding facilities is particularly important to protect the public health. Posting these document provides information to purchasers to consider, and may allow other compounders to learn from the observations and correct problems at their facilities. In addition, states and other stakeholders frequently request information about inspections at compounding facilities, including 483s.

Pharmacy Inspections

Despite clear congressional intent to the contrary, the FDA continues to inspect 503A pharmacies under current Good Manufacturing Standards (cGMP). The very text of the statute states that a 503A pharmacy in compliance with 503A and state law is exempt from cGMPs. Often, FDA will cite a pharmacy for not getting patient specific prescriptions for compounded medications as the reason for not exempting a pharmacy from cGMP requirements, even when done pursuant to state pharmacy laws authorizing "office-use" compounding. Additionally, and in direct conflict with the language in the statute, the FDA is first and foremost inspecting 503A pharmacies by cGMPs to determine violations of insanitary conditions. Once the FDA has determined a violation of cGMPs has occurred, the FDA renders the 503A pharmacy in violation of 503A and thus subject to cGMPs on all accounts. As such, the FDA is utilizing cGMPs to deem a 503A pharmacy as having insanitary conditions and using that determination to determine that the 503A pharmacy is in violation of 503A and thus subject to cGMPs. In addition, the FDA has recently claimed that the records exemption found within 21 U.S. Code §

374 (a)(2)(A) is only applicable to "retail pharmacies" and not "compounding pharmacies." There is nothing within 21 U.S. Code § 374 (a)(2)(A) that makes this distinction. The records exemption found within 21 U.S. Code § 374 (a)(2)(A) is applicable to all pharmacies, whether compounding or not. To the contrary, during inspections, FDA is insisting that 503A pharmacies provide all the records that Congress intended to preserve under the exemption found at 21 U.S. Code § 374 (a)(2)(A).

33. When FDA performs a routine 482 inspection, will the Agency be knowledgeable of state laws and regulations establishing pharmacy inspections standards so as not to interfere with the practice of pharmacy?

    Response: FDA's inspections for compliance with Federal law are separate and distinct from state laws concerning the "practice of pharmacy." FDA inspects compounders for compliance with applicable statutory requirements under the Federal Food, Drug, and Cosmetic Act (FD&C Act).

    Section 503A of the FD&C Act exempts drugs compounded in accordance with the conditions of that section from three statutory provisions, including current good manufacturing practice (CGMP) requirements. When a pharmacy compounds all of its drugs in accordance with section 503A, FDA does not include non-compliance with CGMP requirements in inspectional observations or regulatory actions. However, during many of FDA's inspections the Agency has identified non-compliance with section 503A. In such cases, pharmacies are subject to, and may be cited for violations of, CGMP requirements. Although compounded drugs that meet the conditions of section 503A are exempt from CGMP requirements, they remain subject to other provisions of the FD&C Act related to the production of drugs, including the prohibition on producing drugs under insanitary conditions (section 501(a)(2)(A)).

    A pharmacy may be licensed in many states, each with different requirements, and FDA must determine whether the compounding pharmacy has violated applicable Federal laws, such as the law pertaining to insanitary conditions. If the pharmacy is not meeting the conditions of section 503A, FDA must determine whether it is in compliance with CGMP requirements. Although FDA works closely with its state regulatory partners on compounding, especially given the unique standards of each of the 50 states, FDA has an obligation to take action to protect the American public from drugs produced by compounding facilities in violation of Federal law. Ultimately, consistent with the intent of Title I of the Drug Quality and Security Act, an entity is regulated based on their activities consistent with 503A and 503B.

34. Will FDA be hiring inspectors that know USP, not just cGMP? As such, will any observational deficiencies be noted in compliance (or lack thereof) to USP and not cGMPs?

Response: While many states require that compounders comply with the quality standards in United States Pharmacopeia Chapter 797, FDA must inspect for compliance with applicable requirements of Federal law under the Federal Food, Drug, and Cosmetic Act (FD&C Act).

Section 503A of the FD&C Act exempts drugs compounded in accordance with the conditions of that section from three statutory provisions, including current good manufacturing practice (CGMP) requirements. Accordingly, when a pharmacy compounds all of its drugs in accordance with section 503A, FDA does not include in inspectional observations or regulatory actions non-compliance with CGMP requirements. However, during many of FDA's inspections the Agency has identified non-compliance with section 503A. In such cases, the pharmacies are subject to, and may be cited for violations of CGMP requirements. Furthermore, although compounded drugs that meet the conditions of section 503A are exempt from CGMP requirements, they remain subject to other provisions of the FD&C Act related to the production of drugs, including the prohibition on producing drugs under insanitary conditions (section 501(a)(2)(A)).

A pharmacy may be licensed in many states, each with different requirements. For example, some require compliance with USP Chapter 797, but many do not. FDA must determine whether the compounder has violated applicable Federal laws, such as the law pertaining to insanitary conditions. In addition, if the compounder is not meeting the conditions of section 503A, FDA must determine whether it is in compliance with CGMP requirements. Although FDA works closely with its state regulatory partners on compounding, FDA has an obligation to take action to protect the American public from drugs produced by compounding facilities in violation of Federal law.

35. Will FDA continue to ask for records that the Agency is well aware are covered by the records exemption for pharmacies? (Examples include: copies of prescription records, sales receipts, patient information, marketing practices, and prescriber information.)

Response: Section 704 of the Federal Food, Drug, and Cosmetic Act (FD&C Act) provides FDA with authority to inspect establishments in which drugs are manufactured, processed, packed, or held. Section 704(a)(2) provides a limited exemption from certain aspects of an inspection relating to records for:

> pharmacies which maintain establishments in conformance with any applicable local laws regulating the practice of pharmacy and medicine and which are regularly engaged in dispensing prescription drugs or devices, upon prescriptions of practitioners licensed to administer such drugs or devices to patients under the care of such practitioners in the course of their professional practice, and which do not, either through a subsidiary or

otherwise, manufacture, prepare, propagate, compound, or process drugs or devices for sale other than in the regular course of their business of dispensing or selling drugs or devices at retail.

Obtaining copies of records during inspections may be necessary, among other things, to help FDA determine whether a compounder is eligible for the exemption in section 704(a)(2) and whether the compounder meets the conditions in section 503A meant to protect patients.

Proprietary Information

In August 2016, GAO recommended that the "Secretary of Health and Human Services direct the Commissioner of FDA to implement 15 policy recommendations," as well as "166 technical recommendations" that address substantial "information security weaknesses". In particular, there are concerns regarding protection of food related trade secrets and commercial confidential information.

36. Under the new Administration, will FDA commit to ensure that FDA and other HHS agencies meet their statutory obligations to protect trade secret, commercial confidential information?

Response: FDA takes very seriously its responsibility to safeguard proprietary information (such as trade secrets (TS) and confidential commercial information (CCI)) under all applicable laws, including the Trade Secrets Act (18 U.S.C. 1905), section 301(j) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 331(j)), and FDA regulations; and commits to doing so under the new Administration. However, FDA does not have the authority to ensure that other HHS agencies meet their statutory obligations. FDA is aware of the August 2016 GAO recommendations and continues to work to address them. FDA has closed 100 percent (15 of 15) of GAO's program recommendations and 87 percent (145 of 166) of technical recommendations.

FDA relies on a multi-pronged approach to protect proprietary information, including personnel screening, regular security awareness and ethics training, and enhanced cybersecurity measures intended to protect the security of sensitive information to which the Agency is entrusted.

Information security is among the top priorities at FDA, and the Agency does not take lightly our responsibility for protecting industry and public health information in today's environment of increased cybersecurity risk. The Agency recognizes the risks associated

with operating this large global IT enterprise and has implemented processes, procedures, and tools to better ensure the prevention, detection, and correction of incidents.

Furthermore, FDA personnel must comply with all applicable protections, procedures, and legal requirements that protect against the unauthorized disclosure of non-public information, including proprietary information, received or collected from regulated firms (see, e.g., 21 U.S.C. 331(j), 18 U.S.C. 1905, 21 C.F.R. Part 20). FDA will continue to work diligently to safeguard the proprietary information of our regulated industries.

Single Nutrient Approach - Added Sugars

Over the past 40 years, well intentioned nutrition guidance has focused public attention on cholesterol, then fat, then carbohydrates, and now sugars, yet the American obesity problem keeps getting worse. Some argue that a single nutrient focus distracts from the key to obesity prevention: overall balance between caloric consumption and expenditure.

37. Since obesity seems to be the greatest fundamental threat to American public health, what are your thoughts on this subject?

Response: Obesity is a significant public health issue that is linked to complex social and nutritional factors.

Research indicates the importance of intervention and addressing obesity as early as possible in childhood, in order to reduce later risk of obesity and other negative health outcomes. Addressing childhood obesity is one of Secretary Price's top clinical priorities for the Department of Health and Human Services.

In May 2016, FDA finalized the new Nutrition Facts label for packaged foods to reflect updated scientific information, including the link between diet and chronic diseases such as obesity. FDA plays an important role in providing nutrition information that can help impact food choices for consumers and their families. The new label highlights "calories" and "servings," and requires information on additional nutrients, such as added sugars. FDA recognizes that added sugars can be a part of a healthy dietary pattern, but if consumed in excess, it becomes more difficult to maintain a dietary pattern with enough dietary fiber and essential vitamins and minerals and still stay within calorie limits. FDA also updated the serving size requirements to more accurately reflect what people actually eat and drink and set new labeling requirements for certain size packages. All of these changes are important elements in giving consumers information they can use to make better informed food choices.

Animal Feed Review

According to the animal food industry—livestock, poultry and pet foods—it takes roughly three to five years to get an animal food ingredient reviewed and approved by the Food and Drug Administration's Center for Veterinary Medicine. For every year of delay, it costs the company on average $1.75 million in lost revenue.

38. Does FDA agree with this characterization of the timeframe and related costs? Please provide specifics on the timeframes for animal food ingredients.

Response: FDA appreciates the concerns of the animal food ingredient industry and the importance of providing safe, useful animal food ingredients to our livestock, poultry, and pets.

The animal food industry continually develops new ingredients, which has led to FDA's growing workload and corresponding delays in reviewing these ingredients. Over the past five years, the volume of animal food additive petitions alone has grown by 150 percent. At the same time, the complexity of new ingredients has increased, requiring more in-depth review and greater data to support product safety.

While FDA does not have the specific financial information to assess the quoted lost revenue figure, FDA does appreciate that delays in the review process contribute to uncertainty for the animal food ingredient industry and could delay revenues for products that FDA ultimately approves. FDA's statutory goal for returning food additive petition reviews to these manufacturers is 180 days, and a majority of the time this goal is met. If the sponsor's application does not provide sufficient information to evaluate whether the product meets required standards, additional data and information are requested. Resubmission of data would trigger another cycle of review.

FDA is committed to working with the animal food industry to improve the process of reviewing animal food ingredients. FDA encourages ingredient sponsors to reach out early in the development of new food ingredients to discuss product review and submission requirements—and to communicate, at appropriate times, during the review process.

39. What resource allocations does the President's budget contain to speed up the animal food ingredient review process, and what additional resources may be needed to speed up the review process for animal food?

Response: FDA's budget authority allocates 12 full-time equivalents (FTE) to work on animal food ingredient review. These positions work across the vital review areas of target

animal safety, safety of the human food derived from food-producing animals, manufacturing of the animal food ingredient, functionality of the ingredient, and communication with the ingredient manufacturers during the review process.

FDA's performance measure goal for food additive petition reviews is based on 60 reviews each year. However, the volume of animal food additive petitions has grown dramatically beyond projections. In FY 2016 FDA performed 101 reviews. FDA continues to meet its performance goal, but the recent level of productivity is not sustainable because it would require shifting our focus away from other important public health areas and program needs. FDA is analyzing the resources needed to meet performance goals and will submit an appropriate request in future budgets to address these needs.

40. How many Center for Veterinary Medicine staff review animal food ingredient submissions?

Response: FDA's budget allocates 12 full-time equivalents (FTE) to work on animal food ingredient review. These positions work across the vital review areas of target animal safety, safety of the human food derived from food-producing animals, manufacturing of the animal food ingredient, functionality of the ingredient, and communication with ingredient sponsors during the review process.

41. How many of those staff are on ingredient reviews only, and how many have other responsibilities?

Response: FDA's budget allocates 12 full-time equivalents (FTE) to work on animal food ingredient review. These positions work across the vital review areas of target animal safety, safety of the human food derived from food-producing animals, manufacturing of the animal food ingredient, functionality of the ingredient, and communication with ingredient sponsors during the review process.

These personnel are also responsible for other important public health work including the following:

- Developing guidance for industry to assist manufacturers to comply with FDA's animal food ingredient regulations;
- Responding to general questions about the review process;
- Responding to stakeholder questions on the acceptability of certain ingredients;
- Reviewing the acceptability of imported ingredients; and
- Providing education and outreach to stakeholders through meetings, webinars, and presentations

A separate set of personnel in FDA's Center for Veterinary Medicine works on animal food programs that involve medicated feed, animal food contaminants, implementation of the FDA Food Safety Modernization Act, and interaction with FDA field personnel.

42. FDA is behind in providing guidance to industry on compliance with the animal food regulations to implement the Food Safety Modernization Act. Will FDA consider delaying implementation of some requirements for one to two years in order to allow the agency more time to get caught up and provide the necessary information and guidance for compliance to the industry?

Response: Throughout the process for developing the FSMA regulations and during their initial implementation, FDA has consistently maintained that FDA will educate before and while it regulates. FDA recognizes that the Preventive Controls for Animal Food regulation is new territory for both industry and FDA and have heard from animal food producers that they need more resources and time to fully understand the requirements. At this time, FDA is not extending the September 2017 date for compliance by large industry with the preventive controls provisions of the regulation because FDA believes sufficient time has been provided to comply with these important public health provisions. In addition, although FDA is not extending the compliance date, the Agency is delaying the start of routine regulatory inspections for the preventive controls provisions of the regulation by a year. Delaying the inspection dates will give facilities that will have to comply with these requirements in September some flexibility to further develop their food safety plans.

FDA has published several draft guidance documents associated with this regulation, such as a small entity compliance guide and guidance on current good manufacturing practices, use of human food by-products as animal food, and others specific to certain provisions in the regulation or to sectors of the industry. FDA is working to get additional guidance out as quickly and efficiently as possible. In the meantime, there are other tools available to help animal food producers create their food safety plans, including training available through the Food Safety Preventive Controls Alliance[9] and FDA's FSMA Technical Assistance Network.

43. Under the previous administration, FDA had great difficulty quantifying the benefits of implementing the animal food rule under FSMA. Will the Agency commit to review the regulations so that the rules are appropriate to the industry being regulated and to reduce the financial burden on this industry as much as is possible in order to comply with the law?

Response: The Preventive Controls for Animal Food (PCAF) regulation is consistent with the intent of FSMA to move FDA's food safety system to a preventive, as opposed to

[9] *See* www.ifsh.iit.edu/fspca/fspca-preventive-controls-animal-food.

reactive, system and includes the requirements Congress directed FDA to implement. FDA conducted extensive outreach to the industry during the rulemaking process, and the final requirements reflect the need for flexibility in applying these requirements across the animal food industry. As a result, the flexibility allows the animal food industry to develop and implement food safety plans that are workable for the facility yet still provide protection of public health. FDA continues to engage industry on FSMA implementation. For example, in response to industry concerns, last year FDA extended compliance dates for some provisions of the Preventive Controls for Human and Animal Food regulations. FDA is also identifying areas of the regulations that require clarity or additional explanation that the Agency can address through guidance. FDA continues to be open to hearing specific concerns about the regulatory burden and to considering whether changes to the regulations or implementation process can be made without negatively impacting public health protections these regulations provide.

The primary costs associated with the PCAF regulation are the preventive controls requirements. The facility's hazard analysis will identify hazards that require a preventive control and subsequently drive what a facility will be required to do to implement the requirements. In FDA's discussions with the animal food industry, the Agency emphasizes that a facility should take a scientific, yet practical, approach to their hazard analysis. The more hazards requiring a preventive control, the higher the costs to a facility. But if a facility identifies these hazards as important food safety hazards to control with a preventive control, controlling them is in the best interest of food safety and public health for animals and humans.

Foreign Inspections

In FDA's Questions for the Record last year, the Agency noted that in its Implementing Arrangements with its Chinese counterparts, China's Food and Drug Administration (CFDA) and China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), FDA gave CFDA at least five working days advance notice of drug inspections. FDA also gives at least five working days pre-announcement to the regulatory authority.

44. Why does FDA believe that the regaled industry in China or in other foreign countries is allowed such a long time to prepare for an inspection?

Response: Due to the logistics associated with scheduling foreign inspections, it is necessary to schedule the majority of the Agency's foreign inspections in advance. Occasionally, on a for-cause basis, unannounced inspections have been conducted in areas where FDA has an inspectional presence overseas. Scheduling inspections in advance allows the Agency to

develop travel itineraries and ensure that key firm management is available at the facility when they arrive to conduct the inspection.

45. Has FDA considered amending their policy to reduce the amount of time provided to the regulatory authority in China and elsewhere so as to allow FDA inspectors a more realistic review of the actual production environment?

Response: Due to the logistics associated with scheduling foreign inspections, it is necessary to schedule the majority of the Agency's foreign inspections in advance. Occasionally, on a for-cause basis, unannounced inspections have been conducted in areas where FDA has an inspectional presence overseas. Scheduling inspections in advance allows the Agency to develop travel itineraries as well as ensure that key firm management is available at the facility when they arrive to conduct the inspection. For these reasons, FDA does not anticipate changing its approach to scheduling foreign inspections.

46. Please provide an update on FDA staff overseas. Please specify how many staff, how many FTEs, and the location for FDA staff overseas for the past five years to include FY 2017 to date and plans for FY 2018.

Response: FDA would be happy to provide that for the record. The information follows:

OIP Overseas Staffing Data Past 5 Years

	2013	**2014**	**2015**	**2016**	**2017**
	01/01/2013 - 12/31/2013	01/01/2014 - 12/31/2014	01/01/2015 - 12/31/2015	01/01/2016 - 12/31/2016	01/01/2017 - Present (08/04/2017)
How many employees*	**35**	**35**	**34 (Includes 1 Pre-Deployment)**	**34 (Includes 3 Pre-Deployment)**	**44 (Includes 22 Pre-Deployment)**
How many FTEs	**45**	**56**	**54**	**54**	**54**
Locations for FDA employees overseas	Brussels, Belgium; Beijing, China; Guangzhou, China; Shanghai, China; Mumbai, India; New Delhi, India; Mexico City, Mexico; Santiago, Chile; San Jose, Costa Rica; Amman, Jordan; Pretoria, South Africa; London, United Kingdom	Brussels, Belgium; Beijing, China; Guangzhou, China; Shanghai, China; Mumbai, India; New Delhi, India; Mexico City, Mexico; Santiago, Chile; San Jose, Costa Rica; Pretoria, South Africa; London, United Kingdom	Brussels, Belgium; Beijing, China; Guangzhou, China; Shanghai, China; Mumbai, India; New Delhi, India; Mexico City, Mexico; Santiago, Chile; San Jose, Costa Rica	Brussels, Belgium; Beijing, China; Mumbai, India; New Delhi, India; Mexico City, Mexico; Santiago, Chile; San Jose, Costa Rica; London, United Kingdom	Brussels, Belgium; Beijing, China; New Delhi, India; Mexico City, Mexico; Santiago, Chile; San Jose, Costa Rica; London, United Kingdom

**The total number provided will reflect an overall count of employees serving their overseas term appointment during the calendar year.*

Recruitment to Foreign Offices has been hampered by delays associated with clearances and visa approvals, specialized qualifications and experience requirements, and unique geographical and environmental challenges associated with international postings. During the past year FDA has made significant progress in filling vacancies, with a net gain of 10 staff assigned to Foreign Offices. Recognizing that some fluctuation in staffing will occur as assigned tours of duty end and new personnel are brought on board, FDA/Office of International Program's plan for FY 2018 is to continue efforts to recruit and fill vacant Overseas FTE positions.

47. Does FDA have an updated estimate as to the total number of facilities shipping food products to the United States?

Response: Based on entry data collected by FDA during fiscal year 2016, there were 248,572 food manufacturers from various foreign countries whose FDA-regulated food product(s) were offered for import into the United States. This number represents a 4.5 percent increase from fiscal year 2015.

Drug Compounding and Budget Request

48. How many compounding pharmacies did FDA inspect in fiscal years 2014 through 2017 to date?

Response: In fiscal years 2014 through 2017 (as of June 30, 2017), FDA has conducted the following number of inspections of compounding facilities:

Fiscal Year	Inspections of Compounders Not Registered as Outsourcing Facilities	Inspections of Compounders Registered as Outsourcing Facilities
2014	64	28
2015	85	31
2016	109	26
2017*	85	25

**Current as of June 30, 2017*

49. Please update the record from last year on how many inspections FDA believes it will need to inspect on a continuing basis?

Response: As of June 30, 2017, FDA completed about 85 inspections of compounding facilities. This includes inspections of outsourcing facilities and those facilities that are compounding under section 503A of the Food, Drug, and Cosmetic Act (section 503A facilities) and are not registered with FDA. Of the 85 inspections, 15 were for cause, 40 were follow-up to facilities previously found to be noncompliant, and 30 were surveillance inspections (including surveillance inspections of newly registered outsourcing facilities).

FDA conducts for-cause inspections based upon reports of serious adverse events and complaints about product quality problems. FDA conducts follow-up inspections to determine whether compliance has been achieved. FDA conducts risk-based surveillance inspections to identify problems that could put patients at risk.

FDA continues to find problems at many of the compounding facilities the Agency inspects. Many compounding facilities have voluntarily recalled compounded drugs and ceased sterile compounding as a result of FDA's findings of poor conditions and practices that could lead to drug quality problems.

50. How many staff and how many FTE are devoted to the enforcement of human drug compounding activities in fiscal years 2016, 2017 to date, and plans for FY 2018?

Response: Approximately 176 FTEs supported the oversight of human drug compounding in FY 2016. This is expected to remain the same through FY 2017 and FY 2018.

51. How many staff and how many FTE are devoted to the enforcement of animal drug compounding activities in fiscal years 2016, 2017 and estimated FY 2018.

Response: In FY 2016, there were approximately nine CVM FTE devoted to the oversight of animal drug compounding activities. In FY 2017 and FY 2018, CVM estimates seven FTE will continue to support the oversight of animal drug compounding activities.

52. Under what conditions can a licensed pharmacist provide compounded pharmaceuticals to a licensed physician or licensed practitioner for administration by a licensed physician or licensed practitioner in advance of receiving a patient specific prescription?

Response: Human drug products compounded by or under the direct supervision of a licensed pharmacist in an outsourcing facility, in accordance with all of the conditions of section 503B of the Federal Food, Drug, and Cosmetic Act (FD&C Act), can be provided to a healthcare practitioner in advance of, or without, receiving a patient specific prescription.

To qualify for the exemptions under section 503A, a drug product must be:

compounded ***for an identified individual patient based on the receipt of a valid prescription order or a notation***, approved by the prescribing practitioner, on the prescription order that a compounded product is necessary for the patient (emphasis added)

A drug product may be compounded "in limited quantities ***before*** (emphasis added) the receipt of a valid prescription order for such individual patient," if the compounding is based on a history of the licensed pharmacist or physician receiving valid prescription orders for the compounding of the drug product, among other conditions.

The prescription requirement under section 503A is critical to protecting patients. In contrast to outsourcing facilities, drugs compounded in accordance with section 503A are not subject to current good manufacturing practice (CGMP) requirements, and most of such pharmacies are not routinely inspected by FDA. The prescription requirement ensures that compounding under section 503A is based on individual patient need, and it differentiates such compounding from conventional manufacturing and from compounding by outsourcing facilities. Compounding for office stock by compounders that are not registered with FDA as outsourcing facilities would undermine the incentive for compounders to become outsourcing facilities, removing a critical measure in place to help prevent another outbreak on the scale of the 2012 fungal meningitis outbreak.

Financial Charges from the Department of Health and Human Services

53. Please provide table showing a list of all financial charges and assessments to FDA from HHS and the respective OPDivs between fiscal years 2010 and 2017 to date.

Response: FDA would be happy to provide that information for the record. Please see the following chart.

FOOD AND DRUG ADMINISTRATION

DHHS Charges and Assessments
FY 2010 - 2018

Activity	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate
Assessments	**$ 1,897,857**	**$ 2,573,109**	**$ 1,731,048**	**$ 1,663,553**	**$ 1,671,603**	**$ 851,748**	**$ 872,042**	**$ 1,038,676**	**$ 1,072,193**
Fee for Service	**$ 50,828,422**	**$ 51,695,674**	**$ 50,873,758**	**$ 33,921,692**	**$ 32,257,550**	**$ 35,214,072**	**$ 45,924,743**	**$ 45,499,380**	**$ 59,486,234**
Program Support Center/OS	$ 14,709,658	$ 13,338,939	$ 11,900,677	$ 15,457,143	$ 12,715,848	$ 13,401,223	$ 10,732,477	$ 12,000,600	$ 16,650,379
Federal Occupational Health	$ 2,037,932	$ 2,194,358	$ 1,715,000	$ 2,109,878	$ 2,153,131	$ 2,752,152	$ 2,930,519	$ 2,989,315	$ 3,324,855
Information System Management Service	$ 15,914,621	$ 15,395,377	$ 14,255,081	$ 13,822,413	$ 15,028,969	$ 16,566,789	$ 24,205,476	$ 21,594,600	$ 31,871,000
Human Resource Services	$ 18,166,211	$ 20,767,000	$ 23,003,000	$ 2,532,258	$ 2,359,602	$ 2,493,908	$ 8,056,271	$ 8,914,865	$ 7,640,000
Jointly Funded Services	**$ 8,576,956**	**$ 7,566,465**	**$ 7,453,627**	**$ 5,962,832**	**$ 4,764,717**	**$ 4,486,371**	**$ 3,445,524**	**$ 3,933,290**	**$ 3,955,288**
Enterprise Information Management	$ 5,562,652	$ 4,631,581	$ 3,413,466	$ 2,893,013	$ 1,644,990	$ 1,239,804	$ -	$ -	$ -
International Health - Bilateral Agreement	$ 1,198,192	$ 1,093,464	$ 1,093,646	$ 1,147,338	$ 1,148,338	$ 1,231,159	$ 1,231,159	$ 1,231,159	$ 1,231,159
Other Jointly Funded Projects	$ 1,816,112	$ 1,841,420	$ 2,946,515	$ 1,922,481	$ 1,971,389	$ 2,015,408	$ 2,214,365	$ 2,702,131	$ 2,724,129
Total	**$ 61,303,235**	**$ 61,835,248**	**$ 60,058,433**	**$ 41,548,077**	**$ 38,693,870**	**$ 40,552,191**	**$ 50,242,309**	**$ 50,471,346**	**$ 64,513,715**

10

[10] This table reflects a difference of $15 million from the FY 2018 Congressional Justification, because when estimates were prepared for the Congressional Justification, FDA did not have updated estimates for FY2018, so FY 2018 was calculated based on a flat rate increase. Since then, FDA received funding information from the different councils, which is the updated information.

Food and Drug Administration
Department of Health and Human Services Charges and Assessments
Fiscal Year 2010 -2018

	FY 10 Actuals	FY 11 Actuals	FY 12 Actuals	FY 13 Actuals	FY 14 Actuals	FY 15 Actuals	FY 16 Actuals	FY 17 Estimates	FY 18 Estimates
Assessments:	**$1,897,857**	**$2,573,109**	**$1,731,048**	**$1,663,553**	**$1,671,603**	**$851,748**	**$872,042**	**$1,038,676**	**$1,072,193**
Leading EDGE Program	$0	$0	$16,150	$0	$0	$0	$0	$0	$0
Unified Financial Management System Upgrade To support the business need for UFMS to stay current - new version of the Oracle E-Business Suite and Database software.	$1,059,000	$1,412,000	$0	$0	$0	$0	$0	$0	$0
Office of Commissioner Corps Force Management SGLI Reimbursement	$79,087	$73,213	$96,856	$0	$30,330	$0	$0	$0	$0
Capital Security Cost sharing Department of State charge for a "Head Tax" (Captial security Cost Sharing)	$81,952	$212,784	$0	$0	$0	$0	$0	$0	$0
Interagency Council Funds Funding to support government wide financial, information technology, procurement, human capital, and other management activities.	$87,351	$87,351	$88,808	$87,072	$0	$0	$0	$0	$0
ALJ Examinations OMP is delegating examining authority for all competitive service positions except Administrative Law Judges (ALJ), and is requiring employing agencies to reimburse OPM for the cost of all ALJ program.	$1,440	$0	$0	$0	$0	$0	$0	$0	$0
NIH eRA Grants Management System Pilot phase to support migration of FDA Grants Data into the Department's consolidated eRA Grants Management System	$139,863	$153,693	$153,693	$161,456	$169,638	$169,638	$169,638	$186,602	$205,262
Department Ethics Program The Office of General Counsel provides legal and related support services to FDA	$449,164	$633,550	$1,374,944	$1,414,240	$1,470,496	$680,000	$700,000	$849,000	$863,000
Federal Audit Clearinghouse	$0	$518	$597	$785	$1,139	$2,110	$2,404	$3,074	$3,931
Fee For Service:	**$50,828,422**	**$51,695,674**	**$50,873,758**	**$33,921,692**	**$32,257,550**	**$35,214,072**	**$45,924,743**	**$45,499,380**	**$59,486,234**
Program Support Center/ Office of the Secretary Provides various services to the FDA, including some Information and Systems Management Services	**$14,709,658**	**$13,338,939**	**$11,900,677**	**$15,457,143**	**$12,715,848**	**$13,401,223**	**$10,732,477**	**$12,000,600**	**$16,650,379**

	FY 10 Actuals	FY 11 Actuals	FY 12 Actuals	FY 13 Actuals	FY 14 Actuals	FY 15 Actuals	FY 16 Actuals	FY 17 Estimates	FY 18 Estimates
Financial Management Portfolio (FMP)	$1,520,415	$599,645	$598,475	$619,163	$645,682	$727,447	$730,483	$791,009	$429,572
Procurement Management Portfolio (PMP)	$77,038	$5,137	$422,777	$3,265,192	$1,101,668	$544,141	$0	$0	$0
Administrative Operations Portfolio (AOP) Includes costs for security, building operations, shredding, storage, graphics, property disposal, trans-share, mail	$13,112,205	$12,734,157	$10,879,425	$11,572,788	$6,833,698	$8,777,071	$6,817,398	$8,254,657	$11,965,586
Real Estate and Logistics Portfolio Includes building operations, shredding, storage, property disposal.	$0	$0	$0	$0	$4,134,800	$3,352,564	$3,184,596	$2,954,934	$4,255,221
Federal Occupational Health (FOH): FDA agency health units and services	**$2,037,932**	**$2,194,358**	**$1,715,000**	**$2,109,878**	**$2,153,131**	**$2,752,152**	**$2,930,519**	**$2,989,315**	**$3,324,855**
Information & System Management Services	**$15,914,621**	**$15,395,377**	**$14,255,081**	**$13,822,413**	**$15,028,969**	**$16,566,789**	**$24,205,476**	**$21,594,600**	**$31,871,000**
Freedom of Information (FOIA)	$140,570	$154,739	$238,650	$277,319	$301,480	$369,139	$369,139	$170,000	$218,000
Unified Financial Management Systems (UFMS) The Program Support Center delivers and manages O&M Services for UFMS by supporting daily operations.	$6,437,796	$6,282,770	$5,832,000	$5,700,028	$6,366,000	$6,366,000	$6,496,000	$6,496,000	$11,344,000
HCAS Operations and Maintenance HCAS O&M services provide support for daily operations of the HCAS application.	$1,982,000	$2,220,468	$1,969,082	$2,228,530	$2,229,000	$2,230,000	$2,229,000	$2,229,000	$2,171,000
Information Technology Infrastruction & Operations (ITIO) Telecommunications team offers expertise on Network / Telecomunnications / Security. Trusted Internet Connections (FY16) and IT Security. HHS Net.	$2,065,365	$2,005,275	$1,579,349	$1,220,522	$1,353,135	$558,350	$3,335,553	$981,060	$4,299,000
Department IT Management	$0	$0	$0	$0	$0	$0	$3,463,137	$2,772,015	$2,256,000
Office of Enterprise Application Development (OEAD) Services include activities for HHS' civilian employees and Commissioned Corps Officers, and maintenance and operation of the systems housing current and historical pay and leave records	$5,288,890	$4,732,125	$4,636,000	$4,396,014	$4,779,354	$7,043,300	$5,903,000	$4,406,000	$7,368,000
Office of Information Security (OIS) Includes computer security incident reponse center and Trusted Internet Connection (starting in FY17)	$0	$0	$0	$0	$0	$0	$2,409,647	$4,540,525	$4,215,000

	FY 10 Actuals	FY 11 Actuals	FY 12 Actuals	FY 13 Actuals	FY 14 Actuals	FY 15 Actuals	FY 16 Actuals	FY 17 Estimates	FY 18 Estimates
Office of Human Resource Services Includes HR Center services teir I, payroll liaison, systems planning and implemenation	**$18,166,211**	**$20,767,000**	**$23,003,000**	**$2,532,258**	**$2,359,602**	**$2,493,908**	**$8,056,271**	**$8,914,865**	**$7,640,000**
Jointly Funded Projects:	**$8,576,956**	**$7,566,465**	**$7,453,627**	**$5,962,832**	**$4,764,717**	**$4,486,371**	**$3,445,524**	**$3,933,290**	**$3,955,288**
Enterprise Information Management FDA's contribution to the HHS Enterprise Infrastructure Fund. Funds are used for Enterprise Information Technology programs/projects outlined in the Enterprise Information Technology Strategic Plan or benefitting the corporate enterprise, such as enterprise buys/licenses.	$5,562,652	$4,631,581	$3,413,466	$2,893,013	$1,644,990	$1,239,804	$0	$0	$0
International Health Bilateral Agreement Agreement to provide funding in support of the bilateral-multilateral activities performed on behalf of the Public Service by the Office of Global Health Affairs	$1,198,192	$1,093,464	$1,093,646	$1,147,338	$1,148,338	$1,231,159	$1,231,159	$1,231,159	$1,231,159
Other Jointly Funded Projects	**$1,816,112**	**$1,841,420**	**$2,946,515**	**$1,922,481**	**$1,971,389**	**$2,015,408**	**$2,214,365**	**$2,702,131**	**$2,724,129**
CFO Audit of Financial Statements Audit services to be performed at the FDA in support of the fiscal year 2010 financial statement audit of the Department of Health and Human Services (DHHS) contracted and monitored by Office of the Inspector General (OIG) and its components, and related services.	$376,325	$361,133	$1,397,000	$374,300	$405,800	$422,032	$434,693	$454,254	$474,696
Office of Public Health/Blood Safety Agreement to provide funding for the advisory committee on Blood Safety	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000
Regional Health Administrators IAG with OS/Office of Public Health & Science to support ten Regional Health Administrators. Their core mission is to promote understanding of and control functions within their respective regions improvements in public health and to conduct specific management.	$388,899	$308,010	$308,010	$308,010	$308,010	$308,010	$308,010	$308,010	$308,010
President's Council on Bioethics TAP to fund the council which advises the President of Bioethical issues related to the advances in biomedical science and technology	$123,032	$294,000	$294,000	$294,000	$294,000	$294,000	$294,000	$294,000	$294,000

	FY 10 Actuals	FY 11 Actuals	FY 12 Actuals	FY 13 Actuals	FY 14 Actuals	FY 15 Actuals	FY 16 Actuals	FY 17 Estimates	FY 18 Estimates
Media Monitoring Provides Agency leadership and staff with the latest analysis of what the media is reporting about Department-wide and Agency-specific priorities, initiatives, and programs	$61,270	$122,726	$127,635	$134,731	$147,999	$145,546	$157,124	$164,979	$170,000
Intra-department Council on Native American Affairs IAG with DHHS, Administration on Children and Families, for staff and administrative support for the Interdepartmental Council for Native American Affairs Committee meetings and assignments (ICNAA), to conduct semi-annual Council meetings, Executive	$10,143	$10,143	$15,909	$15,909	$15,909	$15,909	$15,909	$15,909	$15,909
National Science Advisory Board for Biosecurity Agreement with NIH to develop improved biosecurity measures for classes of legitimate biological research that could be misused to threaten public health or national security	$325,485	$325,485	$325,000	$325,000	$325,000	$325,000	$325,000	$325,000	$325,000
NIH Negotiation of Indirect Cost Rates Agreement with NIH/OD to support costs associated with the negotiation of indirect cost rates with commercial organizations	$5,104	$11,000	$11,000	$3,600	$6,000	$17,000	$18,000	$38,000	$27,000
HHS Broadcast Studio It is a communication tool used for departmental messaging, both to internal and external audiences and is key to the government-wide open government initiative.	$0	$0	$100,000	$100,000	$100,000	$106,751	$16,979	$34,486	$36,000
OPM USAJOBS Fees charged by OPM to Federal Agencies to cover the cost of providing Federal Employment Information and services. OPM assesses an annual per-capita-fee based on each OPDIV percentage of the Departments total FTE on all paid employees with access to USAJOBs. The cost is distributed within HHS based on each OPDIV percentage of the Departments total FTE.	$0	$0	$67,961	$66,931	$68,671	$81,160	$92,331	$97,274	$102,481.63

	FY 10 Actuals	FY 11 Actuals	FY 12 Actuals	FY 13 Actuals	FY 14 Actuals	FY 15 Actuals	FY 16 Actuals	FY 17 Estimates	FY 18 Estimates
President's Advisory Committee on Combating Antibiotic-Resistant Bacteria Combating Antibiotic Resistant Bacteria, directs that "the Federal Government will work domestically and internationally to detect, prevent, and control illness and death related to antibiotic-resistant infections by implementing measures that reduce the emergence and spread of antibiotic-resistant bacteria and help ensure the continued availability of effective therapeutics for the treatment of bacterial infections"	$0	$0	$0	$0	$0	$0	$175,000	$175,000	$175,000
Biosafety and Biosecurity Corrdinating Council This will support the administrative management of the Council in efforts to coordinate and collaborate on biosafety and biosecurity issues within HHS.	$0	$0	$0	$0	$0	$0	$77,319	$78,556	$79,369
Implementation of DATA Act	$0	$0	$0	$0	$0	$0	$0	$416,663	$416,663
Core Support from National Academy of Science Agreement for a group of standing bodies in a number of health areas that can be called upon to provide feedback on various issues or to conduct more deliberative seminars and studies on HHS programs.	$77,622	$0	$0	$0	$0	$0	$0	$0	$0
Health and Wellness Center Funds from the Health and Wellness Center are used to provide a portion of the on-going operational costs of a health facility.	$424	$2,101	$0	$0	$0	$0	$0	$0	$0
Motor Vehicle Information & Management Agreement to support the MVIMS, which generates reports on federal agency vehicle fleet expenditures.	$8,000	$8,000	$0	$0	$0	$0	$0	$0	$0
IT Access for Disable Persons Federal agencies are required to ensure that individuals with disabilities have access to electronic and information technology systems and equipement that are comparable to the access enjoyed by people without disabilities.	$27,553	$0	$0	$0	$0	$0	$0	$0	$0

	FY 10 Actuals	FY 11 Actuals	FY 12 Actuals	FY 13 Actuals	FY 14 Actuals	FY 15 Actuals	FY 16 Actuals	FY 17 Estimates	FY 18 Estimates
Homeland Security Presidential Directive 12 Supports the policy for a Common Identification Standard for Federal Employees and Contractors	$112,255	$98,822	$0	$0	$0	$0	$0	$0	$0
Total	**$61,303,235**	**$61,835,248**	**$60,058,433**	**$41,548,077**	**$38,693,870**	**$40,552,191**	**$50,242,309**	**$50,471,346**	**$64,513,715**

54. What has FDA assumed for charges and assessments from HHS and other OPDivs in the fiscal year 2018 budget? Please provide any updated estimates to the FY 2018 budget.

Response: FDA would be happy to provide that information for the record. Please see FDA's response to QFR #53.

55. What functions or activities does the fiscal year 2017 assessment support? Is FDA anticipating a corresponding increase in services as well?

Response: FDA would be happy to provide that information for the record. Please see FDA's response to QFR #53.

Food Safety Modernization Act

56. Please provide a breakdown of how FDA plans to spend the food safety funds included in the base plus funds provided for under the FY 2017 Omnibus Appropriations Bill.

Response: The FY 2017 Omnibus included $1.4 billion in Budget Authority (BA) to support FDA's food safety efforts. Of this total, approximately $1 billion supports the Foods Program (including the Center for Food Safety and Applied Nutrition (CFSAN) and related field work). This funding also supports the food safety related funding of several other Agency organizations: $126 million for Animal Drugs and Feeds Program (Center for Veterinary Medicine (CVM) and related field work), $10 million for the National Center for Toxicological Research (NCTR), $81 million for FDA Headquarters (including the Office of Foods and Veterinary Medicine (OFVM)), and $116 million for GSA Rent/Other rent and rent related activities. FDA will continue to focus its resources on critical public health issues such as food and feed safety, nutrition, and animal health activities that are fundamental to the safety and quality of the food supply and to consumer confidence.

FDA appreciates the FSMA implementation increases included in the FY 2017 Omnibus. The bill provided an additional $36 million to continue FDA's efforts to implement FSMA regulations. Of this total amount, $16.9 million supports import safety activities. FDA plans to use these new funds to support implementation of the Foreign Supplier Verification Program (FSVP) regulation. The Omnibus also provided $18.7 million to support Integrated Food Safety System (IFFS) activities. FDA plans to dedicate the majority of these resources to expanding State funding for the Produce Safety Cooperative Agreements. FDA will provide detailed quarterly reports to Congress on this funding.

The FY 2017 Omnibus also provided an additional $3 million to FDA to support education and outreach on biotechnology.

57. What are FDA's priorities when the Agency begins implementation of the Preventative Controls for Human Food final rule?

Response: FDA's overarching priority in implementing the Preventive Controls for Human Food rule is gaining high rates of compliance with the new requirements. To ensure high rates of compliance, the Agency is focusing on several areas, including outreach and education, training of federal and state inspectors, and inspection modernization. The compliance date for the largest facilities was September 2016, and small facilities are approaching their initial compliance date in September 2017.

FDA partnered with the Food Safety Preventive Controls Alliance (FSPCA) to develop a training curriculum and other outreach materials to ensure that scale-appropriate information is available to stakeholders. FDA also established the Technical Assistance Network (TAN), which has been responding to questions related to interpretation of the rule so that stakeholders understand how to comply. In addition, FDA has issued guidance to accompany the rule, including information on identifying hazards and establishing preventive controls for those hazards. FDA also issued a Small Entity Compliance Guide, which is particularly helpful to smaller businesses that may not have as much familiarity with preventive controls systems.

Inspection modernization and training are key components of FDA's priorities for FSMA implementation of the preventive controls rule. Preparing FDA's workforce to carry out inspection and compliance in the risk-based, prevention-oriented manner envisioned by FSMA has involved a major reorientation and training of more than 2,000 FDA and state investigators, inspectors, compliance officers, and other staff involved in food safety activities. FDA began modernized Current Good Manufacturing Practice (CGMP) inspections in fall 2016, and began inspecting against the new Preventive Controls paradigm in February 2017. One of the focuses of the regulator training effort was to ensure consistency in the conduct of and decision-making related to inspections. FDA has received favorable feedback in response to inspections conducted thus far under the rule in terms of regulator preparedness and willingness to work with industry to ensure that expectations are understood.

58. What are FDA's priorities when the Agency begins implementation of the Preventative Controls for Animal Food final rule?

Response: FDA's overarching priority in implementing the Preventive Controls for Animal Food (PCAF) regulation is gaining high rates of compliance with the new requirements. To accomplish this goal, FDA will continue developing guidance documents, developing and

delivering training to animal food regulators, providing outreach to industry, and conducting current good manufacturing practice (CGMP) inspections.

FDA has developed several guidance documents that will assist industry in complying with the PCAF regulation, and FDA is also developing additional guidance documents. FDA is planning to issue our final guidances on CGMPs and on human food by-products for use as animal food. FDA is also in the process of drafting guidance for the hazard analysis and risk-based preventive controls requirements, including the supply-chain program requirements. FDA is using information gathered during inspections, through our Technical Assistance Network, and through interactions with industry to develop and modify guidances and identify areas where additional guidance or action is needed.

FDA is increasing its delivery of CGMP training for FDA and state regulators, including delivery of our first train-the-trainer course. Modifications and improvements are being made to the CGMP course as we receive feedback from the initial inspections conducted in FY 2017. FDA will continue to develop regulator training for the preventive controls requirements in the PCAF regulation with initial course offerings expected in late FY 2018.

FDA plans to conduct 500 CGMP inspections of animal food facilities. These inspections will be conducted by a select, trained cadre of investigators from FDA and state agencies. FDA recently announced that we are delaying the start of routine regulatory inspections for the preventive controls provisions of the regulation until Fall 2018. Although FDA is not extending the compliance dates for the preventive controls provisions, delaying the start of those inspections will give facilities some flexibility to further develop their food safety plans.

59. What are FDA's priorities when the Agency begins implementation of the Produce Safety final rule?

Response: FDA's overarching priority in implementing the Produce Safety rule is gaining high rates of compliance with the new requirements. To ensure high rates of compliance, the Agency will partner with the states to implement the Produce Safety rule. In general, FDA intends for the states to take the role as the frontline interface with produce farms domestically, while FDA takes that role internationally. To ensure that there is consistency in compliance among both regulators and farms, FDA is prioritizing training of state and federal regulators; facilitating industry pre-assessments; building information and human capital infrastructure for both FDA and states; and developing guidance.

To successfully partner with the states on produce safety rule implementation, FDA provided Year 1 funding of $21.8 million to 42 states in a cooperative agreement for development of

produce safety infrastructure and has announced Year 2 funding of $30.9 million to 43 states. The cooperative agreement is renewable for five years, provided availability of funds and successful performance by states. Given the states' comparative advantage due to their local presence, knowledge, and relationships with the farm community, FDA believes the states can provide oversight and direct technical assistance more effectively and efficiently than FDA.

FDA is also working through the Produce Safety Alliance (PSA) to deliver training curriculum for stakeholders and regulators, who are being trained together to ensure consistency among expectations. In addition, realizing the diversity of the produce industry, FDA is supporting the development of produce safety training specifically focused on two communities: tribal communities and local food production systems.

FDA has also prioritized the hiring of a new staff, the Produce Safety Network, which is regionally located around the country to develop relationships with regional farming communities and assist local farms in complying with the rule. FDA is also partnering with the National Association of State Departments of Agriculture (NASDA) to provide farms with the opportunity to request an assessment of their readiness to comply with the Produce Safety rule. The program, known as On Farm Readiness Reviews, is in the pilot phase now. FDA also continues to work on guidance to assist industry in complying with the rule.

60. Agriculture producers operate on very thin margins and face competitive markets both domestically and internationally. What assurances can you offer growers that FDA will be able to require foreign producers to meet equivalent food safety standards?

Response: In general, FDA's rulemakings under FSMA apply equally to foreign producers of imported products and domestic producers. However, FSMA provides new tools specifically for import oversight and authorized FDA to establish a regulation on foreign supplier verification programs (FSVP) to ensure that importers perform risk-based foreign supplier verification activities to verify that imported food is produced using processes and procedures that provide the same level of public health protection as the preventive controls rules and the produce safety rule, and is not adulterated or misbranded with respect to allergen labeling. FDA issued the FSVP final rule in November 2015 and the first compliance date for FSVP occurred in May 2017. FDA appreciates the additional funds received in 2017 to support import oversight and implementation of FSVP. FDA has been training regulators and industry on FSVP and is beginning inspections of importers in summer 2017.

In November 2016, FDA issued a final guidance on the Voluntary Qualified Importer Program (VQIP). VQIP is a voluntary, fee-based program for the expedited review and

importation of foods from importers who achieve and maintain a high level of control over the safety and security of their supply chains. In June 2017, FDA also began accepting applications for its Accredited Third-Party Program – the program recognizes accreditation bodies which will in turn accredit third-party certification bodies to issue certifications for food and facilities, which importers are required to obtain to participate in VQIP. The initiation of the Third Party Program is necessary to implement VQIP. Although the Third-Party Program and VQIP are voluntary, both programs will contribute to ensuring that imported foods meet the same standards as domestic foods.

FDA continues to invest in the development of an international food safety capacity-building plan, required by FSMA, to expand technical, scientific, and regulatory food safety capacity of foreign governments and their respective food industries. In addition, FDA has entered into bilateral food safety Systems Recognition arrangements with certain countries – to date Australia, Canada, and New Zealand – that have been determined to have food safety systems comparable to the U.S. Systems recognition helps FDA be more risk-based in prioritizing resources dedicated to foreign facility inspections, import field exams, and import sampling.

GAO/OIG Reports

61. Please provide a listing of all GAO reports conducted on FDA programs and activities in fiscal years 2015, 2016 and 2017 to date.

Response: FDA managed 67 GAO studies that closed from 2015-2017, and is currently managing 26 open GAO studies.

GAO Reports Issued 2015-2017	
Report Number	**Final Report Title**
GAO-15-183	Food Safety: Additional Actions Needed to Help FDA's Foreign Offices Ensure Safety of Imported Food
GAO-15-202	Drug Shortages: Better Management of the Quota Process for Controlled Substances Needed; Coordination between DEA and FDA Should Be Improved
GAO-15-203	Prenatal Drug Use and Newborn Health: Federal Efforts Need Better Planning and Coordination
GAO-15-211	Antipsychotic Drug Use: HHS Has Initiatives to Reduce Use among Older Adults in Nursing Homes, but Should Expand Efforts to Other Settings

GAO-15-293	Drug-Impaired Driving: Additional Support Needed for Public Awareness Initiative
GAO-15-358	Small Business Research Programs: Challenges Remain in Meeting Spending and Reporting Requirements
GAO-15-368	Regulatory Guidance Processes: Selected Departments Could Strengthen Internal Control and Dissemination Practices
GAO-15-43	Telecommunications: Agencies Need Better Controls to Achieve Significant Savings on Mobile Devices and Services
GAO-15-436	Capitol Power Plant: Architect of the Capitol Should Update Its Long-term Energy Plan before Committing to Major Energy Projects
GAO-15-471	Prescription Drugs: More DEA Information about Registrants' Controlled Substances Roles Could Improve Their Understanding and Help Ensure Access
GAO-15-495	Federal Veterinarians: Efforts Needed to Improve Workforce Planning
GAO-15-553	Regenerative Medicine: Federal Investment, Information Sharing, and Challenges in an Evolving Field
GAO-15-6	Federal Facility Cybersecurity: DHS and GSA Should Address Cyber Risk to Building and Access Control Systems
GAO-15-671	Drug Compounding for Animals: FDA Could Improve Oversight with Better Information and Guidance [Reissued on January 8, 2016]
GAO-15-718	Federal User Fees: Key Considerations for Designing and Implementing Regulatory Fees
GAO-15-771	Electronic Cigarettes: Effect on Federal Excise Taxes Collected on Traditional Cigarettes Is Not Currently Evident
GAO-15-793	Biosurveillance: Challenges and Options for the National Biosurveillance Integration Center
GAO-15-815	Medical Devices: FDA Ordered Postmarket Studies to Better Understand Safety Issues, and Many Studies Are Ongoing
GAO-16-110	Information Quality Act: Actions Needed to Improve Transparency and Reporting of Correction Requests
GAO-16-12:	Medicare Part B: Expenditures for New Drugs Concentrated among a Few Drugs, and Most Were Costly for Beneficiaries
GAO-16-128	Federal Research Opportunities: DOE, DOD, and HHS Need Better Guidance for Participant Activities
GAO-16-132	Emerging Animal Diseases: Actions Needed to Better Position USDA

	to Address Future Risks
GAO-16-154	Defense Health Care: Research on Hyperbaric Oxygen Therapy to Treat Traumatic Brain Injury and Post-Traumatic Stress Disorder
GAO-16-182	Information Technology: FDA Has Taken Steps to Address Challenges but Needs a Comprehensive Strategic Plan
GAO-16-192	Drug Safety: FDA Expedites Many Applications, But Data for Postapproval Oversight Need Improvement
GAO-16-241	Genetically Engineered Crops: USDA Needs to Enhance Oversight and Better Understand Impacts of Unintended Mixing with Other Crops
GAO-16-305	High-Containment Laboratories: Comprehensive and Up-to-Date Policies and Stronger Oversight Mechanisms Needed to Improve Safety
GAO-16-312	VEHICLE SAFETY: Enhanced Project Management of New Information Technology Could Help Improve NHTSA's Oversight of Safety Defects
GAO-16-319	Rare Diseases: Too Early to Gauge Effectiveness of FDA's Pediatric Voucher Program
GAO-16-325	Cloud Computing: Agencies Need to Incorporate Key Practices to Ensure Effective Performance
GAO-16-399	Imported Food Safety: FDA's Targeting Tool Has Enhanced Screening, but Further Improvements Are Possible
GAO-16-425	Food Safety: FDA Coordinating with Stakeholders on New Rules but Challenges Remain and Greater Tribal Consultation Needed
GAO-16-432	Medical Product Oversight: FDA Needs More Strategic Planning to Guide Its Scientific Initiatives
GAO-16-470T	Emerging Infectious Diseases: Preliminary Observations on the Zika Virus Outbreak
GAO-16-492	Small Business Research Programs: Agencies Have Improved Compliance with Spending and Reporting Requirements, but Challenges Remain
GAO-16-500	Food and Drug Administration: Comprehensive Strategic Planning Needed to Enhance Coordination between Medical Product Centers
GAO-16-510	Managing for Results: Agencies Need to Fully Identify and Report Major Management Challenges and Actions to Resolve them in their Agency Performance Plans
GAO-16-513	Information Security:

	FDA Needs to Rectify Control Weaknesses That Place Industry and Public Health Data at Risk
GAO-16-548	Federal Workforce: Opportunities Exist to Improve Data on Selected Groups of Special Government Employees
GAO-16-595	Drug Shortages: Certain Factors Are Strongly Associated with This Persistent Public Health Challenge
GAO-16-642	High-Containment Laboratories: Improved Oversight of Dangerous Pathogens Needed to Mitigate Risk"
GAO-16-667	Freedom of Information Act: Litigation Costs For Justice and Agencies Could Not Be Fully Determined
GAO-16-706	Generic Drugs Under Medicare: Part D Generic Drug Prices Declined Overall, but Some Had Extraordinary Price Increases
GAO-16-79	Critical Infrastructure Protection: Sector-Specific Agencies Need to Better Measure Cybersecurity Progress
GAO-16-79	Critical Infrastructure Protection: Sector-Specific Agencies Need to Better Measure Cybersecurity Progress
GAO-16-833	Opioid Addiction: Laws, Regulations, and Other Factors Can Affect Medication-Assisted Treatment Access
GAO-17-115	Prescription Drug Labels: Actions Needed to Increase Awareness of Best Practices for Accessible Labels for Individuals Who are Blind or Visually Impaired
GAO-17-119	Environmental Protection: Information on Federal Agencies' Expenditures and Coordination Related to Harmful Algae
GAO-17-123	Federal Building Management: Building Disposal Authorities Provide Varying Degrees of Flexibility and Opportunities for Use
GAO-17-129	Foster Care: HHS Has Taken Steps to Support States' Oversight of Psychotropic Medications, but Additional Assistance Could Further Collaboration
GAO-17-14	Open Innovation: Practices to Engage Citizens and Effectively Implement Federal Initiatives
GAO-17-143	Drug Safety: FDA Has Improved Its Foreign Drug Inspection Program, but Needs to Assess the Effectiveness and Staffing of Its Foreign Offices-
GAO-17-150	Defense Civil Support: DOD, HHS, and DHS Should Use Existing Coordination Mechanisms to Improve Their Pandemic Preparedness

GAO-17-189	Antibiotics: FDA Has Encouraged Development, but Needs to Clarify the Role of Draft Guidance and Develop Qualified Infectious Disease Product Guidance
GAO-17-212	National Institutes of Health: Kidney Disease Research Funding and Priority Setting
GAO-17-231	MEDICAL DEVICES: Cancer Risk Led FDA to Warn Against Certain Uses of Power Morcellators and Recommend New Labeling
GAO-17-35	Emergency Funding for Ebola Response: Some USAID Reimbursements Did Not Comply with Legislative Requirements and Need to Be Reversed
GAO-17-360	Avian Influenza: USDA Has Taken Actions to Reduce Risks but Needs a Plan to Evaluate Its Efforts
GAO-17-416	Memory Supplements: Clarifying FDA and FTC Roles Could Strengthen Oversight and Enhance Consumer Awareness"
GAO-17-445	Emerging Infectious Diseases: Actions Needed to Address the Challenges of Responding to Zika Virus Disease Outbreaks
GAO-17-507	Open Innovation: Executive Branch Developed Resources to Support Implementation, but Guidance Could Better Reflect Leading Practices
GAO-17-564	Investigational New Drugs: FDA Has Taken Steps to Improve the Expanded Access Program but Should Further Clarify How Adverse Events Data Are Used
GAO-17-64	Drug Compounding: FDA Has Taken Steps to Implement Compounding Law, but Some States and Stakeholders Reported Challenges
GAO-17-74	Food Safety: A National Strategy Is Needed to Address Fragmentation in Federal Oversight
GAO-17-98R	Food Safety: FDA's Efforts to Evaluate and Respond to Business Concerns Regarding the Produce Rule
GA0-17-452	Generic Drug User Fees: Application Review Times Declined, but FDA Should Develop a Plan for Administering Its Unobligated User Fees
GAO 17-87	FDA Facilities: Planning Efforts for White Oak Campus Should Further Incorporate Leading Practices to Address Ongoing Challenges

Ongoing GAO Studies, August 2017	
Job Code Number	**Name of Study**
101294	Sunscreen Requests and Determinations
101338	Implementation of the Automated Commercial Environment (ACE) - Progress and Benefits
101357	Combating Synthetic Opioids
101285	Committee on Foreign Investment in the United States
102036	Food and Drug Administration's (FDA) Relabeling of Mifeprex
101068	Regulatory Design and Enforcement
101198	Federal Cybersecurity Workforce Assessment
101985	Animal Welfare in Federal Research Facilities
101360	Federal Paperwork Burden
101932	Memory Supplement Testing
102139	Inventory Controls and Purchases of Firearms, Ammunition, and Tactical Equipment at Federal Agencies
101039	U.S. Foreign Assistance to Inter-American Multilateral Organizations
100311	Multiplex Point of Care Technology
100290	Illicit Tobacco Imports and E-Cigarettes
100542	Seafood Safety
100563	Low Dose Exposure to Radiation and Chemicals
100808	Pharmaceutical Industry Consolidation and Drug Prices
100751	Biological Threat Characterization
101091	FDA's Review of Generic Versions of Nonbiologic Complex Drugs
100828	Meat and Poultry Worker Safety
101177	Expanding Access to Medication-Assisted Treatment for Opioid Addiction
101120	Neonatal Abstinence Syndrome
101211	FDA's Resources and Regulatory Actions for Food Safety and Nutrition
101234	Least Burdensome Medical Device Approval
101279	Arsenic in Rice
101238	FDA's Process to Evaluate and Respond to Business Concerns Under the Produce Safety Rule

62. Please provide a full status of FDA's recent progress in resolving OIG or GAO recommendations in the past five years as well as a list of open items.

Response: Since 2010, when FDA's review process for responding to GAO recommendations was revised, FDA has been implementing recommendations at a steadily increasing pace. From 2012 to 2017, FDA has resolved 123 GAO recommendations in 44 reports. GAO has closed 91 (74%) of these recommendations as "implemented" and 32 (26%) as "not implemented."

FDA is currently working on resolving 66 open recommendations in 33 GAO reports.

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
GAO-08-157	Intellectual Property: Federal Enforcement Has Generally Increased, but Assessing Performance Could Strengthen Law Enforcement Effort	GAO recommends that FDA systematically analyze enforcement statistics to better understand variations in IP-related enforcement activity.	Closed - Implemented	2012
GAO-06-402	Drug Safety: Improvement Needed in FDA's Postmarket Decision-making and Oversight Process	To improve the postmarket drug safety decision-making process, the Commissioner of FDA should establish a mechanism for systematically tracking ODS's recommendations and subsequent safety actions.	Closed - Implemented	2012
GAO-09-873	Food Safety: Agencies Need to Address Gaps in Enforcement and Collaboration to Enhance Safety of Imported Food	To help ensure that PREDICT is effectively targeting high-risk imported food shipments for field and laboratory examinations, GAO recommends that the FDA Commissioner develop a performance measurement plan prior to deploying the system at additional U.S. ports.	Closed - Implemented	2012
GAO-09-866	New Drug Approval: FDA Needs to Enhance its Oversight of Drugs	GAO recommends that FDA clarify the conditions under which it would utilize its	Closed - Not Implemented	2012

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
	Approved on the Basis of Surrogate Endpoints	authority to expedite the withdrawal of drugs under its accelerated approval process if sponsors either fail to complete required confirmatory studies with due diligence, or if studies are completed, but fail to demonstrate the clinical effectiveness of the drugs if sponsors either fail to complete required confirmatory studies with due diligence, or if studies are completed, but fail to demonstrate the clinical effectiveness of the drugs.		
GAO-09-649	School Meal Programs: Changes to Federal Agencies' Procedures Could Reduce Risk of School Children Consuming Recalled Food August 2009	To better ensure the safety of foods provided to children through the school meal programs, and to make improvements in three areas related to recalls affecting schools: interagency coordination; notification and instructions to states and schools; and monitoring effectiveness, the Secretary of HHS should direct FDA to revise FDA procedures to ensure analysis of its audit checks is documented, and any problems with recalls or audit checks affecting consignees involved with schools identified and acted upon.	Closed - Implemented	2012
GAO-	School Meal Programs:	To better ensure the safety of	Closed -	2012

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
09-649	Changes to Federal Agencies' Procedures Could Reduce Risk of School Children Consuming Recalled Food August 2009	foods provided to children through the school meal programs, and to make improvements in three areas related to recalls affecting schools: interagency coordination; notification and instructions to states and schools; and monitoring effectiveness, the Secretary of HHS should direct FDA to revise FDA procedures to ensure schools are included in audit checks, either by drawing a separate schools-only sample or providing a selection preference for schools.	Implemented	
GAO-09-649	School Meal Programs: Changes to Federal Agencies' Procedures Could Reduce Risk of School Children Consuming Recalled Food August 2009	To better ensure the safety of foods provided to children through the school meal programs, and to make improvements in three areas related to recalls affecting schools: interagency coordination; notification and instructions to states and schools; and monitoring effectiveness, the Secretary of HHS should direct FDA to revise the Recall Audit Check Report form to include a consignee prompt for schools.	Closed - Implemented	2012
GAO-09-649	School Meal Programs: Changes to Federal Agencies' Procedures	We recommend the Secretary of Agriculture direct the Food and Nutrition Service (FNS)	Closed - Implemented	2012

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
	Could Reduce Risk of School Children Consuming Recalled Food August 2009	and that the Secretary of HHS direct the Commissioner of the FDA to jointly establish a timeframe for completing a memorandum of understanding (MOD) on how FNS and FDA will communicate during FDA investigations and recalls that may involve USDA-commodities for the school meal programs, which could specifically address how FDA will include FNA in its pre-recall deliberations.		
GAO-09-807	Oversight of Clinical Investigators: Action Needed to Improve Timeliness and Enhance Scope of FDA's Debarment and Disqualification Processes for Medical Product Investigators	Monitor compliance with recently established time frames for debarment and disqualification proceedings and take appropriate action when those are not met.	Closed - Implemented	2012
GAO-09-807	Oversight of Clinical Investigators: Action Needed to Improve Timeliness and Enhance Scope of FDA's Debarment and Disqualification Processes for Medical Product Investigators	Amend FDA regulations to ensure that those who have engaged in misconduct found sufficiently serious to warrant disqualification for one investigational medical product are not able to continue to serve as clinical investigators for any.	Closed - Implemented	2012
GAO-09-581	Food and Drug Administration: FDA Faces Challenges	The Commissioner of FDA should establish a comprehensive and reliable	Closed - Implemented	2012

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
	Meeting Its Growing Medical Product Responsibilities and Should Develop Complete Estimates of Its Resource Needs	basis to substantiate the agency's estimates of its current and future resource needs in a manner consistent with the principles contained in our cost estimating and assessment guide. To do so, the Commissioner of FDA should develop an evidence-based estimate of the resources needed to fulfill all of its responsibilities.		
GAO-09-581	Food and Drug Administration: FDA Faces Challenges Meeting Its Growing Medical Product Responsibilities and Should Develop Complete Estimates of Its Resource Needs	The Commissioner of FDA should establish a comprehensive and reliable basis to substantiate the agency's estimates of its current and future resource needs in a manner consistent with the principles contained in our cost estimating and assessment guide. To do so, the Commissioner of FDA should assess the extent to which the agency is meeting its responsibilities.	Closed - Implemented	2012
GAO-09-581	Food and Drug Administration: FDA Faces Challenges Meeting Its Growing Medical Product Responsibilities and Should Develop Complete Estimates of Its Resource Needs	The Commissioner of FDA should establish a comprehensive and reliable basis to substantiate the agency's estimates of its current and future resource needs in a manner consistent with the principles contained in our cost estimating and	Closed - Implemented	2012

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		assessment guide. To do so, the Commissioner of FDA should gather data on the work the agency conducts to fulfill its responsibilities.		
HEHS-97-21	Medical Device Reporting: Improvements Needed in FDA's System for Monitoring Problems with Approved Devices	FDA's study of an adverse event reporting system based on a representative sample of user facilities should focus on whether this approach can provide manufacturers and FDA with the quantity and quality of information needed to rapidly identify and correct problems with devices that have varying usage rates.	Closed - Implemented	2012
GAO-08-970	Drug Safety: Better Data Management and More Inspections Are Needed to Strengthen FDA's Foreign Drug Inspection Program	To address weaknesses in FDA's oversight of foreign establishments manufacturing drugs for the U.S. market, the Commissioner of FDA should ensure that information on the classification of inspections with serious deficiencies is accurate in all FDA databases.	Closed - Implemented	2012
GAO-10-68	Drug Safety: FDA Has Begun Efforts to Enhance Postmarket Safety, but Additional Actions Are Needed	To address weaknesses in FDA's oversight of postmarket drug safety, the Commissioner of FDA should develop a comprehensive plan for transferring the additional regulatory authorities from OND to OSE that includes time frames for the transfer and steps to ensure resources	Closed - Not Implemented	2012

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		are properly aligned to allow OSE to assume these responsibilities.		
GAO-08-1047	Food Safety: Improvements Needed in FDA Oversight of Fresh Produce	To foster transparency and accountability, the Commissioner of FDA should provide specific information to the Congress and to the public on the strategies and resources for implementing the Food Protection Plan.	Closed - Not Implemented	2012
GAO-08-1047	Food Safety: Improvements Needed in FDA Oversight of Fresh Produce	To enhance FDA's authority to oversee fresh produce, the Commissioner of FDA should seek authority from the Congress to make explicit FDA's authority to adopt preventive controls for high-risk foods and to provide FDA enhanced access to firm records during food-related emergencies.	Closed - Implemented	2012
GAO-08-1047	Food Safety: Improvements Needed in FDA Oversight of Fresh Produce	To enhance FDA's oversight of fresh produce safety, Commissioner of FDA should see that the agency updates its good agricultural practices guidance for fresh produce to incorporate new knowledge about safe growing practices.	Closed - Implemented	2012
GAO-08-1047	Food Safety: Improvements Needed in FDA Oversight of Fresh Produce	To enhance FDA's oversight of fresh produce safety, Commissioner of FDA should see that the agency identifies approaches for obtaining	Closed - Implemented	2012

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		testing and other information from industry members to inform its research agenda.		
GAO-08-1047	Food Safety: Improvements Needed in FDA Oversight of Fresh Produce	To enhance FDA's oversight of fresh produce safety, Commissioner of FDA should see that the agency develop a plan for identifying research priorities and facilitating research related to fresh produce.	Closed - Implemented	2012
GAO-08-597	FDA Needs to Better Leverage Resources, Improve Oversight, and Effectively Use Available Data to Help Consumers Select Healthy Foods	The Commissioner, FDA, should better leverage resources to carry out food safety and other regulatory responsibilities, including administering and enforcing labeling requirements, by collaborating with other federal agencies and stakeholders experienced in nutrition and health issues, to evaluate labeling approaches and options for developing a simplified, empirically valid system that conveys overall nutritional quality to mitigate labels that are misleading to consumers.	Closed - Implemented	2012
GAO-08-597	FDA Needs to Better Leverage Resources, Improve Oversight, and Effectively Use Available Data to Help Consumers Select Healthy Foods	The Commissioner, FDA, should better leverage resources to carry out food safety and other regulatory responsibilities, including administering and enforcing	Closed - Implemented	2012

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		labeling requirements, by posting on FDA's public Web site periodic updates of the status of implementation of the Food Protection Plan, including goals achieved and time frames for completing the remaining work.		
GAO-08-597	FDA Needs to Better Leverage Resources, Improve Oversight, and Effectively Use Available Data to Help Consumers Select Healthy Foods	The Commissioner, FDA, should better leverage resources to carry out food safety and other regulatory responsibilities, including administering and enforcing labeling requirements, by providing Congress with specific, detailed information on the new statutory authorities identified in the Food Protection Plan, such as the authority to charge user fees, accredit third-party inspectors, and mandate food recalls, with specific information on how these authorities would help achieve its mission.	Closed - Implemented	2012
GAO-08-597	FDA Needs to Better Leverage Resources, Improve Oversight, and Effectively Use Available Data to Help Consumers Select Healthy Foods	The Commissioner, FDA, should ensure that the public has timely access to information on food labeling violations that may have serious health consequences by requiring all of the centers and offices to post on FDA's public	Closed - Implemented	2012

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		Web site, within a specified time frame, key information, such as all warning letters; statistics on serious enforcement actions (e.g., import refusals) by country, type of food, and the problem found (e.g., undeclared allergen); and information (e.g., product identification and exposure symptoms) on violations that FDA classifies as serious.		
GAO-08-597	FDA Needs to Better Leverage Resources, Improve Oversight, and Effectively Use Available Data to Help Consumers Select Healthy Foods	The Commissioner, FDA, should ensure that labeling office managers have the information they need to oversee compliance with food labeling statutes and regulations by tracking regulatory meetings related to food labeling violations and analyzing whether regulatory meetings are an effective use of resources.	Closed - Implemented	2012
GAO-08-597	FDA Needs to Better Leverage Resources, Improve Oversight, and Effectively Use Available Data to Help Consumers Select Healthy Foods	The Commissioner, FDA, should ensure that labeling office managers have the information they need to oversee compliance with food labeling statutes and regulations by analyzing violation data in routine management reports.	Closed - Implemented	2012
GAO-	FDA Needs to Better	The Commissioner, FDA,	Closed -	2012

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
08-597	Leverage Resources, Improve Oversight, and Effectively Use Available Data to Help Consumers Select Healthy Foods	should ensure that labeling office managers have the information they need to oversee compliance with food labeling statutes and regulations by maintaining, in a searchable format, data on food labeling violations, including the type of violation and information about corrective actions taken or, if no action was taken, the reason why.	Implemented	
GAO-06-402	Drug Safety: Improvement Needed in FDA's Postmarket Decision-making and Oversight Process	To improve the postmarket drug safety decision-making process, the Commissioner of FDA should, with input from the Drug Safety Oversight Board and the Process Improvement Teams, revise and implement the draft policy on major postmarket drug safety decisions.	Closed - Not Implemented	2012
GAO-09-581	Food and Drug Administration: FDA Faces Challenges Meeting Its Growing Medical Product Responsibilities and Should Develop Complete Estimates of Its Resource Needs	The Commissioner of FDA should establish a comprehensive and reliable basis to substantiate the agency's estimates of its current and future resource needs in a manner consistent with the principles contained in our cost estimating and assessment guide. To do so, the Commissioner of FDA should Conduct a	Closed - Implemented	2012

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		comprehensive assessment of the agency's staffing resources, including its contractor workforce.		
GAO-09-258	Seafood Fraud: FDA Program Changes and Better Collaboration among Key Federal Agencies Could Improve Detection and Prevention	To help reduce the prevalence of seafood fraud and improve FDA's actions to detect and prevent seafood fraud, we are recommending that the Commissioner of the Food and Drug Administration update the Fish and Fisheries Products Hazards and Controls Guidance to reflect the seafood labeling requirements of the Food Allergen Labeling and Consumer Protection Act of 2004.	Closed - Implemented	2013
GAO-09-355	Privacy and Security: Food and Drug Administration Faces Challenges in Establishing Protections for Its Postmarket Risk Analysis System	Ensuring consistent application of protections to all Sentinel partners; Limiting use of personal health information to a clear and specific purpose; Involving the public in the development of the system and informing the public of the program's planned uses of personal health information and privacy protections; Using de-identified data; Establishing comprehensive	Closed - Implemented	2013

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		security controls; Overseeing and enforcing key privacy requirements.		
GAO-09-610	Bottled Water: FDA Safety and Consumer Protections Are Often Less Stringent Than Comparable EPA Protections for Tap Water	Implement FDA's findings on methods that are feasible for conveying information about bottled water to customers, such as, at a minimum, requiring that companies provide on the label contact information directing customers how to obtain comprehensive information. Should FDA determine it lacks the necessary authority to implement its findings, it should seek legislation to obtain such authority.	Closed - Not Implemented	2013
GAO-09-807	Oversight of Clinical Investigators: Action Needed to Improve Timeliness and Enhance Scope of FDA's Debarment and Disqualification Processes for Medical Product Investigators	Pursue debarment authority for medical devices that is consistent with the current debarment authority for drugs and biologics and prohibit any debarred individual from involvement with drugs, biologics, and medical devices.	Closed - Not Implemented	2013
GAO-09-523	Information Technology: FDA Needs to Establish Key Plans and Processes for Guiding Systems Modernization Efforts	To help ensure the success of FDA's modernization efforts, the Commissioner of FDA should require the CIO to take expeditious actions to accelerate development of the segment and enterprise	Closed - Implemented	2013

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		architecture, including "as is," "to be," and transition plans, and in the meantime develop plans to manage the increased risk to modernization projects of proceeding without an architecture to guide and constrain their development.		
GAO-09-523	Information Technology: FDA Needs to Establish Key Plans and Processes for Guiding Systems Modernization Efforts	To help ensure the success of FDA's modernization efforts, the Commissioner of FDA should require the CIO to take expeditious actions to complete the criteria for setting priorities for the segment architecture and prioritize the segments.	Closed - Implemented	2013
GAO-09-523	Information Technology: FDA Needs to Establish Key Plans and Processes for Guiding Systems Modernization Efforts	Develop a documented EA program management plan that includes a detailed work breakdown of the tasks, activities, and time frames associated with developing the architecture, as well as the funding and the staff resources needed;	Closed - Implemented	2013
GAO-09-523	Information Technology: FDA Needs to Establish Key Plans and Processes for Guiding Systems Modernization Efforts	Set milestones and a completion date for developing a comprehensive IT strategic plan, including results oriented goals, strategies, milestones, performance measures, and an analysis of interdependencies among projects and activities, and use this plan to guide and	Closed - Implemented	2013

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		coordinate its modernization projects and activities.		
GAO-09-205	Federal Rulemaking: Improvements Needed to Monitoring and Evaluation of Rules Development as Well as to the Transparency of OMB Regulatory Reviews	To improve the monitoring and evaluation of rules development and the transparency of the review process, and to be consistent with internal controls for information in managing agency operations, the Administrator of EPA, the Commissioner of FDA, and the Chairman of SEC should each evaluate actual performance versus the targeted milestones and when they are different determine why.	Closed - Implemented	2013
GAO-09-205	Federal Rulemaking: Improvements Needed to Monitoring and Evaluation of Rules Development as Well as to the Transparency of OMB Regulatory Reviews	To improve the monitoring and evaluation of rules development and the transparency of the review process, and to be consistent with internal controls for information in managing agency operations, for significant rules, the Commissioner of FDA and the Chairman of SEC should routinely track major milestones in regulatory development and report internally and externally when major milestones are reached against established targets.	Closed - Implemented	2013

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
GAO-09-873	Food Safety: Agencies Need to Address Gaps in Enforcement and Collaboration to Enhance Safety of Imported Food	To better leverage state resources for protecting the safety of imported food, GAO recommends that the FDA Commissioner reach out to states to find opportunities for additional collaboration through contracts, cooperative agreements, and informal partnerships.	Closed - Implemented	2013
GAO-09-258	Seafood Fraud: FDA Program Changes and Better Collaboration among Key Federal Agencies Could Improve Detection and Prevention	To maximize the efficiency and effectiveness of each agency's efforts to detect and prevent seafood fraud and to increase interagency collaboration, improve information sharing, and reduce overlaps, we recommend that the Commissioner of Customs and Border Protection, the Under Secretary of Commerce for Oceans and Atmosphere, and Commissioner of the Food and Drug Administration develop goals, strategies, and mechanisms to share information and resources related to seafood fraud detection and prevention across agency boundaries.	Closed - Not Implemented	2013
GAO-12-225	Pediatric Medical Devices Provisions Support Development, but Better	The Commissioner of FDA should collect reliable information to report data related to pediatric medical	Closed - Implemented	2013

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
	Data Needed for Required Reporting	devices. Specifically, FDA should take steps to consistently collect information using its existing pediatric electronic flag or otherwise develop internal controls to readily and reliably collect and report information on devices for pediatric use.		
GAO-09-258	Seafood Fraud: FDA Program Changes and Better Collaboration among Key Federal Agencies Could Improve Detection and Prevention	To help reduce the prevalence of seafood fraud and improve FDA's actions to detect and prevent seafood fraud, we are recommending that the Commissioner of the Food and Drug Administration publicize the criteria FDA uses to revise the Seafood List, provide the opportunity for stakeholder comments prior to formalizing any changes to the list not required by law or regulation, and routinely update the public version of the list whenever FDA makes any changes.	Closed - Implemented	2013
GAO-09-250	Dietary Supplements: FDA Should Take Further Actions to Improve Oversight and Consumer Understanding	To improve consumer understanding about dietary supplements and better leverage existing resources, we recommend that the Secretary of the Department of Health and Human Services direct the Commissioner of FDA to coordinate with stakeholder groups involved in consumer	Closed - Implemented	2013

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		outreach to (1) identify additional mechanisms—such as the recent WebMD partnership—for educating consumers about the safety, efficacy, and labeling of dietary supplements, (2) implement these mechanisms, and (3) assess their effectiveness.		
GAO-09-250	Dietary Supplements: FDA Should Take Further Actions to Improve Oversight and Consumer Understanding	To improve the information available to FDA for identifying safety concerns and better enable FDA to meet its responsibility to protect the public health, we recommend that the Secretary of the Department of Health and Human Services direct the Commissioner of FDA to request authority to require dietary supplement companies to: • Identify themselves as a dietary supplement company as part of the existing registration requirements and update this information annually, • Provide a list of all dietary supplement products they sell and a copy of the labels and update this information annually, and • Report all adverse events	Closed - Implemented	2013

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		related to dietary supplements.		
GAO-01-754	Women's Health: Women Sufficiently Represented in New Drug Testing, but FDA Oversight Needs Improvement	The FDA should adopt management tools that will ensure drug sponsors' compliance with current regulations regarding the presentation of data by sex and that its reviewers' consistently and systematically discuss sex differences in their written reviews of NDAs. Specifically, FDA should promptly implement management tools, such as the proposed demographic worksheet and the standardized template for Medical Officer Reviews, that will allow the agency to determine if NDAs and IND annual reports are in compliance with regulations that mandate the presentation of available safety and efficacy outcome data for women in NDAs and the tabulation of study participants by sex in the annual reports.	Closed - Implemented	2013
GAO-09-60	Genetically Engineered Crops: Agencies Are Proposing Changes to Improve Oversight, but Could Take Additional Steps to Enhance Coordination and Monitoring	To reduce the risk and impact of unauthorized releases, we recommend that the Secretary of Agriculture and the FDA Commissioner develop a formal agreement to share information concerning GE crops with novel genetic traits	Closed - Implemented	2013

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		that, if unintentionally released into the food or feed supply, present or are likely to present public health concerns and, as a result, also could have negative financial consequences for the food and agriculture industry. With information from USDA about permits or notifications for field trials of such GE crops, FDA could identify which GE crops might benefit from an early food safety evaluation and encourage developers of those crops to participate in evaluations. With assistance from FDA, USDA could make meaningful and transparent use of the health evaluation data available through FDA's early food safety evaluations in its risk assessments of GE crops.		
GAO-12-46	Better Coordination Could Enhance Efforts to Address Economic Adulteration and Protect the Public Health	To enhance FDA's efforts to combat the economic adulteration of food and medical products, the Commissioner of FDA should adopt a working definition of economic adulteration	Closed - Implemented	2013
GAO-12-46	Better Coordination Could Enhance Efforts to Address Economic Adulteration and Protect the Public Health	To enhance FDA's efforts to combat the economic adulteration of food and medical products, the Commissioner of FDA should	Closed - Implemented	2013

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		enhance communication and coordination of agency efforts on economic adulteration.		
GAO-11-801	Antibiotic Resistance Agencies Have Made Limited Progress Addressing Antibiotic Use in Animals	To enhance surveillance of antibiotic-resistant bacteria in food animals, we recommend that the Secretaries of Agriculture and Health and Human Services direct agencies to, consistent with their existing authorities modify NARMS sampling to make the data more representative of antibiotic resistance in food animals and retail meat throughout the United States.	Closed - Implemented	2013
GAO-06-402	Drug Safety: Improvement Needed in FDA's Postmarket Decision-making and Oversight Process	To improve the postmarket drug safety decision-making process, the Commissioner of FDA should clarify ODS's role in FDA's scientific advisory committee meetings involving postmarket drug safety issues.	Closed - Implemented	2013
GAO-06-402	Drug Safety: Improvement Needed in FDA's Postmarket Decision-making and Oversight Process	To improve the postmarket drug safety decision-making process, the Commissioner of FDA should improve the Center for Drug Evaluation and Research's dispute resolution process by revising the pilot program to increase its independence.	Closed - Implemented	2013
GAO-	Seafood Fraud: FDA	To maximize the efficiency	Closed -	2013

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
09-258	Program Changes and Better Collaboration among Key Federal Agencies Could Improve Detection and Prevention	and effectiveness of each agency's efforts to detect and prevent seafood fraud and to increase interagency collaboration, improve information sharing, and reduce overlaps, we recommend that the Commissioner of Customs and Border Protection, the Under Secretary of Commerce for Oceans and Atmosphere, and Commissioner of the Food and Drug Administration create a federal agency-wide library of seafood species standards.	Implemented	
GAO-10-226	Human Capital: Continued Opportunities Exist for FDA and OPM to Improve Oversight of Recruitment, Relocation, and Retention Incentives	As FDA implements the results of its 2009 review of 3R incentives, the Commissioner of FDA should continue to strengthen FDA's internal controls for requesting, approving, and processing 3R incentives by updating the guidance for awarding 3R incentives to include the payment method used for retention incentives and all the conditions for terminating a retention incentive when no service agreement is required.	Closed - Implemented	2013
GAO-09-523	Information Technology: FDA Needs to Establish Key Plans and Processes	Develop a skills inventory, needs assessment, and gap analysis, and develop	Closed - Implemented	2013

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
	for Guiding Systems Modernization Efforts	initiatives to address skills gaps as part of a strategic approach to IT human capital planning.		
GAO-10-226	Human Capital: Continued Opportunities Exist for FDA and OPM to Improve Oversight of Recruitment, Relocation, and Retention Incentives	To better align the use of 3R incentives with the agency's human capital goals, the Commissioner of FDA should update FDA's strategic workforce plan to document the agency's recruitment and retention goals and strategies and as part of that update, identify indicators to better track the progress of 3R incentives over time in addressing the agency's recruitment and retention goals.	Closed - Implemented	2013
GAO-09-610	Bottled Water: FDA Safety and Consumer Protections Are Often Less Stringent Than Comparable EPA Protections for Tap Water	Issue a standard of quality regulation for DEHP, or publish in the Federal Register the agency's reasons for not doing so one year after the conclusion of its task force study on this matter.	Closed - Implemented	2013
GAO-10-226	Human Capital: Continued Opportunities Exist for FDA and OPM to Improve Oversight of Recruitment, Relocation, and Retention Incentives	As FDA implements the results of its 2009 review of 3R incentives, the Commissioner of FDA should continue to strengthen FDA's internal controls for requesting, approving, and processing 3R incentives by ensuring 3R incentive files are	Closed - Implemented	2013

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		properly completed and reviewed to address policy and regulatory requirements before the employees receive the incentive payments.		
GAO-11-607	FDA Needs to Reassess Its Approach to Reducing an Illness Caused by Eating Raw Oysters	To better ensure the safety of oysters from the Gulf of Mexico that are sold for raw consumption, the Secretary of Health and Human Services (HHS) should direct the Commissioner of FDA to work with the ISSC to conduct further study of the six issues of concern we identified regarding the FDA-commissioned Research Triangle Institute International (RTI) report's economic analysis to ensure a more accurate assessment of the feasibility of developing adequate capacity and before FDA and the ISSC move forward with revising the National Shellfish Sanitation Program's shellfish safety guidelines to provide postharvest processing for oysters harvested from Gulf Coast waters during warmer months and intended for raw consumption.	Closed - Implemented	2013
GAO-09-60	Genetically Engineered Crops: Agencies Are	To help ensure that unintended consequences arising from the	Closed - Not Implemented	2014

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
	Proposing Changes to Improve Oversight, but Could Take Additional Steps to Enhance Coordination and Monitoring	marketing of GE crops are detected and minimized, we recommend that the Secretary of Agriculture, the EPA Administrator, and the FDA Commissioner develop a coordinated strategy for monitoring marketed GE crops and use the results to inform their oversight of these crops. Such a strategy should adopt a risk-based approach to identifying the types of marketed GE crops that warrant monitoring, such as those with the greatest potential for affecting the environment or non-GE segments of agriculture, or those that might threaten the food safety through the unintentional introduction of pharmaceutical or industrial compounds into the food supply. The strategy should also identify criteria for determining when monitoring is no longer needed. In developing a strategy, the agencies should draw upon the analysis and conclusions of the National Research Council and the National Science and Technology Council.		
GAO-	Food Irradiation: FDA	To more effectively manage its	Closed -	2014

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
10-309R	Could Improve Its Documentation and Communication of Key Decisions on Food Irradiation Petitions	food irradiation petitions, GAO recommends that the Commissioner of the Food and Drug Administration direct the Office of Food Additive Safety to document its key decisions in its administrative files to be consistent with FDA regulations.	Implemented	
GAO-12-116	Drug Shortages FDA's Ability to Respond Should Be Strengthened	To strengthen FDA's ability to protect the public health through its response to drug shortages, the Commissioner of FDA should assess the resources allocated to the Drug Shortage Program to determine whether reallocation is needed to improve the agency's response to drug shortages.	Closed - Implemented	2014
GAO-11-102	Food Labeling: FDA Needs to Reassess Its Approach to Protecting Consumers from False or Misleading Claims	To ensure that the health-related claims on food labels are not false or misleading to consumers, the Secretary of Health and Human Services should direct the Commissioner of FDA to amend the "Compliance Program Guidance Manual" instructions to FDA inspectors for reviewing food labels during inspections of food facilities, to include steps for identifying potentially false or misleading structure/function claims for further review.	Closed - Not Implemented	2014

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
GAO-10-279	Food and Drug Administration: Opportunities Exist to Better Address Management Challenges	To more strategically manage its human capital, the Commissioner of FDA should develop a strategic human capital plan and issue an updated workforce plan.	Closed - Implemented	2014
GAO-11-102	Food Labeling: FDA Needs to Reassess Its Approach to Protecting Consumers from False or Misleading Claims	To ensure that the health-related claims on food labels are not false or misleading to consumers, the Secretary of Health and Human Services should direct the Commissioner of FDA to identify and request from Congress the authorities needed to access evidence from food companies regarding potentially false or misleading structure/function or other claims on food that would allow the agency to establish whether there is scientific support for the claims.	Closed - Not Implemented	2014
GAO-10-309R	Food Irradiation: FDA Could Improve Its Documentation and Communication of Key Decisions on Food Irradiation Petitions	To more effectively manage its food irradiation petitions, GAO recommends that the Commissioner of the Food and Drug Administration direct the Office of Food Additive Safety to communicate its key decisions to its petitioners and, for the new petitions, the status of its decision making, consistent with regulatory	Closed - Implemented	2014

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		timeframes to be consistent with FDA regulations.		
GAO-11-468	Medical Devices FDA Should Enhance Its Oversight of Recalls	To enhance FDA's oversight of medical device recalls, and in particular, those medical device recalls that pose the highest risk, the Commissioner of FDA should develop explicit criteria for assessing whether recalling firms have performed an effective correction or removal action.	Closed - Implemented	2014
GAO-08-970	Drug Safety: Better Data Management and More Inspections Are Needed to Strengthen FDA's Foreign Drug Inspection Program	To address weaknesses in FDA's oversight of foreign establishments manufacturing drugs for the U.S. market, the Commissioner of FDA should enforce the requirement that establishments manufacturing drugs for the U.S. market update their registration annually.	Closed - Implemented	2014
GAO-08-970	Drug Safety: Better Data Management and More Inspections Are Needed to Strengthen FDA's Foreign Drug Inspection Program	To address weaknesses in FDA's oversight of foreign establishments manufacturing drugs for the U.S. market, the Commissioner of FDA should establish mechanisms for verifying information provided by the establishment at the time of registration.	Closed - Implemented	2014
GAO-11-468	Medical Devices FDA Should Enhance Its Oversight of Recalls	To enhance FDA's oversight of medical device recalls, and in particular, those medical device recalls that pose the	Closed - Implemented	2014

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		highest risk, the Commissioner of FDA should document the agency's basis for terminating individual recalls.		
GAO-10-279	Food and Drug Administration: Opportunities Exist to Better Address Management Challenges	To more clearly demonstrate the alignment of activities to strategic goals, the Commissioner of FDA should direct each of the agency's main centers and offices to clearly align their program activities to FDA's strategic goals in documents, such as the budget request or center- and office-level documents.	Closed - Implemented	2014
GAO-11-468	Medical Devices FDA Should Enhance Its Oversight of Recalls	To enhance FDA's oversight of medical device recalls, and in particular, those medical device recalls that pose the highest risk, the Commissioner of FDA should clarify procedures for conducting medical device recall audit checks to improve the ability of investigators to perform these checks in a consistent manner.	Closed - Implemented	2014
GAO-11-468	Medical Devices - FDA Should Enhance Its Oversight of Recalls	To enhance FDA's oversight of medical device recalls, and in particular, those medical device recalls that pose the highest risk, the Commissioner of FDA should create a program to routinely and systematically assess medical	Closed - Implemented	2014

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		device recall information, and use this information to proactively identify strategies for mitigating health risks presented by defective or unsafe devices. This assessment should be designed, at a minimum, to identify trends in the numbers and types of recalls, devices most frequently being recalled, and underlying causes of recalls.		
GAO-10-279	Food and Drug Administration: Opportunities Exist to Better Address Management Challenges	To encourage greater use of performance information, the Commissioner of FDA should work to build FDA's capacity to collect and analyze performance information by expanding training for managers on topics related to performance information.	Closed - Implemented	2014
GAO-12-346	Information Technology FDA Needs to Fully Implement Key Management Practices to Lessen Modernization Risks	To help ensure the success of FDA's modernization efforts, the Commissioner of FDA should direct the CIO to assess information-sharing needs and capabilities of the Center for Food Safety and Applied Nutrition (CFSAN) to identify potential areas of improvements needed to achieve more efficient information sharing among databases and develop a plan	Closed - Implemented	2015

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		for implementing these improvements.		
GAO-09-250	Dietary Supplements: FDA Should Take Further Actions to Improve Oversight and Consumer Understanding	To help ensure that companies follow the appropriate laws and regulations and renew a recommendation we made in July 2000, we recommend that the Secretary of the Department of Health and Human Services direct the Commissioner of FDA to provide guidance to industry to clarify when products should be marketed as either dietary supplements or foods with added dietary ingredients.	Closed - Implemented	2015
GAO-12-346	Information Technology FDA Needs to Fully Implement Key Management Practices to Lessen Modernization Risks	help ensure the success of FDA's modernization efforts, the Commissioner of FDA should direct the CIO to take immediate steps to identify all of FDA's IT systems and develop an inventory that includes information describing each system, such as costs, system function or purpose, and status information, and incorporate use of the system portfolio into the agency's IT investment management process.	Closed - Implemented	2015
GAO-11-286	Seafood Safety: FDA Needs to Improve Oversight of Imported Seafood and Better	To better ensure the safety of seafood imports, the Secretary of Health and Human Services should direct the	Closed - Not Implemented	2015

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
	Leverage Limited Resources	Commissioner of FDA to develop a more comprehensive import sampling program for seafood by more effectively using its laboratory resources and taking into account the imported seafood sampling programs of other entities and countries.		
GAO-11-286	Seafood Safety: FDA Needs to Improve Oversight of Imported Seafood and Better Leverage Limited Resources	To better ensure the safety of seafood imports, the Secretary of Health and Human Services should direct the Commissioner of FDA to study the feasibility of adopting other practices used by other entities, such as requiring foreign countries that want to export seafood to the United States to develop a national residues monitoring plan to control the use of aquaculture drugs, to more efficiently ensure the safety of imported seafood and report its findings to the Secretary.	Closed - Not Implemented	2015
GAO-09-258	Seafood Fraud: FDA Program Changes and Better Collaboration among Key Federal Agencies Could Improve Detection and Prevention	To help reduce the prevalence of seafood fraud and improve FDA's actions to detect and prevent seafood fraud, we are recommending that the Commissioner of the Food and Drug Administration propose amendments to FDA's seafood HACCP regulations to include	Closed - Not Implemented	2015

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		requirements that covered facilities include control points that can be used to identify and mitigate economic fraud risks.		
GAO-11-457	Pediatric Research: Products Studied under Two Related Laws, but Improved Tracking Needed by FDA	The Commissioner of FDA should move expeditiously to track applications upon their submission and throughout its review process and maintain aggregate data, including the total number of applications that are subject to PREA and whether those applications include pediatric studies.	Closed - Implemented	2015
GAO-11-286	Seafood Safety: FDA Needs to Improve Oversight of Imported Seafood and Better Leverage Limited Resources	To better ensure the safety of seafood imports, the Secretary of Health and Human Services should direct the Commissioner of FDA to develop a strategic approach with specific time frames for enhancing collaborative efforts with NMFS and better leveraging NMFS inspection resources.	Closed - Not Implemented	2015
GAO-15-202	Drug Shortages: Better Management of the Quota Process for Controlled Substances Needed: Coordination between DEA and FDA should be improved	To strengthen DEA's and FDA's ability to respond to shortages of drugs containing controlled substances, the Administrator of DEA and the Commissioner of FDA should promptly update the MOU between the two agencies.	Closed - Implemented	2015
GAO-10-221	Food and Drug Administration:	To assess whether OCI's criminal investigative program	Closed - Not Implemented	2015

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
	Improved Monitoring and Development of Performance Measures Needed to Strengthen Oversight of Criminal and Misconduct Investigations	is achieving its desired results, the Secretary of HHS should instruct the Commissioner of FDA to establish performance measures and assess program results against them.		
GAO-10-221	Food and Drug Administration: Improved Monitoring and Development of Performance Measures Needed to Strengthen Oversight of Criminal and Misconduct Investigations	To ensure OIA's compliance with investigative policies, the Secretary of HHS should instruct the Commissioner of FDA to establish a review procedure for the assessment of OIA's compliance with its investigative policies.	Closed - Implemented	2015
GAO-10-221	Food and Drug Administration: Improved Monitoring and Development of Performance Measures Needed to Strengthen Oversight of Criminal and Misconduct Investigations	To ensure OCI's compliance with investigative policies the Secretary of Health and Human Services (HHS) should instruct the Commissioner of FDA to have regular assessments of OCI's field offices conducted in accordance with its existing policy.	Closed - Implemented	2015
GAO-10-246	Food Safety: FDA Should Strengthen Its Oversight of Food Ingredients Determined to Be Generally Recognized as Safe (GRAS)	To better ensure FDA's oversight of the safety of GRAS substances, GAO recommends that the Commissioner of FDA develop a strategy to help ensure the safety of engineered nanomaterials that companies market as GRAS substances	Closed - Implemented	2015

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		without the agency's knowledge, including taking steps such as issuing guidance recommended by the agency's nanotechnology taskforce, developing an agency definition of engineered nanomaterials, and requiring companies to inform FDA if their GRAS determinations involve engineered nanomaterials.		
GAO-11-102	Food Labeling: FDA Needs to Reassess Its Approach to Protecting Consumers from False or Misleading Claims	To ensure that the health-related claims on food labels are not false or misleading to consumers, the Secretary of Health and Human Services should direct the Commissioner of FDA to provide guidance to industry on the type and strength of scientific evidence needed to prevent false or misleading information in a structure/function claim.	Closed - Not Implemented	2015
GAO-16-513	Information Security: FDA Needs to Rectify Control Weaknesses That Place Industry and Public Health Data at Risk	Recommendation: To effectively implement key elements of the FDA's information security program, the Secretary of Health and Human Services should direct the Commissioner of FDA to develop a policy for system maintenance.	Closed - Implemented	2016
GAO-	Information Security:	Recommendation: To	Closed -	2016

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
16-513	FDA Needs to Rectify Control Weaknesses That Place Industry and Public Health Data at Risk	effectively implement key elements of the FDA's information security program, the Secretary of Health and Human Services should direct the Commissioner of FDA to test controls at least annually for the two systems that support FDA's scientific research and IT infrastructure.	Implemented	
GAO-12-218	Antibiotics FDA Needs to Do More to Ensure That Drug Labels Contain Up-to-Date Information	To help ensure that antibiotics are accurately labeled, the Commissioner of FDA should take steps to obtain breakpoint information from sponsors that have not yet submitted breakpoint information in response to the 2008 letters sent by the agency.	Closed - Implemented	2016
GAO-12-218	Antibiotics FDA Needs to Do More to Ensure That Drug Labels Contain Up-to-Date Information	To help ensure that antibiotics are accurately labeled, the Commissioner of FDA should expeditiously review sponsors' submissions regarding the breakpoints on their antibiotics' labels.	Closed - Implemented	2016
GAO-16-513	Information Security: FDA Needs to Rectify Control Weaknesses That Place Industry and Public Health Data at Risk	Recommendation: To effectively implement key elements of the FDA's information security program, the Secretary of Health and Human Services should direct the Commissioner of FDA to review and approve security plans for the six systems	Closed - Implemented	2016

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		reviewed at least annually.		
GAO-13-244	Dietary Supplements: FDA May Have Opportunities to Expand Its Use of Reported Health Problems to Oversee Products	To enhance FDA's ability to use AERs and to oversee dietary supplement products, the Secretary of the Department of Health and Human Services should direct the Commissioner of FDA to implement the agency's efforts to facilitate industry reporting of mandatory AERs electronically.	Closed - Implemented	2016
GAO-12-589	FDA's Food Advisory and Recall Process Needs Strengthening	Recommendation: To address FDA's communication challenges in advising the public about food recalls and outbreaks, the Secretary of Health and Human Services should direct the Commissioner of FDA to implement recommendations following from our prior work and others' input to consult with USDA on lessons learned in advising consumers about recalls to determine whether any of United States Department of Agriculture's (USDA) practices may be feasible at FDA, as consistent with applicable law.	Closed - Not Implemented	2016
GAO-16-513	Information Security: FDA Needs to Rectify Control Weaknesses That	Recommendation: To effectively implement key elements of the FDA's information security program,	Closed - Implemented	2016

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
	Place Industry and Public Health Data at Risk	the Secretary of Health and Human Services should direct the Commissioner of FDA to ensure that completed risk assessments for six systems reviewed address the likelihood and impact of threats to FDA.		
GAO-08-1047	Food Safety: Improvements Needed in FDA Oversight of Fresh Produce	To enhance FDA's oversight of fresh produce safety, Commissioner of FDA should see that the agency updates its current good manufacturing practice regulations for food to incorporate new knowledge about the food industry and safe manufacturing, processing, and holding practices.	Closed - Implemented	2016
GAO-16-513	Information Security: FDA Needs to Rectify Control Weaknesses That Place Industry and Public Health Data at Risk	Recommendation: To effectively implement key elements of the FDA's information security program, the Secretary of Health and Human Services should direct the Commissioner of FDA to complete a risk assessment and authorization to operate for one FDA system.	Closed - Implemented	2016
GAO-12-46	Food and Drug Administration Better Coordination Could Enhance Efforts to Address Economic Adulteration and Protect	To enhance FDA's efforts to combat the economic adulteration of food and medical products, the Commissioner of FDA should provide written guidance to	Closed - Not Implemented	2016

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
	the Public Health	agency centers and offices on the means of addressing economic adulteration.		
GAO-14-194	Drug Shortages: Public Health Threat Continues, Despite Efforts to Help Ensure Product Availability	To enhance its oversight of drug shortages, particularly as the agency fine-tunes the manner in which it gathers data on shortages and transitions from its database to a more robust system, the Commissioner of FDA should develop policies and procedures for the use of the existing drug shortages database (and, ultimately, the new drug shortages information system) to ensure staff enter information into the database in a consistent manner and to ensure the accuracy of the information in the database.	Closed - Implemented	2016
GAO-02-566	Experts View Regimen of Safety Tests as Adequate, but FDA's Evaluation Process Could Be Enhanced	To enhance FDA's safety evaluations of GM foods, the Deputy Commissioner of Food and Drugs should direct the agency's Center for Food Safety and Applied Nutrition to obtain, on a random basis, raw test data from companies, during or after consultations, as a means of verifying the completeness and accuracy of the summary test data submitted by companies.	Closed - Not Implemented	2016

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
GAO-12-589	FDA's Food Advisory and Recall Process Needs Strengthening	Recommendation: To strengthen FDA's process for ordering recalls, the Secretary of Health and Human Services should direct the Commissioner of FDA to document FDA's process for ordering food recalls in publicly available procedures.	Closed - Implemented	2016
GAO-16-513	Information Security: FDA Needs to Rectify Control Weaknesses That Place Industry and Public Health Data at Risk	Recommendation: To effectively implement key elements of the FDA's information security program, the Secretary of Health and Human Services should direct the Commissioner of FDA to develop and document a security plan for one system supporting FDA's scientific research.	Closed - Implemented	2016
GAO-12-218	Antibiotics FDA Needs to Do More to Ensure That Drug Labels Contain Up-to-Date Information	To help ensure that antibiotics are accurately labeled, the Commissioner of FDA should ensure that all sponsors responsible for the annual review of breakpoints on their antibiotics' labels—including discontinued brand-name antibiotics and reference-listed antibiotics designated since 2008—have been reminded of their responsibility to evaluate and maintain up-to-date breakpoints.	Closed - Not Implemented	2016
GAO-	Information Security:	Recommendation: To	Closed -	2016

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
16-513	FDA Needs to Rectify Control Weaknesses That Place Industry and Public Health Data at Risk	effectively implement key elements of the FDA's information security program, the Secretary of Health and Human Services should direct the Commissioner of FDA to update FDA's incident response policy in accordance with agency requirements.	Implemented	
GAO-12-218	Antibiotics FDA Needs to Do More to Ensure That Drug Labels Contain Up-to-Date Information	To help ensure that antibiotics are accurately labeled, the Commissioner of FDA should establish a process to track sponsors' submissions of breakpoint information included in their annual reports to ensure that such information is submitted to FDA and reviewed by the agency in a timely manner.	Closed - Not Implemented	2016
GAO-12-218	Antibiotics FDA Needs to Do More to Ensure That Drug Labels Contain Up-to-Date Information	To help ensure that antibiotics are accurately labeled, the Commissioner of FDA should notify sponsors when one of their drugs becomes or ceases to be a reference-listed drug.	Closed - Not Implemented	2016
GAO-10-279	Food and Drug Administration: Opportunities Exist to Better Address Management Challenges	To more clearly demonstrate alignment of resources to strategic goals, once FDA creates a more results-oriented set of performance measures, the Commissioner of FDA should direct FDA's centers and offices to track their workload by strategic goals.	Closed - Not Implemented	2016

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
GAO-10-279	Food and Drug Administration: Opportunities Exist to Better Address Management Challenges	To help decision makers more effectively gauge agency progress, the Commissioner of FDA should work to make FDA's performance measures more results-oriented.	Closed - Not Implemented	2016
GAO-12-218	Antibiotics FDA Needs to Do More to Ensure That Drug Labels Contain Up-to-Date Information	To help ensure that antibiotics are accurately labeled, the Commissioner of FDA should clarify or provide new guidance on which antibiotic sponsors are responsible for annually evaluating and maintaining up-to-date breakpoints on drug labels.	Closed - Not Implemented	2016
GAO-12-116	Drug Shortages FDA's Ability to Respond Should Be Strengthened	To strengthen FDA's ability to protect the public health through its response to drug shortages, the Commissioner of FDA should ensure that FDA's strategic plan articulates goals and priorities for maintaining the availability of all medically necessary drugs--including generic drugs.	Closed - Implemented	2016
GAO-12-589	FDA's Food Advisory and Recall Process Needs Strengthening	Recommendation: To strengthen FDA's process for ordering recalls, the Secretary of Health and Human Services should direct the Commissioner of FDA to identify and implement ways to improve information sharing among its databases that contain recall data.	Closed - Implemented	2016

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
GAO-11-801	Antibiotic Resistance Agencies Have Made Limited Progress Addressing Antibiotic Use in Animals	To better focus future federal research efforts on alternatives to current antibiotic use practices, the Secretaries of Agriculture and Health and Human Services should direct agencies to (1) assess previous research efforts on alternatives and identify gaps where additional research is needed, in collaboration with the animal production industry, and (2) specify steps in the draft 2010 interagency plan that agencies will take to fill those gaps.	Closed - Not Implemented	2016
GAO-12-589	FDA's Food Advisory and Recall Process Needs Strengthening	Recommendation: To address FDA's communication challenges in advising the public about food recalls and outbreaks, the Secretary of Health and Human Services should direct the Commissioner of FDA to implement recommendations from the Institute of Medicine and National Research Council to develop, in conjunction with other federal agencies, a coordinated plan for crisis communications.	Closed - Not Implemented	2016
GAO-12-933	FDA Can Better Oversee Food Imports by Assessing and Leveraging Other	To better leverage the oversight resources of foreign countries and ensure the safety of food imports, the Secretary	Closed - Not Implemented	2016

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
	Countries' Oversight Resources	of Health and Human Services should direct the Commissioner of FDA to revise FDA's comparability approach to one that allows for the flexibility of assessing foreign food safety systems for particular food products, such as seafood, when a full comparability assessment of foreign countries' food safety systems may not be feasible.		
GAO-12-816	FDA Should Expand Its Consideration of Information Security for Certain Types of Devices	Recommendation: To better ensure the safety and effectiveness of active implantable medical devices, the Secretary of Health and Human Services should direct the Commissioner of FDA to develop and implement a more comprehensive plan to assist the agency in enhancing its review and surveillance of medical devices as technology evolves, and that will incorporate the multiple aspects of information security. This plan should include, at a minimum, four actions, such as determining how FDA can (1) increase its focus on manufacturers' identification of potential unintentional and intentional threats, vulnerabilities, the	Closed - Implemented	2016

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		resulting information security risks, and strategies to mitigate these risks during its PMA review process; (2) utilize available resources, including those from other entities, such as other federal agencies; (3) leverage its postmarket efforts to identify and investigate information security problems; and (4) establish specific milestones for completing this review and implementing these changes.		
GAO-12-589	FDA's Food Advisory and Recall Process Needs Strengthening	Recommendation: To strengthen FDA's process for ordering recalls, the Secretary of Health and Human Services should direct the Commissioner of FDA to document definitions for categories of ordered recalls in the agency's central recall database.	Closed - Implemented	2016
GAO-12-589	FDA's Food Advisory and Recall Process Needs Strengthening	Recommendation: To address FDA's communication challenges in advising the public about food recalls and outbreaks, the Secretary of Health and Human Services should direct the Commissioner of FDA to implement recommendations from FDA's risk communication committee to	Closed - Not Implemented	2016

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		develop a policy for communications during emerging events.		
GAO-11-607	Food Safety: Needs to Reassess Its Approach to Reducing an Illness Caused by Eating Raw Oysters	To better ensure the safety of oysters from the Gulf of Mexico that are sold for raw consumption, the Secretary of Health and Human Services (HHS) should direct the Commissioner of FDA to work with the ISSC to agree on a nationwide goal for reducing the number of V. vulnificus illnesses caused by the consumption of Gulf Coast raw oysters and develop strategies to achieve that goal, recognizing that consumer education and time and temperature controls have not resulted in achievement of the 60 percent V. vulnificus illness rate reduction goal and that the capacity to use postharvest processing on Gulf Coast oysters harvested from April through October that are intended for raw consumption does not currently exist.	Closed - Not Implemented	2016
GAO-11-607	Food Safety: Needs to Reassess Its Approach to Reducing an Illness Caused by Eating Raw Oysters	To better ensure the safety of oysters from the Gulf of Mexico that are sold for raw consumption, the Secretary of Health and Human Services (HHS) should direct the	Closed - Not Implemented	2016

GAO Closed Recommendations—August 2017				
Report Number	**Final Report Title**	**Recommendation**	**GAO Status**	**Yr. Rec Closed by GAO**
		Commissioner of FDA to work with the ISSC to correct the limitations in the current approach to measuring progress toward the 60 percent V. vulnificus illness rate reduction goal or design and implement a new approach without these limitations.		
GAO-11-607	Food Safety: Needs to Reassess Its Approach to Reducing an Illness Caused by Eating Raw Oysters	To better ensure the safety of oysters from the Gulf of Mexico that are sold for raw consumption, the Secretary of Health and Human Services (HHS) should direct the Commissioner of FDA to work with the ISSC to regularly evaluate the effectiveness of V. vulnificus illness reduction strategies, such as consumer education and time and temperature controls, to determine whether they are successful and should be continued or are ineffective and should be stopped.	Closed - Not Implemented	2016
GAO-12-116	Drug Shortages FDA's Ability to Respond Should Be Strengthened	To strengthen FDA's ability to protect the public health through its response to drug shortages, the Commissioner of FDA should develop results-oriented performance metrics to assess and quantify the implementation of the agency's goals and FDA's	Closed - Implemented	2016

GAO Closed Recommendations—August 2017				
Report Number	Final Report Title	Recommendation	GAO Status	Yr. Rec Closed by GAO
		response to drug shortages.		

GAO Open Recommendations - August 2017		
Report Number	**Final Report Title**	**Recommendation**
GAO-08-970	Drug Safety: Better Data Management and More Inspections Are Needed to Strengthen FDA's Foreign Drug Inspection Program	To address weaknesses in FDA's oversight of foreign establishments manufacturing drugs for the U.S. market, the Commissioner of FDA should conduct timely inspections of foreign establishments that have received warning letters to determine continued compliance.
GAO-09-190	Medical Devices: FDA Should Take Steps to Ensure That High-Risk Device Types Are Approved through the Most Stringent Premarket Review Process	GAO recommends that FDA expeditiously take steps to issue regulations for class III device types currently allowed to enter the market via the 510(k) process by requiring PMAs or reclassifying them to a lower class.
GAO-09-250	Dietary Supplements: FDA Should Take Further Actions to Improve Oversight and Consumer Understanding	To better enable FDA to meet its responsibility to regulate dietary supplements that contain new dietary ingredients, we recommend that the Secretary of the Department of Health and Human Services direct the Commissioner of FDA to issue guidance to clarify when an ingredient is considered a new dietary ingredient, the evidence needed to document the safety of new dietary ingredients, and appropriate methods for establishing ingredient identity.
GAO-10-246	Food Safety: FDA Should Strengthen Its Oversight of Food Ingredients Determined to Be Generally Recognized as Safe (GRAS)	To better ensure FDA's oversight of the safety of GRAS substances, GAO recommends that the Commissioner of FDA develop a strategy to minimize the potential for conflicts of interest in companies' GRAS determinations, including taking steps such as issuing guidance for companies on conflict of interest and requiring

GAO Open Recommendations - August 2017		
Report Number	**Final Report Title**	**Recommendation**
		information in GRAS notices regarding expert panelists' independence.
GAO-10-246	Food Safety: FDA Should Strengthen Its Oversight of Food Ingredients Determined to Be Generally Recognized as Safe (GRAS)	To better ensure FDA's oversight of the safety of GRAS substances, GAO recommends that the Commissioner of FDA develop a strategy to monitor the appropriateness of companies' GRAS determinations through random audits or some other means, including issuing guidance on how to document GRAS determinations.
GAO-10-960	Food and Drug Administration: Overseas Offices Have Taken Steps to Help Ensure Import Safety, but More Long-Term Planning Is Needed	To help ensure that FDA's overseas offices are able to fully meet their mission of helping to ensure the safety of imported products, the Commissioner of FDA should ensure, as it completes its strategic planning process for the overseas offices, that it develops a set of performance goals and measures that can be used to demonstrate overseas office contributions to long-term outcomes related to the regulation of imported products and that overseas office activities are coordinated with the centers and Office of Regulatory Affairs (ORA).
GAO-11-801	Antibiotic Resistance Agencies Have Made Limited Progress Addressing Antibiotic Use in Animals	To track the effectiveness of policies to curb antibiotic resistance, including FDA's voluntary strategy designed to reduce antibiotic use in food animals and to address action items in the surveillance focus area of the 2001 interagency plan, the Secretaries of Agriculture and Health and Human Services should direct agencies to, consistent with their existing authorities, (1) identify potential approaches for collecting detailed data on antibiotic use in food animals, including the species in which antibiotics are used and the purpose for their use, as well as the costs, time frames, and potential trade-offs associated with each approach; (2) collaborate with industry to select the best approach; (3) seek any resources

GAO Open Recommendations - August 2017		
Report Number	**Final Report Title**	**Recommendation**
		necessary to implement the approach; and (4) use the data to assess the effectiveness of policies to curb antibiotic resistance.
GAO-12-116	Drug Shortages FDA's Ability to Respond Should Be Strengthened	To strengthen FDA's ability to protect the public health through its response to drug shortages, the Commissioner of FDA should develop an information system that will enable the Drug Shortage Program to manage its daily workload in a systematic manner, track data about drug shortages--including their causes and FDA's response--and share information across FDA offices regarding drugs that are in short supply.
GAO-12-346	Information Technology FDA Needs to Fully Implement Key Management Practices to Lessen Modernization Risks	To help ensure the success of FDA's modernization efforts, the Commissioner of FDA should direct the CIO to, in completing the assessment of Mission Accomplishments and Regulatory Compliance Services (MARCS), develop an integrated master schedule (IMS) that (1) identifies which legacy systems will be replaced and when; (2) identifies all current and future tasks to be performed by contractors and FDA; and (3) defines and incorporates information reflecting resources and critical dependencies.
GAO-12-346	Information Technology FDA Needs to Fully Implement Key Management Practices to Lessen Modernization Risks	To help ensure the success of FDA's modernization efforts, the Commissioner of FDA should direct the CIO to monitor progress of MARCS against the integrated master schedule IMS.
GAO-12-589	FDA's Food Advisory and Recall Process Needs Strengthening	Recommendation: To strengthen FDA's process for ordering recalls, the Secretary of Health and Human Services should direct the Commissioner of FDA to document FDA's process for ordering food recalls in regulations or industry guidance to include information on how the agency will weigh evidence on whether a recall is necessary.

GAO Open Recommendations - August 2017		
Report Number	**Final Report Title**	**Recommendation**
GAO-13-244	Dietary Supplements: FDA May Have Opportunities to Expand Its Use of Reported Health Problems to Oversee Products	To enhance FDA's ability to use AERs and to oversee dietary supplement products, the Secretary of the Department of Health and Human Services should direct the Commissioner of FDA to determine what additional information FDA can provide to the public about dietary supplement AERs consistent with existing law and make the information publicly available and readily accessible on its website.
GAO-13-244	Dietary Supplements: FDA May Have Opportunities to Expand Its Use of Reported Health Problems to Oversee Products	To enhance FDA's ability to use AERs and to oversee dietary supplement products, the Secretary of the Department of Health and Human Services should direct the Commissioner of FDA to establish a time frame for issuing final guidance for the draft (1) New Dietary Ingredient (NDI) guidance and (2) guidance clarifying whether a liquid product may be labeled and marketed as a dietary supplement or as a conventional food with added ingredients.
GAO-13-244	Dietary Supplements: FDA May Have Opportunities to Expand Its Use of Reported Health Problems to Oversee Products	To enhance FDA's ability to use AERs and to oversee dietary supplement products, the Secretary of the Department of Health and Human Services should direct the Commissioner of FDA to incorporate a mechanism to collect information on when AERs are used to support and inform consumer protection actions (i.e., surveillance, advisory, and regulatory actions).
GAO-13-244	Dietary Supplements: FDA May Have Opportunities to Expand Its Use of Reported Health Problems to Oversee Products	To enhance FDA's ability to use AERs and to oversee dietary supplement products, the Secretary of the Department of Health and Human Services should direct the Commissioner of FDA to continue efforts to explore all possible options to obtain poison center data if the agency determines that the data could inform FDA's ability to identify potential safety concerns from adverse event reports for dietary supplements.

GAO Open Recommendations - August 2017		
Report Number	**Final Report Title**	**Recommendation**
GAO-13-702	Drug Compounding: Clear Authority and More Reliable Data Needed to Strengthen FDA Oversight	The Secretary of Health and Human Services should direct the Commissioner of the FDA to take steps to consistently collect reliable and timely information in FDA's existing databases on inspections and enforcement actions associated with compounded drugs.
GAO-13-702	Drug Compounding: Clear Authority and More Reliable Data Needed to Strengthen FDA Oversight	The Secretary of Health and Human Services should direct the Commissioner of the FDA to clearly differentiate in FDA's database, those manufacturers of FDA approved drugs that FDA inspects for compliance with good manufacturing practices from those entities compounding drugs that are not FDA-approved and that FDA does not routinely inspect.
GAO-13-723	New Tobacco Products: FDA Needs to Set Time Frames for Its Review Process	To improve CTP's ability to operate efficiently, achieve effective results, and plan appropriately, the Secretary of Health and Human Services should direct the Commissioner of FDA to establish performance measures that include time frames for making final decisions on SE submissions and Exemption from SE submissions.
GAO-13-723:	New Tobacco Products: FDA Needs to Set Time Frames for Its Review Process	To improve CTP's ability to operate efficiently, achieve effective results, and plan appropriately, the Secretary of Health and Human Services should direct the Commissioner of FDA to monitor FDA's performance relative to those time frames, such as evaluating whether staff are performing reviews of these submissions efficiently and effectively.
GAO-14-194	Drug Shortages: Public Health Threat Continues, Despite Efforts to Help Ensure Product Availability	To enhance its oversight of drug shortages, particularly as the agency fine-tunes the manner in which it gathers data on shortages and transitions from its database to a more robust system, the Commissioner of FDA should conduct periodic analyses using the existing drug

GAO Open Recommendations - August 2017		
Report Number	**Final Report Title**	**Recommendation**
		shortages database (and, eventually, the new drug shortages information system) to routinely and systematically assess drug shortage information, and use this information proactively to identify risk factors for potential drug shortages early, thereby potentially helping FDA to recognize trends, clarify causes, and resolve problems before drugs go into short supply.
GAO-14-289	Pesticide Safety: Improvements Needed in EPA's Good Laboratory Practices Inspection Program	In addition, the EPA Administrator and the FDA Commissioner should develop a formal written agreement, such as a memorandum of understanding, that outlines how the two agencies plan to regularly collaborate and share information on GLP inspections and avoid duplication of inspections so that EPA can more efficiently use its limited resources.
GAO-15-183	Food Safety: Additional actions needed to help FDA's foreign offices ensure safety to imported food	To help ensure the safety of food imported into the United States, the Commissioner of Food and Drugs should complete an analysis to determine the annual number of foreign food inspections that is sufficient to ensure comparable safety of imported and domestic food. If the inspection numbers from that evaluation are different from the inspection targets mandated in FSMA, FDA should report the results to Congress and recommend appropriate legislative changes.
GAO-15-202	Drug Shortages: Better Management of the Quota Process for Controlled Substances Needed: Coordination between DEA and FDA should be improved	To strengthen DEA's and FDA's ability to respond to shortages of drugs containing controlled substances, the Administrator of DEA and the Commissioner of FDA should, either in the MOU or in a separate agreement, specifically outline what information the agencies will share, and time frames for sharing such information, in response to a potential or existing drug shortage.
GAO-15-38	Food Safety: FDA and USDA Should Strengthen Pesticide	Recommendation: To better inform users of the annual monitoring report about the frequency and

GAO Open Recommendations - August 2017		
Report Number	**Final Report Title**	**Recommendation**
	Residue Monitoring Programs and Further Disclose Monitoring Limitations	scope of pesticide tolerance violations, the Secretary of Health and Human Services should direct the Commissioner of FDA to disclose in the agency's annual pesticide monitoring program report which pesticides with EPA-established tolerances the agency did not test for in its pesticide monitoring program and the potential effect of not testing for those pesticides.
GAO-15-38	Food Safety: FDA and USDA Should Strengthen Pesticide Residue Monitoring Programs and Further Disclose Monitoring Limitations	Recommendation: To gather and report reliable, nationally representative data on pesticide residue violations, the Secretary of Health and Human Services should direct the Commissioner of FDA to design and implement a statistically valid sampling methodology that would enable the agency, within existing resources, to gather nationally representative pesticide residue incidence and level data for both domestically produced and imported foods, or justify statistically the use of a nonprobability method that can measure the estimation error. In designing either approach, FDA should consider the extent to which the benefits exceed the costs.
GAO-15-38	Food Safety: FDA and USDA Should Strengthen Pesticide Residue Monitoring Programs and Further Disclose Monitoring Limitations	Recommendation: To gather and report reliable, nationally representative data on pesticide residue violations, the Secretary of Health and Human Services should direct the Commissioner of FDA to report the nationally representative incidence and level data in its annual pesticide monitoring reports, including disclosing the limits of its chosen sampling methodology.
GAO-15-38	Food Safety: FDA and USDA Should Strengthen Pesticide Residue Monitoring Programs and Further Disclose Monitoring Limitations	Recommendation: To evaluate and refine its targeted pesticide compliance and enforcement monitoring program, the Secretary of Health and Human Services should direct the Commissioner of FDA to identify any types of domestic and imported foods that are at high risk for pesticide

GAO Open Recommendations - August 2017		
Report Number	**Final Report Title**	**Recommendation**
		residue tolerance violations to improve the ability of its targeted pesticide compliance and enforcement monitoring program to consistently identify food likely to have violations.
GAO-15-38	Food Safety: FDA and USDA Should Strengthen Pesticide Residue Monitoring Programs and Further Disclose Monitoring Limitations	Recommendation: To evaluate and refine its targeted pesticide compliance and enforcement monitoring program, the Secretary of Health and Human Services should direct the Commissioner of FDA to use the incidence and level data to assess the effectiveness of FDA's targeted pesticide compliance and enforcement monitoring program, including its use of the Predictive Risk-based Evaluation for Dynamic Import Compliance Targeting tool for imported foods, by comparing the rate of violations detected through the program to the overall rate of pesticide residue violations within the domestic and imported food supplies.
GAO-15-671	Drug Compounding for Animals: FDA Could Improve Oversight with Better Information and Guidance [Reissued on January 8, 2016]	Recommendation: To help ensure that FDA has relevant and timely information to support management decisions, including the critical information necessary to ensure the safety and effectiveness of drugs compounded for animals, the Secretary of Health and Human Services should direct the Commissioner of the FDA to consistently document the bases for FDA's decisions about how or whether it followed up on warning letters, adverse event reports, and complaints about drug compounding for animals.
GAO-15-671	Drug Compounding for Animals: FDA Could Improve Oversight with Better Information and Guidance [Reissued on January 8, 2016]	Recommendation: To help ensure that FDA has relevant and timely information to support management decisions, including the critical information necessary to ensure the safety and effectiveness of drugs compounded for animals, the Secretary of Health and Human Services should direct the Commissioner of the FDA to

GAO Open Recommendations - August 2017		
Report Number	**Final Report Title**	**Recommendation**
		develop policy or guidance for agency staff that specifies circumstances under which FDA will or will not enforce compounding regulations for animals and clearly define key terms.
GAO-15-671	Drug Compounding for Animals: FDA Could Improve Oversight with Better Information and Guidance [Reissued on January 8, 2016]	Recommendation: To help ensure that FDA has relevant and timely information to support management decisions, including the critical information necessary to ensure the safety and effectiveness of drugs compounded for animals, the Secretary of Health and Human Services should direct the Commissioner of the FDA to modify the voluntary reporting form FDA uses to obtain information on adverse events to ask whether drugs involved in adverse events were compounded.
GAO-16-182	Information Technology: FDA has taken steps to address challenges but needs a comprehensive strategic plan	To help ensure that FDA's IT strategic planning activities are successful in supporting the agency's mission, goals and objectives, we recommend that the Commissioner of FDA require the CIO to establish schedules and milestones for completing a version of an IT strategic plan that incorporates elements to align the plan's strategies with agency-wide priorities; includes results-oriented goals and performance measures that support the agency's mission, along with targets for measuring the extent to which outcomes of IT initiatives support FDA's ability to achieve agency-wide goals and objectives; identifies key IT initiatives that support the agency's goals; and describes interdependencies among the initiatives.
GAO-16-182	Information Technology: FDA has taken steps to address challenges but needs a comprehensive strategic plan	To help ensure that FDA's IT strategic planning activities are successful in supporting the agency's mission, goals and objectives, we recommend that the Commissioner of FDA require the CIO to implement the plan to ensure

GAO Open Recommendations - August 2017		
Report Number	**Final Report Title**	**Recommendation**
		that expected outcomes of the agency's key IT initiatives are achieved.
GAO-16-192	Drug Safety: FDA Expedites Many Applications, But Data for Postapproval Oversight Need Improvement	Recommendation: To improve the data on tracked safety issues and postmarket studies that are needed for required reporting and for systematic oversight of postmarket drug safety, the Secretary of HHS should direct the Commissioner of FDA to develop comprehensive plans, with goals and time frames, to help ensure that identified problems with the completeness, timeliness, and accuracy of information in its database on tracked safety issues and postmarket studies are corrected.
GAO-16-192	Drug Safety: FDA Expedites Many Applications, But Data for Postapproval Oversight Need Improvement	Recommendation: To improve the data on tracked safety issues and postmarket studies that are needed for required reporting and for systematic oversight of postmarket drug safety, the Secretary of HHS should direct the Commissioner of FDA to work with stakeholders within FDA to identify additional improvements that could be made to FDA's current database or future information technology investments to capture information in a form that can be easily and systematically used by staff for oversight purposes.
GAO-16-305	High-Containment Laboratories: Comprehensive and Up-to-Date Policies and Stronger Oversight Mechanisms Needed to Improve Safety	To ensure that federal departments and agencies have comprehensive and up-to-date policies and stronger oversight mechanisms in place for managing hazardous biological agents in high-containment laboratories and are fully addressing weaknesses identified after laboratory safety lapses, the Secretary of Health and Human Services should direct the Commissioner of FDA to establish a regular schedule for reviewing and updating agency policies for managing hazardous biological agents in high-containment laboratories.

GAO Open Recommendations - August 2017		
Report Number	**Final Report Title**	**Recommendation**
GAO-16-305	High-Containment Laboratories: Comprehensive and Up-to-Date Policies and Stronger Oversight Mechanisms Needed to Improve Safety	To ensure that federal departments and agencies have comprehensive and up-to-date policies and stronger oversight mechanisms in place for managing hazardous biological agents in high-containment laboratories and are fully addressing weaknesses identified after laboratory safety lapses, the Secretary of Health and Human Services should direct the Director of NIH and the Commissioner of FDA to require routine reporting of the results of agency laboratory inspections--and in the case of FDA, require routine reporting of select agent inspection results--to senior agency officials.
GAO-16-305	High-Containment Laboratories: Comprehensive and Up-to-Date Policies and Stronger Oversight Mechanisms Needed to Improve Safety	Recommendation: To ensure that federal departments and agencies have comprehensive and up-to-date policies and stronger oversight mechanisms in place for managing hazardous biological agents in high-containment laboratories and are fully addressing weaknesses identified after laboratory safety lapses, the Secretary of Health and Human Services should require routine reporting of incidents at CDC, FDA, and NIH laboratories to senior department officials.
GAO-16-305	High-Containment Laboratories: Comprehensive and Up-to-Date Policies and Stronger Oversight Mechanisms Needed to Improve Safety	Recommendation: To ensure that federal departments and agencies have comprehensive and up-to-date policies and stronger oversight mechanisms in place for managing hazardous biological agents in high-containment laboratories and are fully addressing weaknesses identified after laboratory safety lapses, the Secretary of Health and Human Services should develop department policies for managing hazardous biological agents in high-containment laboratories that contain specific requirements for reporting laboratory incidents to senior department officials, including the types of incidents that

GAO Open Recommendations - August 2017		
Report Number	**Final Report Title**	**Recommendation**
		should be reported, to whom, and when, or direct the Director of CDC and the Commissioner of FDA to incorporate these requirements into their respective policies.
GAO-16-305	High-Containment Laboratories: Comprehensive and Up-to-Date Policies and Stronger Oversight Mechanisms Needed to Improve Safety	Recommendation: To ensure that federal departments and agencies have comprehensive and up-to-date policies and stronger oversight mechanisms in place for managing hazardous biological agents in high-containment laboratories and are fully addressing weaknesses identified after laboratory safety lapses, the Secretary of Health and Human Services should develop department policies for managing hazardous biological agents in high-containment laboratories that contain specific requirements for training and inspections for all high-containment component agency laboratories and not just for their select-agent-registered laboratories; or direct the Director of CDC to provide these requirements in agency policies.
GAO-16-399	Imported Food Safety: FDA's Targeting Tool Has Enhanced Screening, but Further Improvements Are Possible	To further enhance FDA's PREDICT tool and its ability to ensure the safety of imported food, the Secretary of Health and Human Services should direct the Commissioner of FDA to document the process for identifying the type of open source data to collect, obtaining such data, and determining how PREDICT is to use the data.
GAO-16-399	Imported Food Safety: FDA's Targeting Tool Has Enhanced Screening, but Further Improvements Are Possible	To further enhance FDA's PREDICT tool and its ability to ensure the safety of imported food, the Secretary of Health and Human Services should direct the Commissioner of FDA to establish a timeline for implementing, as resources become available, the remaining recommendations from FDA's 2013 evaluation of PREDICT.
GAO-16-432	Medical Product Oversight: FDA Needs More Strategic	In order to improve FDA's strategic planning for regulatory science efforts, the Secretary of Health

GAO Open Recommendations - August 2017		
Report Number	**Final Report Title**	**Recommendation**
	Planning to Guide Its Scientific Initiatives	and Human Services should direct the Commissioner of FDA to develop and document measurable goals, such as targets and time frames, for its regulatory science efforts so it can consistently assess and report on the agency's progress in regulatory science efforts.
GAO-16-432	Medical Product Oversight: FDA Needs More Strategic Planning to Guide Its Scientific Initiatives	In order to improve FDA's strategic planning for regulatory science efforts, the Secretary of Health and Human Services should direct the Commissioner of FDA to systematically track funding of regulatory science projects across each of its priority areas.
GAO-16-500	Food and Drug Administration: Comprehensive Strategic Planning Needed to Enhance Coordination between Medical Product Centers	To ensure that FDA can effectively coordinate and integrate its medical product centers' programs and emerging issues, the Secretary of Health and Human Services should direct the Commissioner of FDA to engage in a strategic planning process to identify challenges that cut across the medical product centers and document how it will achieve measurable goals and objectives in these areas.
GAO-16-513	Information Security: FDA Needs to Rectify Control Weaknesses That Place Industry and Public Health Data at Risk	Recommendation: To effectively implement key elements of the FDA's information security program, the Secretary of Health and Human Services should direct the Commissioner of FDA to enhance procedures for the following 7 security control families: Access Control, Awareness and Training, Security Assessment and Authorization, Configuration Management, Program Management, Personnel Security, and System and Services Acquisition.
GAO-16-513	Information Security: FDA Needs to Rectify Control Weaknesses That Place Industry and Public Health	Recommendation: To effectively implement key elements of the FDA's information security program, the Secretary of Health and Human Services should direct the Commissioner of FDA to update incident response procedures to include

GAO Open Recommendations - August 2017		
Report Number	**Final Report Title**	**Recommendation**
	Data at Risk	(1) instructions for coordinating incident response with contingency planning and (2) lessons learned from incident response tests.
GAO-16-513	Information Security: FDA Needs to Rectify Control Weaknesses That Place Industry and Public Health Data at Risk	Recommendation: To effectively implement key elements of the FDA's information security program, the Secretary of Health and Human Services should direct the Commissioner of FDA to implement remedial actions in accordance with FDA's prescribed time frames or update milestones if actions are delayed.
GAO-16-513	Information Security: FDA Needs to Rectify Control Weaknesses That Place Industry and Public Health Data at Risk	Recommendation: To effectively implement key elements of the FDA's information security program, the Secretary of Health and Human Services should direct the Commissioner of FDA to ensure that personnel with significant security responsibilities receive role-based training.
GAO-16-513	Information Security: FDA Needs to Rectify Control Weaknesses That Place Industry and Public Health Data at Risk	Recommendation: To effectively implement key elements of the FDA's information security program, the Secretary of Health and Human Services should direct the Commissioner of FDA to implement a process to effectively monitor and track training for personnel with significant security roles and responsibilities.
GAO-16-513	Information Security: FDA Needs to Rectify Control Weaknesses That Place Industry and Public Health Data at Risk	Recommendation: To effectively implement key elements of the FDA's information security program, the Secretary of Health and Human Services should direct the Commissioner of FDA to update security plans to ensure the plans fully and accurately document the controls selected and intended for protecting each of the six systems.
GAO-16-513	Information Security: FDA Needs to Rectify Control Weaknesses That Place Industry and Public Health Data at Risk	Recommendation: To effectively implement key elements of the FDA's information security program, the Secretary of Health and Human Services should direct the Commissioner of FDA to develop procedures for the following 8 security control families: Audit and Accountability,

GAO Open Recommendations - August 2017		
Report Number	**Final Report Title**	**Recommendation**
		Identification and Authentication, Maintenance, Media Protection, Physical and Environmental Protection, Security Planning, Systems Communication and Protection, and System Information and Integrity.
GAO-16-513	Information Security: FDA Needs to Rectify Control Weaknesses That Place Industry and Public Health Data at Risk	Recommendation: To effectively implement key elements of the FDA's information security program, the Secretary of Health and Human Services should direct the Commissioner of FDA to review and update as needed per FDA's frequency, the policies for the following 11 security control families: Access Control, Audit and Accountability, Contingency Planning, Identification and Authentication, Incident Response, Media Protection, Physical and Environmental Protection, Security Planning, Personnel Security, System and Services Acquisition, and System and Information Integrity.
GAO-17-143	Drug Safety: FDA Has Improved Its Foreign Drug Inspection Program, but Needs to Assess the Effectiveness and Staffing of Its Foreign Offices	To help ensure that FDA's foreign offices are able to fully meet their mission of helping to ensure the safety of imported products, as the agency continues to test performance measures and evaluate its Office of International Programs (OIP) strategic workforce plan, the Commissioner of FDA should assess the effectiveness of the foreign offices' contributions by systematically tracking information to measure whether the offices' activities specifically contribute to drug safety-related outcomes, such as inspections, import alerts, and warning letters.
GAO-17-143	Drug Safety: FDA Has Improved Its Foreign Drug Inspection Program, but Needs to Assess the Effectiveness and Staffing of Its Foreign Offices	To help ensure that FDA's foreign offices are able to fully meet their mission of helping to ensure the safety of imported products, as the agency continues to test performance measures and evaluate its OIP strategic workforce plan, the

GAO Open Recommendations - August 2017		
Report Number	**Final Report Title**	**Recommendation**
		Commissioner of FDA should establish goals to achieve the appropriate staffing level for its foreign offices, which would include separating foreign office vacancies from the OIP-wide vacancy rate, and setting goals by position type.
GAO-17-189	Antibiotics: FDA Has Encouraged Development, but Needs to Clarify the Role of Draft Guidance and Develop Qualified Infectious Disease Product Guidance	In order for drug sponsors to benefit from FDA's revised guidance on antibiotic development and take full advantage of the QIDP designation, FDA should clarify how drug sponsors should utilize draft guidance documents that were released in accordance with GAIN.
GAO-17-189	Antibiotics: FDA Has Encouraged Development, but Needs to Clarify the Role of Draft Guidance and Develop Qualified Infectious Disease Product Guidance	In order for drug sponsors to benefit from FDA's revised guidance on antibiotic development and take full advantage of the QIDP designation, FDA should develop and make available written guidance on the QIDP designation that includes information about the process a drug sponsor must undertake to request the fast track designation and how the agency is applying the market exclusivity incentive.
GAO-17-192	Antibiotic Resistance: More Information Needed to Oversee Use of Medically Important Drugs in Food Animals	The Secretary of Health and Human Services should direct the Commissioner of FDA to establish steps to increase veterinary oversight of medically important antibiotics administered in routes other than feed and water, such as injections and tablets.
GAO-17-192	Antibiotic Resistance: More Information Needed to Oversee Use of Medically Important Drugs in Food Animals	The Secretary of Health and Human Services should direct the Commissioner of FDA to develop performance measures and targets for actions to manage the use of antibiotics such as revising the veterinary feed directive and developing guidance documents on judicious use.
GAO-17-192	Antibiotic Resistance: More Information Needed to Oversee Use of Medically Important Drugs in Food Animals	The Secretary of Health and Human Services should direct the Commissioner of FDA to develop a process, which may include time frames, to establish appropriate durations of use

GAO Open Recommendations - August 2017		
Report Number	**Final Report Title**	**Recommendation**
		on labels of all medically important antibiotics used in food animals.
GAO-17-416	Memory Supplements: Clarifying FDA and FTC Roles Could Strengthen Oversight and Enhance Consumer Awareness	To enhance consumer understanding of agency oversight roles and to strengthen agency oversight of Internet marketing, the Secretary of the Department of Health and Human Services and the Chair of the FTC should develop and provide additional guidance to consumers delineating the agencies' differing roles in their shared oversight of memory supplement and other dietary supplement marketing on the Internet.
GAO-17-452	Generic Drug User Fees: Application Review Times Declined, but FDA Should Develop a Plan for Administering Its Unobligated User Fees	To ensure efficient use of generic drug user fees, facilitate oversight and transparency, and plan for risks, the Commissioner of FDA should develop a plan for administering user fee carryover that includes analyses of program costs and risks and reflects actual operational needs and contingencies.
GAO-17-564	Investigational New Drugs: FDA Has Taken Steps to Improve the Expanded Access Program but Should Further Clarify How Adverse Events Data Are Used	To help FDA meet its goal of facilitating expanded access to investigational drugs by patients with serious or life-threatening diseases or conditions, when appropriate, the Commissioner of FDA should clearly communicate how the agency will use adverse event data from expanded access use when reviewing drugs and biologics for approval for marketing and sale in the United States.
GAO-17-87	FDA Facilities: Planning Efforts for White Oak Campus Should Further Incorporate Leading Practices to Address Ongoing Challenges	Recommendation: In order to ensure that the agency is adequately protecting the White Oak campus as a designated high-risk facility and strategically planning for the White Oak campus's future, as FDA moves forward with its proposed planning efforts, the Commissioner of FDA, in consultation with the Administrator of GSA, should implement vehicular access control measures on the White Oak campus to meet the

GAO Open Recommendations - August 2017		
Report Number	**Final Report Title**	**Recommendation**
		requirements of the high-risk facility level designation assigned in the 2014 risk assessment report, or fully document the rationale for any deviations from these requirements.
GAO-17-87	FDA Facilities: Planning Efforts for White Oak Campus Should Further Incorporate Leading Practices to Address Ongoing Challenges	Recommendation: In order to ensure that the agency is adequately protecting the White Oak campus as a designated high-risk facility and strategically planning for the White Oak campus's future, as FDA moves forward with its proposed planning efforts, the Commissioner of FDA, in consultation with the Administrator of GSA, should further incorporate leading strategic facilities planning practices into FDA's proposed planning efforts by ensuring that FDA establish strategic linkage between its strategic priorities and its facilities plans.
GAO-17-87	FDA Facilities: Planning Efforts for White Oak Campus Should Further Incorporate Leading Practices to Address Ongoing Challenges	Recommendation: In order to ensure that the agency is adequately protecting the White Oak campus as a designated high-risk facility and strategically planning for the White Oak campus's future, as FDA moves forward with its proposed planning efforts, the Commissioner of FDA, in consultation with the Administrator of GSA, should document the key information related to daily operational activities and ongoing benefits and challenges that are needed to inform FDA's proposed planning efforts in the areas of needs assessment, gap identification, and alternatives analysis, and incorporate into proposed planning efforts a detailed strategy for collecting and analyzing this information.

OIG Recommendations:

Since 2012, when FDA's review process for responding to OIG recommendations was revised, FDA has been implementing recommendations at a steadily increasing pace. From

2012 to 2017, FDA has resolved 76 recommendations in 25 reports. OIG has closed 71 (93%) as "implemented" and 5 (7%) as "unimplemented."

FDA is currently working on resolving 19 open recommendations in nine OIG reports.

OIG Recommendations Closed as Implemented - August 2017		
Report No.	**Final Report Title**	**Recommendation**
01-00-00180	Adverse Event Reporting for Dietary Supplements	Facilitate greater detection of adverse events.
01-01-00590	FDA's Review Process of New Drug Applications	Reject Applications that are incomplete and of poor quality that can create delays in the new drug application review process
01-04-00390	FDA's Monitoring of Postmarketing Study Commitments	Improve the MIS for monitoring postmarketing study commitments so that it provides timely, accurate, and useful information.
01-04-00390	FDA's Monitoring of Postmarketing Study Commitment	Ensure that postmarketing study commitments are being monitored and that ASRs are being validated.
01-04-00390	FDA's Monitoring of Postmarketing Study Commitment	Instruct drug applicants to provide additional, meaningful information in their ASRs.
01-04-00400	Outside Activities of FDA Employees	Address the inadequacies in the review process for outside activities.
01-04-00400	Outside Activities of FDA Employees	Improve the quality and extent of information for outside activities.
01-06-00160	FDA's Oversight of Clinical Trials	Seek legal authority to provide oversight that reflects current clinical trial practices
01-06-00160	FDA's Oversight of Clinical Trials	Create a cross-center database that allows complete tracking of BiMo inspections
01-06-00160	FDA's Oversight of Clinical Trials	Establish a mechanism to provide feedback to Bioresearch Monitoring investigators on their inspection reports and findings.
01-06-00160	FDA's Oversight of Clinical Trials	Create an IRB registry
01-06-00160	FDA's Oversight of Clinical Trials	Develop a clinical trial database that includes all clinical trials

OIG Recommendations Closed as Implemented - August 2017		
Report No.	**Final Report Title**	**Recommendation**
01-07-00450	Management of Information Technology Contracts at FDA's CDER	We recommend that FDA minimize its contract risk by defining information technology (IT) requirements more clearly.
01-07-00450	Management of Information Technology Contracts at FDA's CDER	Convert ongoing time-and-materials contract actions to fixed-price contract actions when appropriate.
01-07-00450	Management of Information Technology Contracts at FDA's CDER	Use documented QA plans.
01-07-00450	Management of Information Technology Contracts at FDA's CDER	Use performance incentive plans when appropriate.
01-08-00110	Adverse Event Reporting for Medical Devices	Develop a protocol for reviewing adverse event reports that specifically addresses the following needs: Document follow-up on adverse events.
01-08-00110	Adverse Event Reporting for Medical Devices	Develop a protocol for reviewing adverse event reports that specifically addresses the following needs: Follow up with manufacturers that routinely submit reports late or with incomplete information.
01-08-00110	Adverse Event Reporting for Medical Devices	Seek legislative authority to eliminate the requirement for user facilities to submit annual reports.
01-08-00110	Adverse Event Reporting for Medical Devices	Develop a protocol for reviewing adverse event reports that specifically addresses the following needs: Enhance outreach strategies to reduce underreporting by user facilities.
01-08-00110	Adverse Event Reporting for Medical Devices	Develop a protocol for reviewing adverse event reports that specifically addresses the following needs: Ensure and document that CDRH is meeting its guidelines for reviewing all 5-day and Code Blue adverse event reports.
01-08-00510	Challenges to FDA's Ability to Monitor and Inspect Foreign Clinical Trials	FDA should monitor trends in foreign clinical trials not conducted under INDs and, if necessary, take steps to encourage sponsors to

OIG Recommendations Closed as Implemented - August 2017		
Report No.	**Final Report Title**	**Recommendation**
		file INDs
01-08-00510	Challenges to FDA's Ability to Monitor and Inspect Foreign Clinical Trials	FDA should continue to explore ways to expand its oversight of foreign clinical trials
01-10-00470	Scientific Disagreements Regarding Medical Device Regulatory Decisions	FDA should train all reviewers and managers on the new policies and procedures for resolving scientific disagreements.
01-10-00470	Scientific Disagreements Regarding Medical Device Regulatory Decisions	FDA should define more clearly its requirements for documenting and resolving scientific disagreements
01-10-00470	Scientific Disagreements Regarding Medical Device Regulatory Decisions	FDA should more clearly assign accountability for the contents of the administrative files of all submissions
01-11-00211	Dietary Supplements: Companies May be Difficult to Locate in an Emergency	FDA should improve the accuracy of the information in the registry
01-11-00211	Dietary Supplements: Companies May be Difficult to Locate in an Emergency	FDA should educate the dietary supplement industry about registration and labeling requirements
01-13-00600	FDA Has Made Progress on Oversight and Inspections of Manufacturers of Generic Drugs	FDA should ensure compliance with the requirement for manufacturers of generic drugs to register with FDA.
01-13-00600	FDA Has Made Progress on Oversight and Inspections of Manufacturers of Generic Drugs	FDA should conduct outstanding preapproval inspections of manufacturers of generic drugs, where appropriate.
01-14-00390	FDA is Issuing More Postmarketing Requirements, but Challenges with Oversight Persist	FDA should determine the reasons that some PMRs have been delayed for years, and take action as appropriate
02-06-00210	Traceability in the Food Supply Chain	Seek additional statutory authority to improve traceability
02-06-00210	Traceability in the Food Supply Chain	Work with the Food industry to develop additional guidance to strengthen traceability
02-06-00210	Traceability in the Food Supply Chain	Seek statutory authority to conduct activities to ensure that facilities are complying with its

OIG Recommendations Closed as Implemented - August 2017		
Report No.	**Final Report Title**	**Recommendation**
		records requirements
02-06-00210	Traceability in the Food Supply Chain	Seek statutory authority, if necessary, to strengthen its existing records requirements regarding lot-specific information.
02-06-00210	Traceability in the Food Supply Chain	Conduct education and outreach activities to inform the food industry about records requirements
02-08-00060	FDA's Food Facility Registry	To improve the usefulness of the registry, FDA should consider making some of the optional fields within the registry mandatory
02-08-00060	FDA's Food Facility Registry	Work with the food industry to increase facilities' awareness of the registry requirements
02-08-00060	FDA's Food Facility Registry	FDA should improve the accuracy of the information in the registry by developing strategies to systematically verify the information. To accomplish this, FDA should: 1) Seek statutory authority to require food facilities to reregister on routine basis; 2
02-08-00080	FDA's Inspections of Domestic Food Facilities	Seek Statutory authority to allow FDA access to facilities' records during the inspection process
02-08-00080	FDA's Inspections of Domestic Food Facilities	We recommended that FDA increase the frequency of food facility inspections, with particular emphasis on high-risk facilities.
02-08-00080	FDA's Inspections of Domestic Food Facilities	Provide additional guidance about when it is appropriate to lower OAI classifications.
02-09-00430	Vulnerabilities In FDA's Oversight of State Food Facilities	Address any systemic problems identified by audits
02-09-00430	Vulnerabilities In FDA's Oversight of State Food Facilities	Ensure that contract inspections are properly classified in accordance with FDA guidance.
02-09-00430	Vulnerabilities In FDA's Oversight of State Food Facilities	Ensure that the minimum audit rate is met in all States.
02-09-00430	Vulnerabilities In FDA's Oversight of State Food Facilities	Ensure that all contract inspections are completed, properly documented, and appropriately paid for.

OIG Recommendations Closed as Implemented - August 2017		
Report No.	**Final Report Title**	**Recommendation**
02-09-00430	Vulnerabilities In FDA's Oversight of State Food Facilities	Ensure that all inspection violations are remedied by routinely tracking all actions taken to correct violations
03-08-00500	FDA's Approval Status of Drugs Paid for by Medicaid	Improve the completeness and accuracy of the NDC Directory.
04-07-00280	The Food and Drug Administration's Generic Drug Review Process	Identify common original abbreviated new drug application deficiencies and offer more guidance to industry to decrease the percentage disapproved.
04-07-00280	The Food and Drug Administration's Generic Drug Review Process	Identify new prioritization practices to reduce review times for abbreviated new drug applications close to approval.
04-07-00280	The Food and Drug Administration's Generic Drug Review Process	Increase the percentage of original abbreviated new drug applications reviewed by all divisions within 180 days.
04-10-00480	FDA's Clearance of Medical Devices Through the 510(k) Process	FDA should improve its maintenance of administrative files for devices and continue to implement new policies on how to compile an administrative file
04-11-00510	FDA Lacks Comprehensive Data to Determine Whether Risk Evaluation and Mitigation Strategies Improve Drug Safety	Evaluate the ETASUs of one REMS each year as required by Federal law.
05-07-00730	FDA's Oversight of Clinical Investigators' Financial Information	FDA should use a complete list of clinical investigators to check that sponsors have submitted financial information for all clinical investigators.
05-07-00730	FDA's Oversight of Clinical Investigators' Financial Information	FDA should update guidance to sponsors regarding the due diligence exemption.
05-07-00730	FDA's Oversight of Clinical Investigators' Financial Information	FDA should add a review of financial information to the onsite inspection protocol
05-07-00730	FDA's Oversight of Clinical Investigators' Financial	FDA should provide additional guidance and training to reviewers

OIG Recommendations Closed as Implemented - August 2017		
Report No.	**Final Report Title**	**Recommendation**
	Information	
05-07-00730	FDA's Oversight of Clinical Investigators' Financial Information	FDA should check that sponsors have submitted all required attachments to financial forms
05-07-00730	FDA's Oversight of Clinical Investigators' Financial Information	FDA should require that all centers consistently use a template that includes a prompt to document a review of financial information
05-99-00350	FDA Oversight of Clinical Investigators	Define cross-center goals for the Bioresearch Monitoring program and develop criteria to determine whether the program is achieving those goals.
05-99-00350	FDA Oversight of Clinical Investigators	Develop internal guidance on the thresholds that violations must meet to justify disqualifying a clinical investigator from receiving investigational products.
06-05-00060	FDA's National Drug Code Directory	Identify and take appropriate action against drug firms that consistently fail to list drug products and update information
06-05-00060	FDA's National Drug Code Directory	Assume greater control over the assignment of NDCs.
06-05-00060	FDA's National Drug Code Directory	Continue efforts to implement electronic submission of listing forms by firms.
06-05-00060	FDA's National Drug Code Directory	Enhance communication with drug firms to facilitate accurate and complete reporting of drug product listings.
06-05-00060	FDA's National Drug Code Directory	Resolve the status of drug product listings in the DRLs pending file.
06-05-00060	FDA's National Drug Code Directory	Implement a mechanism to routinely identify drug product omissions and inaccuracies in the DRLs and the directory.
06-05-00060	FDA's National Drug Code Directory	Finalize guidance documents for submission of forms to list drug products.
01-11-00210	Dietary Supplements: Structure/Function Claims Fail to	FDA should improve the notification system to make it more organized, complete, and accurate

OIG Recommendations Closed as Implemented - August 2017		
Report No.	**Final Report Title**	**Recommendation**
	Meet Federal Requirements	
01-11-00210	Dietary Supplements: Structure/Function Claims Fail to Meet Federal Requirements	FDA should expand market surveillance of dietary supplements to enforce the use of disclaimers for structure/function claims and detect disease claims
04-11-00510	FDA Lacks Comprehensive Data to Determine Whether Risk Evaluation and Mitigation Strategies Improve Drug Safety	Identify incomplete sponsor assessments and work with sponsors to obtain missing information.

OIG Recommendations Resolved as Unimplemented - August 2017		
Report No.	**Final Report Title**	**Recommendation**
01-11-00210	Dietary Supplements: Structure/Function Claims Fail to Meet Federal Requirements	FDA should seek explicit statutory authority to review substantiation for structure/function claims to determine whether claims are truthful and not misleading
01-11-00211	Dietary Supplements: Companies May be Difficult to Locate in an Emergency	FDA should seek statutory authority to impose civil monetary penalties on companies that do not comply with registration requirements
02-08-00080	FDA Inspections of Domestic Food Facilities	Consider seeking statutory authority to impose civil penalties through administrative proceedings against facilities that do not voluntarily comply with statutory and regulatory requirements.
05-07-00730	FDA's Oversight of Clinical Investigators' Financial Information	FDA should require that sponsors submit financial information for clinical investigators as part of the pretrial application process
02-08-00060	FDA's Food Facility Registry	FDA should consider seeking statutory authority to impose civil penalties through administrative proceedings against facilities

OIG Recommendations Resolved as Unimplemented - August 2017		
Report No.	Final Report Title	Recommendation
		that do not comply with the registry requirements.

OIG Open Recommendations - August 2017		
Report No.	Final Report Title	Recommendation
01-08-00510	Challenges to FDA's Ability to Monitor and Inspect Clinical Trials	FDA should require standardized electronic clinical trial data and create an internal database
01-13-00600	FDA has Made Progress on Oversight and Inspections of Manufacturers of Generic Drugs	FDA should use its authority to request records in lieu of or in advance of an inspection.
01-14-00390	FDA is Issuing More Postmarketing Requirements, but Challenges with Oversight Persist	FDA should build capacity in DAARTS to support PMR oversight
01-14-00390	FDA is Issuing More Postmarketing Requirements, but Challenges with Oversight Persist	FDA should provide a standardized form for ASRs, ensure that they are complete, and require sponsors to submit them electronically
02-06-00210	Traceability in the Food Supply Chain	Address issues related to mixing raw food products from a large number of farms.
02-08-00080	FDA Inspections of Domestic Food Facilities	Ensure that violations are corrected for all facilities that receive OAI classifications, particularly those that have histories of violations.
02-08-00080	FDA Inspections of Domestic Food Facilities	Take appropriate actions against facilities with OAI classifications
04-10-00480	FDA's Clearance of Medical Devices Through the 510(k) Process	FDA should, in accordance with the law, finish classifying the remaining 19 types of Class III preamendment devices that include devices still used as predicates in the 510(k) process.
04-11-00510	FDA Lacks Comprehensive Data to Determine Whether Risk Evaluation and Mitigation	Seek legislative authority to enforce FDA assessment plans.

OIG Open Recommendations - August 2017		
Report No.	**Final Report Title**	**Recommendation**
	Strategies Improve Drug Safety	
04-11-00510	FDA Lacks Comprehensive Data to Determine Whether Risk Evaluation and Mitigation Strategies Improve Drug Safety	Identify REMS that are not meeting their goals and take appropriate actions to protect the public health.
04-11-00510	FDA Lacks Comprehensive Data to Determine Whether Risk Evaluation and Mitigation Strategies Improve Drug Safety	Ensure that assessment reviews are timely.
04-11-00510	FDA Lacks Comprehensive Data to Determine Whether Risk Evaluation and Mitigation Strategies Improve Drug Safety	Clarify expectations for sponsors' assessments in FDA assessment plans.
04-11-00510	FDA Lacks Comprehensive Data to Determine Whether Risk Evaluation and Mitigation Strategies Improve Drug Safety	Develop and implement a plan to identify, develop, validate, and assess REMS components.
A-01-07-01503	Review of FDA's Authorities and Procedures Over the Recall of Pet Food Products	Consider seeking statutory authority to mandate food recalls and to assess penalties for noncompliance with the terms of recalls.
A-01-07-01503	Review of FDA's Authorities and Procedures Over the Recall of Pet Food Products	Revise its procedures to require FDA staff to: document the approved recall strategy, including the specified effectiveness check levels and target dates for initiating and completing effectiveness checks.
A-01-07-01503	Review of FDA's Authorities and Procedures Over the Recall of Pet Food Products	Comply with its procedures for monitoring recall.
A-01-07-01503	Review of FDA's Authorities and Procedures Over the Recall of Pet Food Products	Amend its regulations or seek additional legislative changes to establish mandatory requirements for firms to follow in conducting recalls, including: a written recall strategy, prompt initiation of effectiveness checks, and periodic status reports.
A-01-	FDA Food Recalls -	Comply with its procedures for monitoring recalls

OIG Open Recommendations - August 2017		
Report No.	**Final Report Title**	**Recommendation**
09-01500	Effectiveness of Recall Initiation & Firm Inspection	
A-01-09-01500	FDA Food Recalls - Effectiveness of Recall Initiation & Firm Inspection	Consider the results of this review in implementing the FDA Food Safety Modernization Act.

Genomic Editing

63. Please describe FDA's role in reviewing applications related to genetic modification of human embryos. Please specify if FDA has consulted with the stakeholders on genetic modification of embryos in fiscal year 2016 or FY 2017 to date.

Response: Since December 2015, Congress has included provisions in annual federal appropriations laws that prohibit FDA from receiving or reviewing investigational new drug applications (INDs) for human subject research in which a human embryo is intentionally created or modified to include a heritable genetic modification. To not receive an application means that an IND application will not be accepted for review by the Agency. Because FDA will not accept the IND application, human subject research utilizing genetic modification of embryos cannot be conducted in the United States in compliance with the Federal Food, Drug, and Cosmetic Act and FDA's implementing regulation.

FDA maintains the authority to investigate and take enforcement action in the event that it becomes aware of noncompliance with the laws and regulations administered by FDA.

In September 2014, FDA commissioned the Institute of Medicine (IOM) to produce a consensus report on the ethical and social policy issues related to genetic modification of eggs and embryos to prevent transmission of mitochondrial disease. The IOM released the consensus report in February 2016. Please view link at: www.nationalacademies.org/hmd/Reports/2016/Mitochondrial-Replacement-Techniques.aspx.

In December 2015, the FDA, along with several other organizations, commissioned the National Academy of Sciences and National Academy of Medicine (NAS/NAM) to produce a consensus report on the scientific underpinnings, clinical implications, and ethical, legal, and social aspects of the use of current and developing human gene editing technologies in biomedical research and medicine. The NAS/NAM released the consensus report in

February 2017. Please view link at: www.nap.edu/catalog/24623/human-genome-editing-science-ethics-and-governance.

64. Please describe FDA's role in reviewing applications related to the genetic modification of animals or other species.

Response: FDA regulates intentional genomic alterations of animals under the new animal drug provisions of the Federal Food, Drug, and Cosmetic Act (FD&C Act). In general, the Agency considers intentional genomic alterations to meet the definition of a drug under the FD&C Act, unless otherwise excluded, because they are intended to affect the structure or function of the animal. As described in Guidance for Industry #187, "Regulation of Intentionally Altered Genomic DNA in Animals," FDA outlines, based on risk, when the Agency will use enforcement discretion or when FDA will review applications for approval related to intentional genomic alterations of animals. Applicants must demonstrate target animal safety and the safety of the animal's lineage; safety of food derived from any food-producing animal; and effectiveness related to the intended use of the genomic alteration in the animal. The Agency also must assess whether an approval would significantly impact the environment of the United States under the National Environmental Policy Act. As part of the review process, FDA consults, as appropriate, with other federal agencies with relevant expertise such as the Environmental Protection Agency, the Centers for Disease Control and Prevention, and the Fish and Wildlife Service. All FDA-approved new animal drugs have postmarket surveillance programs, including record keeping and reporting requirements that, in the case of genetically engineered animals, ensure that the animals continue to perform as they did prior to approval. With regard to intentional genomic alterations in animals that result from genome editing, in January 2017, FDA issued draft revised Guidance for Industry #187 that clarifies FDA's regulatory approach. The public comment period on this draft revised guidance closed on June 19, 2017. FDA is currently reviewing the comments it received.

Guidance for Industry #187 can be found at:
www.fda.gov/downloads/AnimalVeterinary/GuidanceComplianceEnforcement/GuidanceforIndustry/ucm113903.pdf.

65. What is the FDA's process for receiving an application related to genomic editing for humans and animals?

Response: FDA may receive an investigational new drug application (IND) related to genome editing of human somatic cells. By definition human somatic cells cannot pass a genetic alteration from one generation to another. Under the IND regulations (21 CFR Part 312), FDA may place a proposed study on clinical hold under certain circumstances

(312.42); however, if FDA receives an IND and does not put the study on hold within 30 days, the study may proceed.

Since December 2015, Congress has included provisions in annual federal appropriations laws that prohibit FDA from receiving or reviewing INDs for human subject research in which a human embryo is intentionally created or modified to include a heritable genetic modification. As a result, FDA will not accept an IND for human subject research utilizing genetic modification of embryos – and such research cannot be conducted in the United States in compliance with the Federal Food, Drug, and Cosmetic Act (FD&C Act) and FDA's implementing regulation.

For animals, the FDA Center for Veterinary Medicine (CVM) regulates intentional genomic alterations of animals under the new animal drug provisions of the FD&C Act. In general, the Agency considers intentional genomic alterations to meet the definition of a drug under the FD&C Act, unless otherwise excluded, because they are intended to affect the structure or function of the animal. CVM works closely with applicants seeking approval of an application related to intentional genomic alterations of animals. As described in draft revised Guidance for Industry 187, the Agency encourages sponsors of applications to reach out to the Agency early in the development of the animal to discuss applicable regulatory requirements. The Agency meets regularly with these sponsors during the review process to address requirements and concerns – and facilitate resolution of deficiencies.

As part of the review process, CVM consults, as appropriate, with other federal agencies with relevant expertise such as the Environmental Protection Agency, the Centers for Disease Control and Prevention, and the Fish and Wildlife Service.

With regard to the specific review process for intentional genomic alterations in animals that result from genome editing, in January 2017 FDA issued a draft revised Guidance for Industry #187 clarifying its regulatory approach. The public comment period on this draft revised guidance closed on June 19, 2017. FDA is currently reviewing the comments it received.

Guidance for Industry #187 can be found at:
www.fda.gov/downloads/AnimalVeterinary/GuidanceComplianceEnforcement/GuidanceforIndustry/ucm113903.pdf.

Medical Countermeasures initiative (MCMi)

66. Provide a current update on the $24,504,000 that the Congress provided to FDA in fiscal years 2016 and 2017. Also provide updates on the $25 million appropriated to FDA for the Ebola effort in fiscal year 2015, including how much of this appropriation has been obligated to help combatting the Ebola outbreak or other related efforts as well as the $10 million provided for Zika in fiscal year 2017.

Response: In FY 2016 and FY 2017, Congress provided FDA $24,504,000 to support its Medical Countermeasures Initiative (MCMi), to which FDA applied an additional $48K, for a total of $24,552,000. For the record, the following table lists the breakdown of the FY 2016 and FY 2017 MCMi base funding by Center/Office.

MCMi Base Funding *(dollars in millions)*				
Center/Office	**FY 2016**		**FY 2017**	
	Budget Authority	**BA FTE**	**Budget Authority**	**BA FTE**
CBER	$2.395	10.00	$2.395	10.00
CDER	$6.020	21.50	$6.020	21.50
CDRH	$4.001	16.00	$4.001	16.00
HQ – OC*	$10.312	33.00	$10.312	33.00
GSA Rent & Rent Related	$1.824	0.00	$1.824	0.00
Total	**$24.552**	**80.50**	**$24.552**	**80.50**

**HQ – OC base resources include $8.686M to support FTE as well as $1.626M to support the MCMi Regulatory Science Program.*

In FY 2015, Congress provided FDA $25,000,000 supplemental funding under H.R. 83, the Consolidated and Further Continuing Appropriations Act, 2015 (Public Law 113-235) for Ebola response activities. FDA obligated $20 million of this funding to: (1) support Ebola response activities, including conducting product review, engaging with U.S. Government agencies and international regulatory health agencies and organizations to facilitate product development and evaluation, and monitoring for fraudulent Ebola products; and (2) to support research under the FDA's MCMi Regulatory Science Program to help expedite the development and availability of medical products for Ebola.

FDA reprogrammed $5.0 million of the $25 million it received for Ebola response activities under PL 113-235 to support: (1) research under the FDA's MCMi Regulatory Science Program to help expedite the development and availability of medical products for Zika virus; and (2) Zika virus response activities, including conducting product review, engaging

with U.S. Government agencies and international regulatory health agencies and organizations to facilitate product development and evaluation, and monitoring for fraudulent Zika virus products. As of August 4, 2017, the FDA has obligated $2.7 million of the reallocated funding for Zika response, and anticipates obligating the balance of $2.3 million in FY 2017 and in early FY 2018.

H.R. 244, the Consolidated Appropriations Act 2017 (Public Law 115-31), provided $10 million in no-year funding for FDA "to prevent, prepare for, and respond to emerging health threats, including the Ebola and Zika viruses, domestically and internationally, and to develop necessary medical countermeasures and vaccines, including the review, regulation, and post market surveillance of vaccines and therapies, and for related administrative activities." For the record, the following table lists the FDA spend plan for the $10 million received under Public Law 115-31 by program.

FDA $10 Million No-Year Funding Received under Public Law 115-31
FY 2017 - FY 2019 Estimated Obligations
(dollars in millions)

	FY 2017 (Q3 + Q4)	FY 2018	FY 2019	Total
Support the development and availability of medical countermeasures*	$0.625	$1.250	$1.250	$3.125
Medical Countermeasures Regulatory Science	$1.207	$2.834	$2.834	$6.875
Total	$1.832	$4.084	$4.084	$10.000

*5 FTE for 3rd and 4th quarter of FY 2017 and FY 2018 through 2019 for CDRH

67. What are MCMi's top three priorities in fiscal year 2017? Fiscal year 2018?

Response: FDA's top three priorities under the MCMi in FY 2017 are to: (1) sustain an effective response to Zika virus, sustain long-term response efforts to Ebola virus as necessary, and respond to any other emerging infectious disease outbreaks; (2) continue to support the development and availability of medical countermeasures to respond to chemical, biological, radiological, and nuclear (CBRN) threats, emerging infectious diseases, as well as to address the growing threat of antimicrobial resistance; and (3) continue to support high-priority regulatory science necessary to fill critical scientific gaps in support of the establishment of clear, scientifically supported regulatory pathways for development and use of medical countermeasures to respond to public health emergencies.

Menu Labeling

68. When does FDA plan to fully implement the new menu labeling regulations?

Response: On May 4, 2017, FDA published an interim final rule to extend the compliance date for menu labeling requirements to May 7, 2018, and to invite comments from industry and stakeholders on the implementation of the menu labeling requirements. The comment period closed on August 2, 2017.

FDA will carefully review and consider all of the comments submitted, and consider opportunities to further reduce the regulatory burden and cost and improve flexibility of these requirements while continuing to achieve our regulatory objectives to provide consumers with nutrition information so that they can make informed choices for themselves and their families.

In addition, FDA announced on August 25, 2017 that the Agency will be providing practical guidance on the menu labeling requirements by the end of this year. This additional guidance will address concerns raised about challenges establishments faced in understanding how to meet their obligations under the new regulations and help the covered establishments implement the requirements by next year's compliance date.

69. Will FDA exercise enforcement discretion of menu labeling regulations within the first year of its effectiveness?

Response: FDA's goal is to continue to work flexibly and cooperatively with establishments and to emphasize educational and technical assistance for covered establishments and for state, local, territorial, and tribal regulatory partners to facilitate consistent compliance nationwide. FDA has met and will continue to meet with industry groups to discuss stakeholder concerns with the menu labeling requirements. As an example, in 2016, FDA conducted three workshops at different locations across the country to discuss the requirements with interested stakeholders and scheduled 15-minute consultations with individual firms to address their specific questions. FDA has provided webinars and presentations and has responded to industry questions submitted to the Agency's menu labeling email inbox.

On May 4, 2017, FDA published an interim final rule to extend the compliance date for menu labeling requirements to May 7, 2018, and to invite comments from industry and stakeholders on the implementation of the menu labeling requirements. The comment period closed on August 2, 2017. FDA will carefully review and consider all of the comments submitted, and consider opportunities to further reduce the regulatory burden and cost and

improve flexibility of these requirements while continuing to achieve our regulatory objectives to provide consumers with nutrition information so that they can make informed choices for themselves and their families.

In addition, FDA announced on August 25, 2017 that the Agency will be providing practical guidance on the menu labeling requirements by the end of this year. This additional guidance will address concerns raised about challenges establishments faced in understanding how to meet their obligations under the new regulations and help the covered establishments implement the requirements by next year's compliance date.

Pathway to Global Product Safety and Quality

70. Provide the Committee with an update of activities that have occurred during fiscal year 2016 and fiscal year 2017 to date regarding the Pathway Initiative, including efforts to conduct more risk assessments and information sharing.

Response: FDA has implemented a number of strategies and activities to address global challenges and the path forward articulated in the Pathway Report. These approaches and activities are incorporated into FDA's strategic plan for 2014 to 2018, implemented by FDA's Office of International Programs' (OIP) strategic plan, as well as the Agency's priorities and general efforts in response to globalization. As part of OIP's strategic plan, the office utilizes a Strategy Map and operational plans to implement and operationalize its strategies. The OIP Strategy Map guides the following areas of OIP's work : (1) assembling global coalitions; (2) developing global data networks; (3) utilizing risk analytics; and (4) leveraging and collaborating among government, industry and public- and private-sector third parties. These activities continue to evolve to keep pace with a fluid regulatory environment and global landscape.

Information-sharing arrangements help FDA partner with foreign counterpart agencies and enable FDA to obtain regulatory information that assists FDA decision-making. In FY 2016 and FY 2017 to date, FDA implemented eight additional Confidentiality Commitments allowing FDA and foreign regulators to share non-public information. FDA also signed five Cooperative Arrangements to facilitate regulatory activities with foreign regulatory counterparts and a multilateral organization.

The FDA Foreign Offices share risk information with Agency headquarters informing FDA regulatory actions. For example, the Latin America Office provided information to the Office of Regulatory Affairs (ORA) regarding a recall of tilapia in Costa Rica. This intelligence was used by FDA to place the firm and product on an import bulletin, increasing

the surveillance of products from that firm, ensuring products coming into the United States did not experience the same safety issues observed in Costa Rica.

In FY 2016 and FY 2017, the FDA's Foreign Offices continue to conduct extensive activities to share information with foreign stakeholders. Information and expertise is shared through workshops, meetings, notifications, fellowships and technical working groups. The Foreign Offices, together with other Agency components, work to strengthen foreign regulatory systems, where appropriate, through information sharing, informed decision making and good regulatory practices.

71. Please provide the Committee with an update on the progress made towards it globalization efforts as described in the FDA's 2014 to 2018 Strategic Priorities document.

Response: FDA continues its commitment to meet the challenges presented by globalization. FDA maintains four country and regional offices – China, Europe, India, and Latin America – in seven locations abroad. These offices:

- expand FDA inspectional capacity targeting firms of highest risk;
- build relationships and partner with foreign regulators and other stakeholders;
- leverage the regulatory capabilities of foreign counterpart agencies; and
- share information to strengthen foreign regulatory systems for the benefit of the U.S. consumer.

In FY 2016 – the latest annual data available – the China Office conducted 38 percent of FDA inspections in China, the India Office conducted 14 percent of FDA inspections in India, and the Latin America Office conducted six percent of FDA inspections in the Latin America region. These inspections were conducted by investigators based in the foreign office or on short term assignments to the foreign office.

In addition, the foreign offices work closely with FDA product Centers and the Office of Regulatory Affairs (ORA) by monitoring and reporting on conditions, trends and events that could affect the safety, quality, and effectiveness of FDA-regulated products exported to the United States.

Information-sharing arrangements help FDA work cooperatively with foreign counterpart agencies. In FY 2016 and FY 2017 to date, FDA implemented eight additional Confidentiality Commitments enabling FDA and foreign regulators to share non-public information. FDA also signed five Cooperative Arrangements to facilitate regulatory activities with foreign regulatory counterparts and a multilateral organization.

On-site relationships with foreign counterpart agencies enable FDA to leverage their respective capabilities and regulatory efforts. For example, Chinese regulators have conducted investigations and taken regulatory action to follow up on FDA information, United Kingdom authorities cooperated with FDA to halt large shipments of violative products to the United States, and Mexican regulators implemented a process to follow up on information routinely shared by FDA about violative products.

The Foreign Offices, together with other Agency components, work to strengthen foreign regulatory systems, where appropriate, through information sharing that leads to informed decision making and good regulatory practices. Information and expertise are shared through workshops, meetings, fellowships and technical working groups.

72. Provide an update on the strategies FDA is utilizing to handle the growth in imported products, including an update on the Predictive Risk-based Evaluation for Dynamic Import Compliance Targeting (PREDICT) screening tool and the Import Trade Auxiliary Communication System (ITACS). Please be specific.

Response: The PREDICT screening tool was fully deployed in fiscal year 2012 at all ports. The FDA continues to monitor existing rules and to develop new ones to aid in the admissibility decision. The Agency has developed tools that allow us to monitor risk levels and to adjust when needed.

FDA is in the process of deploying a test platform for the rules and allows for rigorous and transparent testing of several functions associated with PREDICT rule development. Once the test platform is fully deployed it will allow FDA to test the impact and functionality of a risk criteria that is meant to help target certain imported commodities, firms, or country of origin for example. The effectiveness of these criteria or rules using this platform can be tested using live data to identify how the criteria functions in conjunction with other criteria or rules before they are entered into the production PREDICT tool. It will also let FDA see if the rule produces the desired outcome. With these functions and the ability to conduct the test and modify criteria accordingly, PREDICT functionality will be further enhanced. Import Trade Auxiliary Communication System (ITACS) account management function is now in a pilot phase which will enhance its current functionality. Currently it allows for entry documents to be submitted electronically along with the user having the ability to see certain statuses of the entry. Once account management is in full production, FDA will be able to electronically send out notices of FDA action to individuals with approved accounts. This will result in a timely and cost efficient process for providing notices to importers and brokers.

FDA continues to be involved in the Border Interagency Executive Council (BIEC) activities. The BIEC is comprised of representatives from numerous Federal agencies, providing a forum for interagency coordination to fulfill requirements under Executive Order 13659 on streamlining the export/import process for America's businesses. Under the BIEC, there are a number of priority projects designed improve to the import entry evaluation process including the establishment of a unique foreign entity identifier and access to import manifest information. With the transition of the entry process to the Automated Commercial Environment (ACE), FDA and all other the partner government agencies are involved in discussions about the cost sharing and prioritization of ACE modifications and upgrades. FDA's Office of Regulatory Affairs (ORA) recently completed the realignment of the import program and consolidated import operations under the Office of Enforcement and Import Operations (OEIO). This realignment of the import program is designed to provide direction, assistance, management, and oversight of all FDA field import operations as well as coordinating agency import activities with the U.S. Customs and Border Protection, including the development and institution of joint regulations, procedures, policies, and operations.

Systems recognition is a means of identifying countries with which FDA has a strong knowledge, experience, and confidence, where we may leverage resources to help ensure the safety of imported foods. FDA has recognized Australia, Canada, and New Zealand as having adequate systems and controls in place and is in the process of creating PREDICT rules designed to reflect the level of confidence in these countries' food safety authorities. Once implemented, the PREDICT systems recognition rules will allow FDA to focus its resources on products sourced from firms or countries that do not have a similar food safety system.

73. Provide the Committee with an update on the use of third-party audits.

Response: The FDA Food Safety Modernization Act (FSMA) rule on Accredited Third-Party Certification was finalized in November 2015. The rule establishes a voluntary program for the accreditation of third-party certification bodies, also known as third-party auditors, to conduct food safety audits and issue certifications of foreign entities and the foods for humans and animals they produce. In June 2017, FDA launched a website where organizations can apply to be recognized as an Accreditation Body.[11] The launch of this website signals the implementation of the Accredited Third-Party Certification Program. Third-party certification bodies can seek accreditation after one or more FDA-recognized accreditation bodies begin accepting applications. These privately conducted audits will not replace FDA inspections -- foreign or domestic -- and examinations, but rather will provide

[11] www.fda.gov/Food/GuidanceRegulation/ImportsExports/Importing/ucm558461.htm.

additional assurances to ensure FDA makes the best, most efficient use of both public and private resources in the oversight of a safe food supply.

Importers would not generally be required to obtain certifications, but in certain circumstances FDA may use certifications from accredited, third-party auditors to assist in determining whether to admit certain imported food into the United States that FDA has determined poses a food safety risk, or in determining whether an importer is eligible to participate in a voluntary program for expedited review and entry of food – known as the Voluntary Qualified Importer Program or VQIP). At this time, FDA has not implemented the VQIP – first application date is January 1, 2018, with benefits for those eligible to start October 1, 2018 – nor required certification for indicated firms/products determined to pose a food safety risk (or risks) as a condition of admissibility. When the VQIP becomes operational, the program will benefit trade and FDA by improving the efficiency of FDA oversight of imported foods, increasing efficiency, and reduce costs for importers with a high level of control over the safety and security of their supply chains.

74. How specifically has FDA engaged the Chinese government to facilitate more information sharing, ensure product safety and quality, and conduct other related activities? Please also describe the Agency's work with the government of India. Please describe the volume and quality control issues in both issues as it relates to active pharmaceutical ingredients.

Response: FDA's China and India Offices focus on the following activities:

- expanding FDA inspectional capacity targeting firms of highest risk;
- building relationships and partnering with foreign regulators and other stakeholders;
- leveraging the regulatory capabilities of foreign counterpart agencies; and
- sharing information to strengthen foreign regulatory systems for the benefit of the U.S. consumer.

FDA's China Office has established and continues to foster relationships with Chinese national regulators. In 2014, FDA signed Implementing Arrangements with China's General Administration of Quality Supervision, Inspection and Quarantine[12] and the China Food and Drug Administration[13] that lay out cooperative processes with respect to inspections and information sharing. FDA's China Office provides capacity building to Chinese regulators

12 www.fda.gov/downloads/InternationalPrograms/Agreements/MemorandaofUnderstanding/UCM427310.pdf.

13 www.fda.gov/downloads/InternationalPrograms/Agreements/MemorandaofUnderstanding/UCM427309.pdf.

and industry, and routinely shares information with Chinese regulators about FDA policies and procedures and issues of public health concern.

FDA's India Office leads engagements under the 2014 Statement of Intent with the Ministry of Health and Family Welfare.[14] FDA encourages regulatory systems strengthening to enhance the safety and efficacy of products exported to the United States. FDA's India Office shares information on U.S. and internationally recognized standards and provides guidance to Indian regulators, the pharmaceutical industry and other stakeholders on developing and maintaining the quality, safety and effectiveness of medical products.

FDA records imports in terms of "lines," rather than by volume. An entry line is the portion of a shipment that is listed as a separate item on the import entry document. The table below shows API entry lines for FY 2014-2016 from China and India.

Imports of Active Pharmaceutical Ingredients (in lines)

		China			India		
		FISCAL YEAR			FISCAL YEAR		
		2014	2015	2016	2014	2015	2016
HUMAN DRUGS							
Active Pharmaceutical Ingredients/Chemicals For Further Manufacture	Total Import Lines	4,023	4,129	4,175	5,262	5,216	6,058
	Sample Analysis of Import Lines	10	17	3	8	13	7
	Field/Label Examinations of Import Lines	100	115	122	185	150	210
	Refusal of Import Lines	20	27	26	25	24	19
Active Pharmaceutical Ingredients/Chemicals For Rx Compounding	Total Import Lines	257	363	414	433	583	377
	Sample Analysis of Import Lines	1	-	2	-	-	-
	Field/Label Examinations of Import Lines	19	31	58	15	32	43
	Refusal of Import Lines	14	19	34	6	7	27
HUMAN DRUGS TOTAL	***Total Import Lines***	***4,280***	***4,492***	***4,589***	***5,695***	***5,799***	***6,435***
	Sample Analysis of Import Lines	***11***	***17***	***5***	***8***	***13***	***7***
	Field/Label Examinations of Import Lines	***119***	***146***	***180***	***200***	***182***	***253***
	Refusal of Import Lines	***34***	***46***	***60***	***31***	***31***	***46***
BIOLOGICS							
For Further Manufacture	Total Import Lines	388	47	81	28	18	42
	Sample Analysis of Import Lines	-	-	-	-	-	-
	Field/Label Examinations of Import Lines	-	1	1	-	-	-
	Refusal of Import Lines	-	-	-	-	-	-
BIOLOGICS TOTAL	***Total Import Lines***	***388***	***47***	***81***	***28***	***18***	***42***
	Sample Analysis of Import Lines	-	-	-	-	-	-
	Field/Label Examinations of Import Lines	-	***1***	***1***	-	-	-
	Refusal of Import Lines	-	-	-	-	-	-

Source: ORA

14

www.fda.gov/downloads/InternationalPrograms/Agreements/MemorandaofUnderstanding/UCM385494.pdf.

Reagan-Udall Foundation & Critical Path Institute

75. Please provide the Committee with an update on what FDA is doing in partnership with the Reagan-Udall Foundation and the Critical Path Institute during fiscal years 2016 and 2017.

Response: During the fiscal years 2016-2017, FDA and the Reagan-Udall Foundation for the FDA (the Foundation) continued to partner on a number of collaborations, achieving considerable progress on two key initiatives and refocusing efforts on a new initiative.

First, the Innovation in Medical Evidence Development and Surveillance (IMEDS) Program was launched on January 1, 2017, as a national resource for broader public health and medical evidence generation. The Foundation formed a public-private partnership to provide access for private-sector entities, such as regulated industry, academic institutions, and non-profit organizations, to a system based on the FDA's Sentinel Initiative. This collaboration works with selected Sentinel data partners and the Harvard Pilgrim Healthcare Institute, functioning as the Analytic or Coordinating Center, to facilitate the analyses of medical product safety evaluations. Through IMEDS, FDA Sentinel System's distributed data as well as scientific methods and tools, which FDA routinely utilizes to better inform regulatory decisions, are available for entities outside of FDA who want to conduct important research to advance patient safety in an environment that is secure and protects patient privacy.

Second, on July 24, 2017, the Foundation launched the Expanded Access Navigator (the EA Navigator), an online directory of companies' policies and contact information related to expanded access to investigational therapies. The EA Navigator is a partnership between the Foundation, patient advocacy organizations, the pharmaceutical industry, and the federal government to provide clear digestible information on single-patient expanded access. The EA Navigator offers information for patients/caregivers and for physicians, including information about referral to ClinicalTrials.gov for researching single patient expanded access and clinical trials actively recruiting patients. The EA Navigator offers a new mechanism to advance the requirement that companies make information about their expanded access programs more accessible and transparent.

Third, FDA and the Foundation are partnering to establish a Reagan-Udall Foundation (RUF) Fellowship Program. The RUF Fellowship Program is committed to training scientists in regulatory science and policy so that they can foster a better understanding of FDA's work in their post-fellowship employment. It is expected that the fellowships will contribute to a workforce that can advance the field of regulatory science and provide leadership in this area in policy organizations, industry, academia, or government.

Finally, the Foundation met all deliverables and concluded its work with the Bill and Melinda Gates Foundation on its Critical Path to Tuberculosis Drug Regimens initiative to accelerate the development of new TB multi-drug regimens. The Foundation also is finalizing for public posting the program materials related to the Big Data for Patients Program (BD4P) project, designed to provide introduction to the concepts of big data so patients and advocates can more effectively participate in current data science efforts in health and medicine.

For more detailed information on these programs, please see the Reagan-Udall Foundation website at: www.reaganudall.org.

During fiscal years 2016-2017, FDA and the C-Path Institute (C-Path) continued to partner to support a number of collaborative activities to help streamline drug development efforts. These include but are not limited to the following:

- In April 2016, C-Path's Tuberculosis (TB)-Platform for Aggregation of Clinical TB Studies (TB-PACTS) launched to catalyze and accelerate tuberculosis (TB) research by curating and standardizing Phase III TB clinical trial patient-level data from the REMoxTB, RIFAQUIN, and OFLOTUB clinical trials, and making these data publicly available to the research community. The de-identified data can be accessed and analyzed in aggregate, or filtered and viewed as individual records.

- In April 2016, C-Path launched the Multiple Sclerosis Outcome Assessments Consortium (MSOAC) Placebo Database for access by the research community. It contains data from over 2,500 patient records from the placebo arms of nine multiple sclerosis (MS) clinical trials and includes records from relapsing-remitting, secondary progressive, and primary progressive forms of MS. The database contains, but is not limited to, de-identified data on demographics, medical history, performance outcome measures, clinician-reported outcome measures, patient-reported outcome measures, relapse information, and MS type.

- In May 2016, C-Path's Coalition Against Major Diseases (CAMD) provided access to its CAMD Alzheimer's Disease Database through the Global Alzheimer's Association Interactive Network (GAAIN) data portal. GAAIN is an open-access, big data resource including information on more than 320,000 research participants from 21 data partners. The de-identified data, which have been remapped to a common data standard, are openly available to CAMD members, as well as to external qualified researchers who submit, and are approved for, a request for access.

- In April 2016 and 2017, C-Path's Patient-Reported Outcome (PRO) Consortium collaborated with FDA's Office of Hematology and Oncology Products to co-sponsor two workshops to enhance the role of patient-reported data in informing decisions surrounding the development, approval, and use of anti-cancer drugs. The workshops explored current approaches to PRO assessment in oncology trials and potential ways to improve alignment and strategic use of PRO measures to support oncology drug development and better inform treatment decisions, and the patient's role in the assessment of safety and tolerability in oncology trials. Participants included patients and a broad array of international stakeholders involved in oncology drug development, regulation, reimbursement, and treatment.

- In September 2016, the Polycystic Kidney Disease Outcomes Consortium (PKDOC) received a formal qualification of Total Kidney Volume (TKV) as a prognostic biomarker for the enrichment of clinical trials in Autosomal Dominant Polycystic Kidney Disease. Information supporting the use of this biomarker in clinical trials is publicly available through C-Path's Data Collaboration Center website.

- During FY 2016, C-Path has continued key collaborations with both the Foundation for the National Institutes of Health's (FNIH's) Biomarkers Consortium (BC) to study drug-induced kidney injury, and with Innovative Medicines Initiative (IMI) SAFE-T (Safer and Faster Evidence-based Translation) Consortium to research biomarkers related to drug-induced injury to the liver, kidney, and vascular system.

- In March 2017, C-Path launched the Type 1 Diabetes Consortium which will focus its efforts to qualify a panel of auto-immune biomarkers as prognostic indicators for enrichment of clinical trials in Type 1 Diabetes to facilitate the development of innovative treatment and interventional strategies in very early stages of disease. Collaborators and co-founders include JDRF, the Helmsley Charitable Trust and several pharmaceutical companies.

- In March 2017, C-Path's CPTR consortium, announced the public launch of the Relational Sequencing TB Data Platform (ReSeqTB), a data-sharing platform and analytics visualization tool to facilitate the development of new diagnostics capable of rapidly testing drug susceptibility in TB patients. Early identification of drug susceptibility will inform the selection of effective treatment regimens for better management of patients with drug-resistant TB.

- In April 2017, C-Path announced the completion of its Pediatric Trials Consortium (PTC) which achieved the two specific objectives of PTC. The first was the completion of an Advisory Report, which has served as the main vehicle for providing strategic and

operations advice to the new nonprofit organization. The second was to provide advice and support to C-Path during the formation of the new nonprofit: the Institute for Advanced Clinical Trials for Children (*I-ACT for Children*). The Advisory Report is accessible on C-Path's website. *I-ACT for Children* is headquartered in Rockville, MD and its website is: www.iactc.org.

- In April 2017, C-Path launched the Transplant Therapeutics Consortium (TTC), co-founded by the American Society of Transplantation (AST) and the American Society of Transplant Surgeons (ASTS). The TTC is a collaboration within the transplant community including clinicians, surgeons, industry scientists, and others. The overall objective of the TTC is to collaborate on the development and regulatory endorsement of new drug development tools applicable in kidney transplant, with the hope of expanding to other solid organ transplantation in the future.

- In June 2017, C-Path, in collaboration with FDA and the Duke-Margolis Center for Health Policy, convened a public workshop entitled "Scientific and Regulatory Considerations for the Analytical Validation of Assays Used in the Qualification of Biomarkers in Biological Matrices." As a follow up to the workshop, a white paper and framework have been released for public comment to help inform our scientific understanding of the role of analytical validation for biomarker assays supporting qualification, a key area highlighted in the 21st Century Cures Act.

- In July 2017, the work of Critical Path to TB Regimens (CPTR) and many of the C-Path leaders and consortium collaborators were featured at FDA's public workshop "Development of New Tuberculosis Treatment Regimens-- Scientific and Clinical Trial Design Considerations." The work of this consortium has led to development of innovative models and other tools to aid developers in assessing drugs for treatment of TB. Other programs are planned to assure dissemination of information to the research community.

For more information, visit the Critical Path Institute website and reports at:

- https://c-path.org/, and
- https://c-path.org/wp-content/uploads/2013/05/AnnualReport2016.pdf.

Sunscreen Ingredients

76. When can the Committee expect decisions on sunscreen ingredients?

Response: FDA is committed to doing its part to provide American consumers with additional options for safe and effective sunscreen active ingredients. On May 23, 2016, FDA provided an SIA-mandated report to Congress entitled "Report in Response to the Sunscreen Innovation Act (SIA) (P.L. 113-195) Section 586G" (2016 Report). The report detailed FDA's progress in reviewing and acting upon requests for generally recognized as safe and effective (GRASE) determinations for pending sunscreen time and extent applications, staffing and resources related to review of applications, compliance with SIA-mandated deadlines, and recommendations for process improvement.

As described in the 2016 Report, the Agency has met all statutory deadlines to date, and has no backlog of sunscreen applications pending review under the SIA. Proposed sunscreen orders were issued in 2015 for each of the pending sunscreen active ingredients, all of which concluded that the data submitted by the ingredient sponsor were insufficient to demonstrate that the active ingredient is GRASE, and identified specific data gaps. FDA also promptly met with ingredient sponsors when requested to discuss the identified data deficiencies. Sunscreen data recommendations were further described in draft and final guidance to industry issued in 2015 and 2016, respectively. Following on the recommendations made at the September 4-5, 2014 meeting of the Nonprescription Drugs Advisory Committee, the testing regimen outlined in the guidance is designed to evaluate the anticipated benefits of sunscreen use versus the risks of these drugs, and takes into account other factors such as the data already available to support safety and the population that will use the drug. The recommended studies are not novel and are consistent with FDA's standard data requirements for approved dermal drug products for chronic use.

FDA relies on industry to submit the additional data to support a determination that a sunscreen containing a given active ingredient would be GRASE. At this time, industry has not yet provided the additional safety and efficacy data identified in the proposed sunscreen orders. Although the SIA specifies timelines for issuing final sunscreen orders following an initial determination that an active ingredient is not GRASE for lack of data, those timelines are not triggered until a sponsor submits the additional data requested in the proposed sunscreen order. Thus, the timing for final sunscreen orders for these ingredients will depend on when sponsors submit the requested data.

Medical Gas Final Guidance

77. According to FDASIA section 1112, FDA "shall issue final regulations revising the Federal drug regulations with respect to medical gases not later than [July 9, 2016]." When is FDA expected to issue final regulations on medical gases?

Response: FDA issued a final rule entitled "Medical Gas Containers and Closures: Current Good Manufacturing Practice Requirements," on November 18, 2016 (81 FR 81685). This rule, which revised warning statements for medical gases and required measures intended to reduce the likelihood of medical gas mix-ups, satisfied the FDASIA section 1112 medical gas rule-making requirement.

The Agency notes that section 756 of the Consolidated Appropriations Act of 2017 (Public Law 115-31) imposed a new medical gas rulemaking requirement that FDA has begun work on. FDA also met with industry stakeholders in July 2017, and plans to hold one or more public workshops to inform this effort. It is not possible at this time to provide a final date for implementation of the new requirements, however, FDA rulemakings (proposed or final) will be reflected in the Unified Agenda, published yearly in the spring and fall, and found at: www.Reginfo.gov.

The Agency has completed other post-FDASIA work regarding medical gases. For example:

- In June 2017, FDA issued revised draft guidance on good manufacturing practices for medical gases;
- In March 2015, FDA issued updated inspection guidance for medical gases (this inspection guidance will be updated to reflect the 2016 final rule and 2017 guidance).
- From 2012-present, FDA implemented FDASIA's requirements regarding; and certification of medical gases (including implementation of a certification process and related guidance (issued in 2013 and revised in 2015)); to date, over 60 certification requests have been granted.

Sentinel Initiative

78. Please provide a history on FDA's expenditures for the Sentinel Initiative from fiscal year 2013 to fiscal year 2017 to date? What are the planned expenditures for fiscal years 2017 and 2018?

Response: Please see the following chart:

FY 2013 – 2018 Expenditures on Sentinel Initiative

Fiscal Year	Total
2013	$18,589,584
2014	$42,088,552
2015*	$25,878,777

2016*	$25,998,262
2017**	$22,374,316
2018**	$20,911,944
Total	**$155,841,435**

** FY 2015 and FY 2016 figures include funds awarded to FDA by the HHS Assistant Secretary for Planning and Evaluation (ASPE) to help build the national capacity and infrastructure needed to conduct patient-centered outcomes research (PCOR), and to enable PCOR findings to be integrated into clinical practice.*

*** FY 2017 and FY 2018 reflect estimates for planned expenditures.*

79. Who has FDA partnered with as part of the Sentinel Initiative?

Response: The Sentinel System Coordinating Center, led by the Harvard Pilgrim Health Care Institute, partners with a broad range of Data and Academic Partners. This network of collaborating institutions provides access to both healthcare data and scientific, technical, and organizational expertise.

A complete listing of collaborating institutions is provided below:

- Aetna*
- America's Health Insurance Plans: Clinical Affairs Department
- Blue Cross Blue Shield of Massachusetts*
- Brigham and Women's Hospital: Division of Pharmacoepidemiology & Pharmacoeconomics in the Department of Medicine
- Duke Clinical Research Institute
- HealthCore, Inc.*
- Health Care Systems Research Network
    - Harvard Pilgrim Health Care Institute*
    - HealthPartners Institute*
    - Henry Ford Health System: Public Health Sciences Department
    - Marshfield Clinic Research Foundation*
    - Meyers Primary Care Institute*
- Hospital Corporation of America*
- Humana Comprehensive Health Insights, Inc.*
- Kaiser Permanente Center for Effectiveness and Safety Research
    - Kaiser Permanente Colorado*
    - Kaiser Permanente Hawaii*
    - Kaiser Permanente Mid-Atlantic*
    - Kaiser Permanente Northern California*
    - Kaiser Permanente Northwest*

- Kaiser Permanente Washington Health Research Institute
- Optum: Optum Epidemiology*
- Outcome Sciences, Inc., a Quintiles company
- Rutgers University: Center for Health Services Research on Pharmacotherapy, Chronic Disease Management and Outcomes at the Institute for Health, Health Care Policy and Aging Research
- University of Alabama at Birmingham: Center for Outcomes and Effectiveness Research and Education
- University of Illinois at Chicago: Department of Pharmacy Systems, Outcomes and Policy
- University of Iowa: Department of Epidemiology in the College of Public Health
- University of Pennsylvania School of Medicine: Center for Clinical Epidemiology and Biostatistics and Department of Biostatistics and Epidemiology
- Vanderbilt University Medical Center*
- Weill Cornell Medicine, Healthcare Policy & Research

* Indicates Collaborating Institutions that are also Data Partners

80. Please provide a full list of projects for the sentinel initiative in fiscal year 2016 and fiscal year 2017 to date.

Response: Please see below for a list of 72 active or approved projects between October 1, 2015, and August 4, 2017. Additionally, FDA has also completed 105 Sentinel analyses in this time period to meet its mission to monitor medical product safety.

#	Project Title	Objective(s)
1	Infrastructure and Coordinating Center Maintenance and Development	To maintain the Sentinel infrastructure and Coordinating Center. This effort supports all of the administrative, technical and data requirements, including the Data Partners (DPs) efforts to create and maintain the Sentinel Common Data Model (SCDM) and to respond to queries.
2	Integration of Kaiser Permanente (KP) Hospital Data to the Sentinel Distributed Database	The objective of this activity is to expand Blood-SCAN's capabilities by working with three KP regions to complete the Discovery and Planning Phases for expanding their SCDM to populate the Inpatient Pharmacy Administration Table and Inpatient Transfusion Table.
3	Centers for Medicare & Medicaid	The goal of this project is to establish CMS as a

	Services (CMS) On-boarding	Sentinel Data Partner, to access Medicare claims within the Virtual Research Data Center (VRDC).
4	Hospital Corporation of America (HCA) On-boarding and data exploration	To establish Hospital Corporation of America (HCA) as a Sentinel Data Partner and to conduct a focused and detailed exploration of their data given the uniqueness of their data compared to other Sentinel DP data sources.
5	HCA Sentinel data expansion: Diagnosis date and procedure date/time	To maximize the clinical and analytic value of the temporal data included in Inpatient Pharmacy Administration Table and the Inpatient transfusion Table, the goal of this activity is to develop guidance and algorithms and to populate the date that a diagnosis was first recorded, as well as the date and time that a procedure was actually performed.
6	Department of Defense (DoD) data exploration	To conduct an assessment of the proposed technical environment (i.e., the Pharmacovigilance Defense Application System - Sentinel Distributed Database repository) to support prioritization and planning for potential DoD on-boarding.
7	Integration of Transfusion Coding Systems and Functionalities into Current Sentinel Infrastructure	This activity will integrate Codabar and ISBT codes into the Sentinel Medical Code Management system and the Code Lookup Tool.
8	Enhancement to Drug Utilization Tool for Generic Drug Needs	To explore the potential for the Sentinel System to support investigations for detecting new safety issues related to product switching.
9	Developing capacity for "surveillance of prescribing behaviors" analyses in Sentinel, with dronedarone and ECGs as a use case (REMS/Dronedarone)	To develop a reusable program to (1) identify and characterize the occurrence of a procedure, dispensing, laboratory test or result, or diagnosis before, during, or after a particular treatment episode, (2) identify and characterize the occurrence of procedures, dispensings, laboratory tests or results, or diagnoses – in the context of a treatment episode – on a particular calendar date, and (3) implement the program and generate results with one use case: the occurrence of ECGs during dronedarone

		treatment.
10	Pregnancy Tool development	This activity will integrate the analytic programming code that characterizes drug use during pregnancy into the routine analytic framework program, the Cohort Identification and Descriptive Analysis (CIDA) tool.
11	Pregnancy Tool Algorithm ICD-10-CM Update	To update the ICD-9-CM code algorithms used to identify livebirths to ICD-10-CM.
12	Building internal processes and planning validation activities related to use of ICD-10-CM codes in the Sentinel Initiative	To evaluate the impact of ICD-10-CM codes on current querying workflow processes and associated tools.
13	Validation of Serious Infections Among an Immunocompromised Population	To conduct chart validation of health outcomes of interest using ICD-10-CM based algorithms. This workgroup will validate one composite health outcome of interest, serious infections.
14	Chart Review Gap Analysis	To conduct a comprehensive analysis of Sentinel medical record review activities to identify lessons learned, successes, and opportunities for improving efficiency and timeliness.
15	TreeScan for Drugs	To explore the use of TreeScan™ for drugs, utilizing the self-controlled, tree-temporal variants of the tree-based scan statistic to evaluate acute and non-acute drug exposures.
16	Outcome-Based TreeScan (DrugScan) Extension	To execute the Patient Episode Profile Retrieval (PEPR) program to extended analyses investigating the feasibility of conducting outcome-based TreeScan analyses using angioedema and Achilles tendon rupture (ATR) as test examples.
17	Enhancing TreeScan for Long-Term Follow-Up	To enhance the TreeExtraction program and TreeScan software to account for differential follow-up time and variable risk window length.
18	Pilot Of Self-Controlled Tree-Temporal Scan Analysis For Gardasil Vaccine	To develop and test unconditional and conditional variants of the self-controlled tree-temporal scan statistic, both with and without day-of-week adjustment using HPV4 as the test vaccine.

19	TreeScan Power Evaluation Extension	To enhance the TreeScan software to perform power evaluations for the tree-temporal scan statistic, considering different sample sizes, adverse event outcomes, and relative risks.
20	Propensity Score-Enhanced TreeScan	This project will develop a propensity-score matched design compatible with the Bernoulli tree-based scan statistic, and pilot test it using one drug of interest and a suitable comparator drug.
21	Optimal Propensity Score Matching Strategies for Subgroup Analyses	The objective of this workgroup is to design and implement a simulation experiment to compare the performance of alternative subgroup strategies when using propensity score matching.
22	Evaluation of Propensity Score Based Methods in Sentinel Study Settings Using Simulation Experiments (Big Simulation Project)	To demonstrate appropriate use of the Propensity Score Match tool within the ARIA system via rigorous testing of the tool under numerous simulated circumstances.
23	The Use of Propensity Score Matching for Estimating Hazard Ratios In Post-Market Surveillance with Heavy Censoring	To design and implement a simulation study to evaluate alternative approaches for estimating conditional hazard ratios that do not require conditioning on matched sets or fitting high-dimensional outcome models. The proposed methods estimate a conditional effect that targets the treated population at risk at specific time points and accounts for imbalances in baseline covariates that accrue over time.
24	Evaluating Sampling Variability with 1:1 Propensity Score-Matched Analyses	To adopt a plasmode-based simulation framework to examine the impact of accounting for additional sources of uncertainty in PS-matched analyses.
25	Develop a Functional Specification for Propensity Score Table 1	The objective of this Workgroup is to determine the optimal output display(s) for a baseline covariate characteristics table, i.e., Table 1, for propensity score stratified analyses and to write a detailed functional specification to enhance the tool in a manner that is computationally feasible to run in a distributed data environment.

26	Scan Statistics for Assessing Vaccine Safety in Pregnancy	To conduct a simulation study to evaluate the performance of 1-dimensional temporal scan statistics and 2-dimensional temporal scan statistics. The method will be evaluated using existing data on a pregnancy cohort created for the PRISM influenza vaccines and pregnancy outcomes assessment.
27	Conducting Vaccine Effectiveness Surveillance in Sentinel's PRISM Program	This activity will provide an overview of study designs and methods used to estimate vaccine effectiveness in claims and electronic health data, addressing the strengths and limitations of using Sentinel data and infrastructure to estimate vaccine effectiveness.
28	Quantitative Bias Analysis Methodology Development	To develop an approach for using quantitative bias analysis methods to adaptively determine whether and when medical chart validation can be stopped early within the context of Sentinel assessments.
29	Self-controlled risk interval tool (SCRI) Pilot	This project evaluates the readiness of the data extraction and sequential analysis programs by conduting an exposure-outcome assessment to examine the association between MMR-MMRV and febrile seizures.
30	Data Mining Infrastructure	To further enhance the method by developing and testing unconditional and conditional variants of the self-controlled temporal scan statistic, both with or without the day-of-week adjustment, and to complete a pilot to evaluate the method using Gardasil (HPV4) as the test vaccine.
31	Disease Risk Score Methods Development	To design and implement hybrid empirical/simulated experiments to compare the performance of methods for (1) disease risk score (DRS) development; and (2) incorporate DRSs for multiple outcomes into the analysis to improve inference.
32	Disease Risk Score Estimation Functional Specification	Write a detailed functional specification to perform disease risk score estimation in the Sentinel Distributed Database.

33	Comparison of safety signaling methods for survival outcomes to control for confounding in the MSDD	To review survival techniques that use propensity scores to account for confounding. The workgroup will develop and program new statistical approaches using stratification and will conduct a simulation study to compare the new approaches.
34	Comparison of Safety Signaling Methods for Survival outcomes to control for confounding (Survival Methods II)	To develop new survival methods that control for confounding using propensity scores.
35	Precursor to the Evaluating the performance of Mini-Sentinel analytic modules using simulation experiments	This project will summarize the existing knowledge from applications and simulation work on the practical and statistical performance characteristics of the self-controlled and cohort-based pre-programmed analytic modules when used in medical product safety surveillance.
36	FDA/MS/IMEDS Sequential Surveillance White Paper	The objective of this activity is to conduct an expert review and to write a white paper that addresses areas to be considered for sequential surveillance.
37	Analyzing Lab Data for Routine Surveillance	To conduct a literature review and develop methods for incorporating laboratory test results data into medical product safety analyses.
38	Death Data Exploration	To evaluate the provenance, quality, and "fit for purposeness" of data currently available in the Distributed Database for eventual contribution to medical product safety assessment.
39	Opioid Analgesic Prescribing Trends in Mini-Sentinel	The workgroup will create two metrics to examine opioid prescribing patterns using the Mini-Sentinel Distributed Database (MSDD): 1) a drug screens metric, and 2) an opioid tolerance metric. An additional fentanyl analysis will be conducted for the opioid tolerance metric.
40	Methotrexate Medication Errors Evaluation	To improve Sentinel's ability to identify wrong dosing frequency errors, and to validate the algorithm.

41	Protocol for Assessment of a New Molecular Entity - Dabigatran Implementation	This project will implement and test a protocol for the safety assessment of dabigatran compared to warfarin for adults with atrial fibrillation.
42	Comparing Results from Dabigatran Protocol-based Assessment and Level 2 Requests	The purpose of this project is to further assess the differences observed in the dabigatran protocol-based assessment (PBA) code and the dabigatran Level 2 request code on the same dataset. The project will also determine impact of changes in a select set of specifications on risk estimation using the Level 2 code.
43	Evaluation of Drug Use in Pregnant Women	To develop programs and evaluate medication use during pregnancy among women using the SDD. The following drugs or drug classes will be evaluated: Anti-diabetes medications, Anti-epileptic medications, Anti-emetics, Bevacizumab, 30+ medications with pregnancy registries.
44	Sentinel Evaluation for Drugs with PERs (Pregnancy Drug Exposure Registries)	To extend the initial examination of drug use in pregnancy for drugs with PERs to include aromatase inhibitors as the exposure.
45	Rapid Surveillance Capability for Biologics in the Sentinel System	The primary objective of this project is to conduct surveillance for influenza vaccines during the 2017-2018 season.
46	Transfusion Related Acute Lung Injury (TRALI) after Red Blood Cell, Plasma and Platelet Administration 2013-2015	Using inpatient electronic health data from Hospital Corporation of America (HCA) to evaluate exposure to blood components and the outcome of transfusion-related acute lung injury (TRALI). The assessment will also describe incidence rates of TRALI subsequent to blood component exposure.
47	Influenza and Birth Defects	To implement the evaluation of a potential association between influenza vaccination during pregnancy and cleft lip/palate (birth defects).
48	Assessment of Kawasaki Disease after Prevnar 13	To determine the existence and magnitude of any increased risk of Kawasaki Disease in the 28 days following the 13-valent pneumococcal vaccine (PCV13).

49	Assessment of Health Outcomes after Treatment with Platelet Concentrates Prepared Using the INTERCEPT Blood System (IBS)	To examine the feasibility of identifying select platelet exposures and also transfusion associated outcomes within the HCA Sentinel database. This will involve careful exploration of coding systems such as ICD-9-CM, ICD-10-CM, ISBT-128, and the Codabar system.
50	Protocol-based assessment of thromboembolic events after immunoglobulin administration	This activity is a one-time, retrospective protocol-based assessment of thromboembolic events (TEE) after immunoglobulin administration and a validation of the algorithms used to identify the exposure and the outcome.
51	Assessment of Febrile Seizures after Influenza Vaccines for 2 Seasons	To conduct a protocol-based study to evaluate the risk of febrile seizures in children 6-23 months of age following administration of inactivated influenza vaccine in two seasons (2013-14 and 2014-15) with and without concomitant vaccination with Prevnar 13 and DTaP-containing vaccines.
52	Sequential Analysis of Gardasil 9 Safety	The purpose of this activity is to implement a previously approved protocol and to monitor the safety of Gardasil 9 (HPV9).
53	Using TreeScan to evaluate HPV9 vaccine safety	To use TreeScan to evaluate the safety of the HPV9 vaccine.
54	Pilot test of sequential PSM capabilities, using ACEI/BetaBlockers - Angioedema	To conduct a "live" pilot test of the sequential surveillance modes associated with sequential propensity score matched (PSM) analyses using a "known positive" association, to (a) pilot the Level 3 tools, and (b) evaluate multiple surveillance options to inform and optimize surveillance plans.
55	Influenza Vaccine and Pregnancy Outcomes	To examine the risk of spontaneous abortion following influenza vaccination based on ICD-9-CM codes.
56	PROMPT Rivaroxaban Surveillance	To conduct prospective monitoring of rivaroxaban for the safety outcomes of ischemic stroke, intracranial hemorrhage, and gastrointestinal bleeding in patients with atrial fibrillation.
57	Prospective Routine Observational	To evaluate the risk of acute myocardial

	Monitoring of Mirabegron	infarction (AMI) and stroke in adult new users of mirabegron as compared to oxybutynin.
58	Pediatric antipsychotics & metabolic disorder- Subproject 3	This activity is a protocol-based one-time assessment to determine the average change in BMI over time among youth initiating monotherapy treatment with second generation antipsychotics (SGAs).
59	Parenteral Iron Products and Anaphylactoid Reactions	To perform a one-time assessment of the association between parenteral iron products and anaphylactoid/anaphylactic reactions.
60	Anti-diabetes Drugs & Acute Myocardial Infarction	To evaluate the risk of acute myocardial infarction (AMI) in users of oral antidiabetic medication, saxagliptin/sitagliptin.
61	Sentinel Patient Engagement Workgroup	To develop and disseminate messages regarding Sentinel's health and safety mission, and commitment to protect patient privacy to multiple target consituencies.
62	Validating Type 1 and Type 2 Diabetes Mellitus in the Mini-Sentinel Distributed Database using SUPREME-DM	To demonstrate the feasibility of linking the Mini-Sentinel Distributed Database and the SUPREME-DM DataLink and to determine the sensitivity and positive-predictive value (PPV) of the diagnosis codes and medication claims for patients.
63	A Protocol-based Assessment of Selected Medications and Death, with Linkage of Mini-Sentinel Distributed Database with NDI+	To develop processes for ascertainment of death status and cause of death across all Sentinel data partners by linking potentially relevant cases in the MSDD to the National Death Index+ (NDI+), and to develop four one-time protocol-based assessments of the relationship between exposure to medical products of interest and SCD.
64	Mini-Sentinel & PCORnet Linkage	The goal of this project is to explore potential collaboration opportunities and challenges for Sentinel Data Partners and PCORnet Clinical Data Research Networks (CDRNs)/Patient Powered Research Networks (PPRNs) that share members/patients.
65	Activities in Preparation for the Conduct of IMPACT-AF (Phase 1)	To complete planning activities, including protocol and standard operating procedure development, in preparation to implement the

		multicenter clustered randomized controlled trial to imProve Treatment with AntiCoagulanTs in Patients with Atrial Fibrillation (IMPACT-AFib).
66	IMPACT-AFib (Phase 2)	The project serves as the implementation phase of an individually randomized trial of a patient and provider level intervention to increase oral anticoagulant use among untreated members with atrial fibrillation and increased risk of stroke.
67	Genesis: Data Model for Initiatives to Monitor Exposure to Antimicrobials in PCORnet and Sentinel (DataMIME)	To develop a prototype reporting tool to assist institutions with PCORnet datamarts to report inpatient antimicrobial utilization to CDC's National Health Safety Network (NHSN). The activity will facilitate coordination between PCORnet and Sentinel to answer questions of public health importance.
68	Genesis: A Congenital Zika Syndrome Surveillance	To explore capabilities for supporting CDC and state-based surveillance of Congenital Zika Syndrome using PCORnet and Sentinel data resources. This initiative will deliver draft recommendations for a surveillance system to detect cases of congenital Zika infection in the U.S. that may also allow us to explore the epidemiology, risk factors, and outcomes associated with infection.
69	Collection of Patient-Provided Information through a Mobile Device Application for Use in Comparative Effectiveness and Drug Safety Research	To identify a cohort of pregnant women and to develop a generalizable mobile device application that can be transmitted to the pregnant women for data collection. Data provided by the patients through the application will be linked with data from the Sentinel Data Partner.
70	Cross-Network Directory Service	To develop and implement a new secure distributed data infrastructure to enable individual networks to become one community of interoperable networks; a community where researchers and data partners can easily participate in multiple networks. The Workgroup will demonstrate real-world

		interoperability across at least 2 existing networks: Sentinel and National Patient-Centered Clinical Research Network (PCORnet).
71	Utilizing Data from Various Data Partners in a Distributed Manner	This project will focus on developing a stable, feasible approach to enable secure distributed regression within a distributed data network while not requiring sharing of any patient-level datasets.
72	Standardization and Querying of Data Quality Metrics and Characteristics for Electronic Health Data	To create and implement a set of metadata standards and metrics describing: 1) Data quality and characteristics; 2) Data sources and institutional characteristics; and, 3) Fitness-for-use.

Abbreviations:
ACEI – angiotensin-converting-enzyme inhibitor
AMI – acute myocardial infarction
ARIA – active risk identification and analysis system
ATR – Achilles tendon rupture
Blood-SCAN – Blood Safety Continuous Active-surveillance Network
CDRNs – Clinical Data Research Networks
CIDA – Cohort Identification and Descriptive Analysis
CMS – Centers for Medicare and Medicaid Services
DoD – Department of Defense
DP – Data Partner
DRS – Disease Risk Score
DTaP – Diphtheria, Tetanus and Pertussis vaccine
ECGs – Electrocardiography
FDA – United States Food and Drug Administration
HCA – Hospital Corporation of America
HPV4– 4-valent human papilloma virus vaccine
HPV9 – 9-valent human papilloma virus vaccine
IBS – INTERCEPT Blood System
ICD-10-CM – International Classification of Diseases, Tenth Revision, Clinical Modification
ICD-9-CM – International Classification of Diseases, Ninth Revision, Clinical Modification
IMEDS – Innovation in Medical Evidence and Development Surveillance program
ISBT – International Society of Blood Transfusion
KP – Kaiser Permanente
MS – Mini-Sentinel

MSDD – Mini-Sentinel Distributed Database
NDI+ – National Death Index Plus
NHSN – National Healthcare Safety Network
PBA – Protocol-Based or Product-Based Assessment
PCORnet – National Patient-Centered Clinical Research Network
PCV13 – 13-valent pneumococcal conjugate vaccine
PEPR – Patient Episode Profile Retrieval
PERs – Pregnancy Drug Exposure Registries
PPRNs – Patient Powered Research Networks
PPV – positive predictive value
PRISM – Post-Licensure Rapid Immunization Safety Monitoring
PROMPT – Prospective Routine Observational Monitoring Program Tool
PSM – Propensity Score Match
REMS – Risk Evaluation and Mitigation Strategies
SCD – sudden cardiac death
SCDM – Sentinel Common Data Model
SCRI – self-controlled risk interval
SGAs – second generation antipsychotics
SLA – Service Level Agreement
TEE – thromboembolic events
TRALI – Transfusion Related Acute Lung Injury
VRDC – Virtual Research Data Center

81. What is the current number of records available to the sentinel system?

Response: Through Sentinel, the FDA currently has access to data concerning over 223 million people. This data includes:

- 425 million person-years of observation time;
- 43 million people currently accruing new data;
- 5.9 billion pharmacy dispensings;
- 7.2 billion unique medical encounters; and
- 42 million people with at least one laboratory test result.

The latest snapshot of the Sentinel distributed database can be found at the Sentinel Initiative website at: www.sentinelinitiative.org/sentinel/snapshot-database-statistics.

Sodium Intake

82. Please update the Committee on the Agency's involvement with the Centers for Disease Control and Prevention and the National Academy of Medicine to produce a dietary reference intake report with respect to sodium.

Response: FDA strongly supports efforts by the National Academies of Science, Engineering, and Medicine (National Academies) to formally review the sodium dietary reference intakes (DRIs), and FDA is collaborating with the Centers for Disease Control and Prevention (CDC), National Institutes of Health (NIH), and U.S. Department of Agriculture (USDA) to provide support so that the dietary reference intake (DRIs) for sodium are updated as expeditiously as possible. In FY 2016, FDA contributed $400K in total funding towards foundational products for the sodium DRIs update: the National Academies report "Guiding Principles for Developing Dietary Reference Intakes Based on Chronic Disease" (released August 2017); and the forthcoming Agency for Healthcare Research and Quality (AHRQ) systematic review "Effects of Dietary Sodium and Potassium Intake on Chronic Disease Outcomes and Related Risk Factors" (expected in the fall of 2017). In FY 2017, FDA contributed $126K towards the National Academies report to update the sodium and potassium DRIs, which is expected to commence late in 2017.

83. What dollars and FTE were expended on sodium intake and sodium reduction efforts in fiscal year 2016, projected for fiscal years 2017 and 2018?

Response: FY 2016 expenditures on sodium-related work totaled $3.1M, and included four FTE. FY 2017 projected expenditures are $2.9M, including five FTE. FY 2018 estimates for sodium are $3.0M and five FTE.

Tobacco Harm Reduction

84. What actions has the FDA taken in fiscal year 2016 or fiscal year 2017 to date as they relate to advancing harm reduction and the concept of a continuum of risk?

Response: In Fiscal Year 2016, FDA authorized several smokeless tobacco products to be sold under the Premarket Tobacco Product provisions of the Tobacco Control Act. Although FDA did not authorize the requested alterations of existing warnings for those products, this first-ever action was based on a scientific assessment that the marketing of these products was appropriate for the protection of the public health.

In Fiscal Year 2017, the most significant action taken was the July 28, 2017 announcement of a comprehensive plan for tobacco and nicotine regulation. A key piece of the new approach is demonstrating a greater awareness that nicotine in cigarettes – while highly addictive – is not directly responsible for the vast majority of the diseases caused by smoking. Nicotine is delivered through a variety of products across a "continuum of risk" that spans combusted products such as cigarettes to FDA-approved smoking cessation aids like the nicotine gum, patch, and lozenge. The most harmful delivery of nicotine is through smoked particles from combusted cigarettes because nicotine is delivered along with constituents that cause cancer, heart and lung disease.

With that in mind, FDA announced that the Agency is pursuing a regulatory approach that would lower the nicotine in cigarettes to non-addictive levels. As part of that process, FDA plans to begin a public dialogue and issue an Advance Notice of Proposed Rulemaking (ANPRM) to seek input on the potential public health benefits and any possible adverse effects of lowering nicotine in cigarettes. Lowering nicotine levels could decrease the likelihood that future generations of young people become addicted to cigarettes and allow more currently addicted smokers to quit or transition to less harmful nicotine-delivering products.

FDA envisions a world where cigarettes would no longer contain nicotine at addictive levels. But at the same time, adults who still want nicotine could get it from alternative – and importantly, less harmful – sources. To that end, FDA is committed to encouraging innovations that have the potential to make a notable public health difference and inform future policies.

FDA's plan for tobacco and nicotine regulation allows the Agency to apply our regulatory tools to help reduce tobacco-caused disease and death. There are lasting and positive public health impacts from these actions that can protect generations to come.

85. How does the Agency's focus on innovation relate to the concept of tobacco-related harm reduction?

Response: On July 28, 2017, FDA announced a comprehensive plan for tobacco and nicotine regulation. A key piece of the new approach is demonstrating a greater awareness that nicotine in cigarettes – while highly addictive – is not directly responsible for all of the diseases, from cancer to heart disease and lung disease, attributed to smoking. Nicotine is delivered through a variety of products across a "continuum of risk" from combusted cigarettes to FDA-approved smoking cessation aids like the nicotine gum, patch, and lozenge.

FDA envisions a world where cigarettes would no longer contain nicotine at addictive levels. But at the same time, adults who still want nicotine could get it from alternative – and importantly, less harmful – sources. To that end, FDA is committed to encouraging innovations that have the potential to make a notable public health difference and inform future policies, and efforts that will best protect kids and help smokers quit cigarettes. To make this effort successful, the Agency intends to extend timelines to submit tobacco product review applications for newly regulated tobacco products that were on the market as of August 8, 2016. This action will afford the Agency time to explore clear and meaningful measures to make tobacco products less toxic, appealing and addictive. For example, the FDA intends to develop product standards to protect against known public health risks such as electronic nicotine delivery systems (ENDS) battery issues and concerns about children's exposure to liquid nicotine. It also will provide manufacturers additional time to develop higher quality, more complete applications informed by additional guidance from the Agency.

86. Does FDA believe that its final deeming regulation and future regulations will provide disincentives for tobacco product manufacturers who may produce safer nicotine delivery products?

Response: FDA is committed to encouraging innovations that have the potential to make a notable public health difference and inform future policies, and efforts that will best protect kids and help smokers quit cigarettes. The final deeming rule was an important foundational step to give FDA the authority to regulate alternative nicotine delivery products that meet the statutory definition of a tobacco product. FDA's comprehensive plan for regulation of nicotine and tobacco, announced July 28, 2017, recognizes the potential for innovation to lead to less harmful products, which, under FDA's oversight, could be part of a solution to the harm caused by combusted tobacco products. Without the deeming rule, FDA would not have the authority and the ability to regulate the tobacco marketplace with the principles of harm reduction and relative risk in mind.

Generic Drug User Fees

87. Please provide a history of the GDUFA carryover level from fiscal years 2012 to 2017 as well as estimates into FY 2018?

Response: FDA would be happy to provide that for the record. Please see below:

Human Generic Drug User Fee Carryover Balances by Fiscal Year

Program	Fiscal Year	Year-End Carryover
GDUFA	2012*	
	2013	$ 176,442,145
	2014	$ 277,532,778
	2015	$ 230,674,059
	2016	$ 173,675,175
	2017**	$ 73,004,154

**Program began in 2013.*

***Estimate only.*

88. Please provide an update on GDUFA performance measures and provide an explanation of any underperformance or significant changes.

Response: FDA is meeting or exceeding all of its GDUFA performance goals. The Agency issues annual GDUFA performance reports, which are posted on FDA's website here: www.fda.gov/AboutFDA/ReportsManualsForms/Reports/UserFeeReports/PerformanceReports/ucm384247.htm.

The ratification of the GDUFA II Commitment Letter (*see* www.fda.gov/downloads/forindustry/userfees/genericdruguserfees/ucm525234.pdf) as part of the Food and Drug Administration Reauthorization Act of 2017 makes some significant changes to the performance goals under GDUFA II, most notably requiring faster review of ANDAs that are public health priorities. Specifically, FDA would review and act on priority ANDAs within 8 months of the date of submission. Standard review times would continue to be 10 months. As part of the GDUFA II "Bridging" provision, FDA will "[r]eview and act on amendments received on or after October 1, 2017, to any ANDAs submitted prior to October 1, 2017, pursuant to the amendment review goals set forth in" GDUFA II. The Commitment Letter setting forth the performance goals is posted on FDA's website here: www.fda.gov/downloads/forindustry/userfees/genericdruguserfees/ucm525234.pdf.

First Class and International Travel

89. Please provide a table with a history for all first class travel by FDA employees from fiscal years 2014 until 2017 to date. Please include the number of first class tickets purchased; the total number and percentage of waivers / exemptions for such travel; and the cost of such travel.

Response: Please see the chart below. FDA confirms that all First Class seating assignments during the fiscal years requested were granted waivers and approved for First Class seating (F2) based on Physicians Authorizations/Reasonable Accommodations.

FDA	FY 2014	FY 2015	FY 2016	FY 2017*
First Class Tickets	2	1	2	14*
First Class Ticket Total	$5,400.81	$2,610.20	$5,026.90	$33,442.94*
Premium Class Travel Waivers Total	$55,991,331	$51,956,325	$54,830,559	$2,153,918*
First Class Percent of Total Waivered Travel	.0096%	.0050%	.0091%	1.55%

Current as of August 24, 2017

90. Please provide a full listing of the international trips, the international destinations of each trip, and the cost of each trip for fiscal years 2016 and 2017 to date.

Response: The information is on file with the Subcommittee.

91. What steps has FDA taken to reduce the cost of travel in fiscal years 2016 and 2017?

Response: FDA's Office of Finance, Budget and Acquisition (OFBA) monitors spending at an Agency and Center/Office level and provides assistance to all FDA components. OFBA provides customized reports in the Financial Business Intelligence System (FBIS) data warehouse to allow Centers/Offices to monitor and track spending by numerous categories. FDA remains diligent in trying to reduce travel costs and other costs previously subject to reductions as much as possible.

Antibiotic Resistance

92. What are the FDA's current efforts related to antibiotic resistance?

Response: As part of the coordinated U.S. Government efforts to address antimicrobial resistance described in the National Action Plan for Combatting Antibiotic-Resistant Bacteria (CARB), FDA has launched a number of initiatives.

In the area of human drugs, FDA is engaged in efforts to facilitate the development of new antibacterial drugs. FDA has issued a number of guidance documents concerning the clinical development of antibacterial drugs, sponsored public workshops and advisory committee meetings, engaged in collaborative partnerships, and funded regulatory science research to address current challenges and ensure that development pathways exist that will enable the evaluation and approval of safe and effective new antibacterial drugs for patients.

FDA, in collaboration with the European Medicines Agency (EMA) and the Pharmaceuticals and Medical Devices Agency (PMDA) of Japan, held meetings on June 1-2, 2016, and September 29-30, 2016, to discuss regulatory approaches for evaluating antibacterial drugs, including opportunities for further convergence.

With regard to prescribing practices, FDA has issued labeling regulations addressing the appropriate use of antibacterial drugs. FDA is also working to implement section 3044 of the 21st Century Cures Act, which clarifies FDA's authority to efficiently identify and update susceptibility test interpretive criteria so that healthcare providers have up-to-date information to guide their prescribing choices. FDA also supports efforts by CDC and others in the healthcare community to foster antimicrobial stewardship; such efforts serve an important role in preserving the effectiveness of antibacterial drugs.

FDA is committed to advancing efforts to foster the judicious use of antimicrobial drugs in animals. The Agency has issued a number of important guidance documents and regulations to support its judicious use strategy and has actively engaged in outreach efforts to support effective implementation.

93. Please provide a funding history of NARMS between fiscal years 2010 and 2017 to date and show how the funds were distributed outside of FDA and within FDA by Program (e.g., CFSAN, CDER, CVM, etc.). What does FDA plan to spend on NARMS in fiscal year 2018?

Response: While the base budget authority for NARMS has remained the same since FY 2015, changes have occurred in how the funds are distributed among FDA, CDC, and USDA. The CDC was appropriated an additional $160 million in FY 2016 to address various issues related to antimicrobial resistance, and, for the first time, funded NARMS activities with its own appropriation. In addition, the FDA is funding the state labs directly rather than transferring these funds to the CDC, which would then send it to the states. FDA no longer sends funds to the CDC to support NARMS. The funding is summarized, for the record, in the table below and includes the estimate for funding in FY 2018.

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
USDA[1]	$1.4M	$1.6M	$1.3M	$1.3M	$0.4M	$0.8M	$0.6M	$0.6M	$0.6M
CDC[2]	$1.8M	$2.2M	$2.0M	$2.0M	$2.0M	$4.1M	$0	$0	$0
FDA/ CVM[3]	$3.5M	$4.0M	$4.5M	$4.5M	$5.4M	$5.9M	$10.2M	$10.2M	$10.2M
TOTAL[4]	**$6.7M**	**$7.8M**	**$7.8M**	**$7.8M**	**$7.8M**	**$10.8M**	**$10.8M**	**$10.8M**	**$10.8M**

[1]*Funding to the USDA went down in FY 2014 due to on-farm pilot work completing the field phase. Funds were used to start building whole genome sequencing (WGS) capacity at FDA CVM. On-farm work was funded for one additional year at the USDA in FY 2015. In addition, WGS was started at USDA in 2015. These are reflected in the USDA allocation.*

[2]*FDA purchased lab supplies for CDC in FY 2009 – FY 2015. CDC received NARMS funding through their AMR initiative and is no longer funded by the FDA. In addition, the FDA no longer moves funds to the state labs via the CDC funding mechanisms for retail meat testing.*

[3]*FDA figure includes lab supplies the FDA purchases for the USDA and CDC and includes funds for retail meat testing in state labs and funding for an RFA to explore option for collecting new antimicrobial use data.*

[4]*Totals represent the FDA NARMS allocation before funds are distributed to the USDA and CDC.*

94. Please update FDA's response to last year with any new research FDA utilizes to determine the major sources of antibiotic resistance.

Response: FDA uses data from the National Antimicrobial Resistance Monitoring System (NARMS) and other sources to reach an overall risk estimation for the proposed use of a new animal antimicrobial drug. This is used to guide FDA decisions to approve or deny the proposed use of an antimicrobial new animal drug or to limit its conditions of use.

FDA works closely with other government agencies, such as the USDA and the CDC, to understand risk factors for resistant infections and to conduct special microbiological studies to detect rare resistance traits of importance to public health and to prioritize other special research studies as the need arises. New DNA sequencing technologies greatly enhance our ability to identify sources of resistance by providing high-resolution information that includes the comprehensive resistance genotype and the genomic structure of the resistance genes. Such information is critical to understanding possible sources of resistance genes as well as the co-selection pressure for antimicrobial resistance. For example, quinolone resistance has been increasing in human *Salmonella* infections and sequencing has shown this is associated with a specific genetic element that has recently been found in swine and retail pork.

FDA is also performing metagenomic sequencing studies of both terrestrial and aquacultured animal samples. These studies allow the determination of the microbiological make-up of the intestinal tracts of food-producing animals, thereby providing the tools needed to evaluate the effects of antimicrobial selection pressure on the intestinal bacteria of treated animals, and on the total pool of resistance genes in animals and their derived food products. These data can be used to understand what drives the evolution and spread of resistant foodborne bacteria and support efforts to gauge the success of antibiotic stewardship efforts, guide their continued evolution and optimization, and help assess associations between antibiotic use practices and resistance. Additionally, ongoing metagenomic studies of feed will determine the diversity of bacteria and antimicrobial resistance genes present in animal feed.

95. What is FDA doing to address antimicrobial resistance as it relates to prescribing practices of human drugs?

Response: The labeling for all systemic antibacterial drug products intended for human use indicated to treat a bacterial infection, except a mycobacterial infection, is required to contain information about unnecessary use of antibacterial drugs and the link between such use and the emergence of drug-resistant bacterial strains (21 CFR 201.24). FDA believes that physician labeling can contribute to ongoing educational efforts by reminding physicians that their individual prescribing decisions have a collective impact on the resistance problem. Further, the information provided in labeling about clinical trial results informs physicians about risks and benefits to consider when prescribing.

FDA is working to implement section 3044 of the 21st Century Cures Act, which, among other things, clarifies the Agency's authority to efficiently update susceptibility test interpretive criteria ("breakpoints"), including those established by standard development organizations, that may be utilized by sponsors of antimicrobial susceptibility testing devices. Susceptibility testing is performed in laboratories to determine which antibacterial drugs are likely to be active against the bacteria causing a patient's infection. In the context of antibacterial drug resistance, it is important that healthcare providers have up-to-date information when prescribing.

FDA also recognizes the important work that is being done by CDC through its antibiotic stewardship programs, including the Get Smart Campaign—which seeks to ensure that all patients get the right antibiotic at the right dose for the right amount of time—to improve consumer and provider education around appropriate use. Antibiotic stewardship programs and education will always serve a critical role in preserving the effectiveness of antibiotic treatment.

96. What has been FDA's success with their voluntary efforts to reduce veterinary drugs in farm animals produced for human consumption?

Response: On January 3, 2017, FDA announced that it had completed the implementation of Guidance for Industry (GFI) #213, a process begun in 2013 to transition antimicrobial drugs with importance in human medicine – medically important antimicrobials – that are used in the feed or drinking water of food-producing animals to veterinary oversight and eliminate the use of these products in animals for production – such as growth promotion – purposes. As of January 3, 2017, all affected drug applications have either aligned with the recommendations outlined in GFI #213 or their approvals have been voluntarily withdrawn. As a result of these changes, these products cannot be used for production – such as growth promotion – purposes and may only be used under the authorization of a licensed veterinarian.

FDA has and continues to express its appreciation for the cooperation of the animal pharmaceutical industry for meeting its commitment to fully align all affected products with the GFI #213 recommendations. The Agency also acknowledges the role that a number of key stakeholders played in helping to prepare for this important transition. This includes, but is not limited to, veterinary organizations, animal producer organizations, feed industry organizations, as well as various local, state, and federal agencies. The success of this collaborative effort marks an important step forward for promoting antimicrobial stewardship in animals.

Of the 292 new animal drug applications initially affected by GFI #213, 84 new animal drug applications were completely withdrawn. Of the remaining 208 applications, 93 applications for oral dosage form products intended for use in water were converted from over-the-counter to prescription status, and 115 applications for products intended for use in feed were converted from over-the-counter to veterinary feed directive status. Production – such as growth promotion – indications were withdrawn from all 31 applications that included such indications for use.

Reprogramming Provision in the Annual Appropriations Law

97. Has FDA notified Congress on all reprogramming requirements as required by law in fiscal years 2016 and 2017 to date? Please explain any circumstances of why not if applicable.

Response: FDA has notified Congress of all reprogramming activities in fiscal years 2016 and 2017 to date. The FY 2018 President's Budget includes a display, which reflects a funding realignment for intergovernmental affairs staff, as well as CFSAN's staff of

economists. While these realignments are proposed in FY 2018, no reprogramming or transfer of funds occurred in fiscal years 2016 or 2017 to implement these changes.

98. Has FDA notified all of its senior officials, career or otherwise, of the requirements placed on the Agency of reprogramming appropriated funds? If so, please explain how and when this information is communicated across all program areas.

Response: Following the enactment of every annual appropriations Act, FDA's Office of Finance, Budget, and Acquisitions (OFBA) notifies all senior leadership, as well as budget staff across the Agency, of the appropriations' provisions insofar as they affect the Agency. This includes reprogramming requirements established in the law.

Legal Fees

99. Please provide a total cost of legal fees incurred by FDA over the past three fiscal years and provide a detailed list of the source of the costs and respective amounts, including the cost of settlements associated with employee grievances, complaints, etc.

Response: The table below provides employee related legal fees incurred by FDA for the past three calendar years in employee grievance and other employment-related lawsuits, with attorney and claimant payments listed separately. These amounts do not include back pay settlements that are paid to employees through the payroll system, because such settlements are not tracked by a distinct object class code in the financial system.

FDA Legal Fees for Calendar Years 2014-2016

Calendar Year	Attorney Payments	Claimant Payments	Total Settlements
2014	$ 240,045	$ 103,155	$ 343,200
2015	$ 621,166	$ 736,508	$ 1,357,674
2016	$ 955,859	$ 1,577,864	$ 2,533,723

*Note: Data based on tax reporting information and therefore presented by calendar year.

Title 42 Pay

100. Please provide a table that shows total FTE and dollars related to the use of Special Title 42 Pay Authority" for fiscal years 2015 and 2016 actuals, and projected for fiscal years 2017 and FY 2018.

Response: FDA's total FTE and dollars related to Special Title 42 Pay Authority for Fiscal Years (FY) 2015 and 2016 actuals are provided in the table below, along with projected

numbers for F Y 2017 and 2018. Please note that FY 2018 pay projections are based on FY 2017 levels, plus an expected Cost of Living Adjustment of 1.95%, as per the President's FY 2018 Budget submission.

Year	Description	Total
FY 2018	Dollars	**$144,340,315**
	FTE	**1,157**
FY 2017	Dollars	**$141,579,514**
	FTE	**1,157**
FY 2016	Dollars	**$160,063,107**
	FTE	**1,070**
FY 2015	Dollars	**$113,962,921**
	FTE	**1,256**

Scientific Principles

In July 2014, you authored an article in Forbes magazine that discussed difficulties FDA faces when it comes to developing scientific principles relating to complex drugs and generic drug approvals, and you indicated that "[FDA] needs to develop these scientific principles in a more transparent and inclusive process that leverages the expertise that FDA doesn't readily possess to discern these laws of drug science."

Link to article: https://www.forbes.com/sites/scottgottlieb/2014/07/07/fdas-looming-decision-on-generic-copaxone-from-teva-reveals-drug-approval-woes/#4ed4b1184a74

101. As FDA Commissioner would you continue to support FDA developing complex-drug specific principles for generic drug approval in a transparent, scientifically valid and inclusive process?

Response: FDA should continue to make scientific investments in advancing the tools needed to support the efficient evaluation of complex generic drugs. The GDUFA II agreement continues to include support for regulatory science related to complex generics, adds new mechanisms for input into these research activities, and provides for increased transparency on research outcomes. As part of the agency's Drug Competition Action Plan, FDA will also develop clearer scientific and regulatory guidance on how a demonstration of equivalence for complex products works to provide product developers more clarity on the

options available. Under GDUFA II, FDA will grant face-to-face meetings to potential generic drug applicants for complex products in cases where the Agency has not yet issued clear guidance.

Immunotherapies

As you know, currently there is no appropriate approval pathway for personalized immunotherapies. You have expressed support for modernizing clinical trial design, which could expand access to drugs for rare or life-threatening conditions such as cancer immunotherapies.

102. Does FDA have plans to modify the FDA's regulatory regime to address the obstacles faced by personalized drugs such as immunotherapies?

Response: FDA appreciates the interest in FDA's regulation of personalized drugs such as immunotherapies. FDA's existing regulatory authority provides flexibility in the Agency's approach to the regulation of such products, including addressing challenges that may arise for products such as immunotherapies. FDA is committed to working with individual sponsors as they develop such products and will consider other approaches such as issuance of new guidances to help advance the development of these products.

103. What legislative authorities can Congress provide the FDA to support safe and efficient approval of personalized autologous vaccines?

Response: FDA understands your reference to personalized autologous vaccines to refer to therapeutic cancer vaccines intended to result in responses to a specific tumor antigen that are intended for the treatment of patients diagnosed with cancer. Examples include genetically-modified cellular therapies, such as chimeric antigen receptor T-cells (CAR-T cells), and peptides that are generated based on tumor sequence. Such products may be eligible for a variety of expedited designation programs including fast track and breakthrough therapy, which are intended to facilitate development and review of these products. In addition, human cell based therapeutic cancer vaccines may be eligible for the Regenerative Medicine Advanced Therapy (RMAT) Designation program created by the 21st Century Cures Act.

FDA is committed to helping to make autologous therapies that are shown to be safe and effective available as soon as possible, particularly for patients with serious or life-threatening diseases or conditions lacking other treatment options.

QUESTIONS SUBMITTED BY CONGRESSMAN KEVIN YODER

Harm Reduction

In recent remarks after your appointment to your current role as FDA Commissioner, you stated: "There's probably no single intervention, or product we're likely to create in the near future that can have as profound an impact on reducing illness and death from disease as our ability to increase the rate of decline in smoking. We need to redouble efforts to help more smokers become tobacco-free. And, we need to have the science base to explore the potential to move current smokers – unable or unwilling to quit – to less harmful products, if they can't quit altogether." This represents a departure from the antiquated approach CTP has taken in the past, which has been "quit or die".

104. How do you intend to reform the Center for Tobacco Products?

Response: CTP has made great progress in implementing and enforcing the Tobacco Control Act. In order to build on this progress, FDA announced a multi-year comprehensive approach to the regulation of nicotine and tobacco on July 28, 2017.

Components of the plan include:

- Acknowledging that nicotine in cigarettes – while highly addictive – is not directly responsible for the vast majority of the diseases caused by smoking. Nicotine is delivered through a variety of products across a "continuum of risk" that spans combusted products such as cigarettes to FDA-approved smoking cessation aids such as nicotine gum, patch, and lozenge. When nicotine is delivered through smoke particles from combusted cigarettes, the delivery mechanism is in its most harmful form to date.

- FDA plans to begin a public dialogue and issue an Advance Notice of Proposed Rulemaking (ANPRM) to seek input on the potential public health benefits and any possible adverse effects of lowering nicotine in cigarettes to minimal or non-addictive levels.

- FDA intends to issue an ANPRM that will seek comment on the role that flavors in tobacco products – including menthol – play in attracting youth, as well as the role they may play in helping smokers switch to potentially less harmful forms of nicotine delivery.

- FDA intends to issue an ANPRM that will solicit additional comments and scientific data related to the patterns of use and public health impacts from premium cigars, which were included in the FDA's 2016 deeming rule.

FDA envisions a world where cigarettes would no longer contain nicotine at addictive levels. But at the same time, adults who still want or need nicotine could get it from alternative – and importantly, less harmful – sources. To that end, the FDA is committed to encouraging innovations that have the potential to make a notable public health difference and inform future policies.

FDA has extended the deadlines for the submission of marketing applications for those products that became newly-regulated by last year's deeming rule and were on the market as of August 8, 2016. Applications for newly-regulated *combustible* products – such as most cigars, pipe tobacco and hookah tobacco – should be submitted by August 8, 2021. Applications for newly-regulated *non-combustible* products – such as e-cigarettes and other Electronic Nicotine Delivery Systems – should be submitted by August 8, 2022. For newly regulated products on the market as of August 8, 2016, the Agency anticipates that manufacturers would continue marketing products while the FDA reviews product applications submitted by the revised dates. On August 4, 2017, FDA posted a revised guidance, *Extension of Certain Tobacco Product Compliance Deadlines Related to the Final Deeming Rule*.

With this additional time, FDA intends to issue other foundational rules and guidances – including documents describing the type of information the Agency expects to be included in the marketing applications – that will help make the product review process more efficient, predicable and transparent, while still upholding the Agency's public health mission.

This additional time will not only help manufacturers develop higher quality and more complete applications, but it allows the FDA additional time to explore measures to make tobacco products less toxic, appealing, and addictive. For example, during this time, the FDA intends to develop product standards to protect against known public health risks, such as e-cigarette battery issues and concerns about children's exposure to liquid nicotine.

In summary, the comprehensive plan for tobacco and nicotine regulation allows the FDA to apply our regulatory tools to help reduce tobacco-caused disease and death. The steps that FDA has outlined above can help shift the trajectory that, left unchanged, will keep tobacco use as the leading cause of preventable disease and death in the United States. There are lasting and positive public health impacts from these actions that can protect generations to come.

105. How can we as Appropriators and Members of Congress help you to modernize the agency's approach to harm reduction?

Response: As described above, the Agency recently announced a comprehensive approach to the regulation of nicotine and tobacco that is largely based on the principle of harm reduction. FDA's comprehensive plan recognizes the potential for innovation to lead to less harmful products, which, under FDA's oversight, could be part of a solution to the harm caused by combusted tobacco products. FDA looks forward to working with the Committee as it implements this plan.

Dietary Fiber

As you know, the FDA created a new definition of dietary fiber in the Nutrition Facts Label rule that was finalized last year. Essentially, the FDA told more than two dozen fiber makers that they had to submit petitions to prove their products meet the new definition even though the ingredients had been marketed as fiber for years. In the rule, the FDA applies a standard that has no precedent in the food world. It is no longer enough to meet the chemical definition of fiber--companies have to prove their fibers are physiologically beneficial, almost as if they are medicines.

One company in Kansas, MGP Ingredients, submitted all the necessary evidence as soon as they could, way back in October. Their product is an isolated fiber derived from Midwestern wheat, used around the world to make foods like bread and pasta higher in fiber and lower in fat. A few weeks ago, they received a 180-day interim response letter from the FDA saying their petition had not been reviewed because the agency has other priorities and limited resources.

MGP Ingredients has to negotiate its 2018 contracts right now, and the compliance date for the new nutrition facts rule is in 2018. Without FDA action, their product will not count as fiber in the nutrition facts label on packaged food. Unless the FDA does something very soon, the Nutrition Facts Label rule is going to wreak havoc on this company, its employees, and the town of Atchison where MGP has its production line.

There are other problems with the rule that I don't have time to go into right now. MGP and other companies like it have asked that the rule be delayed and that the dietary fiber part of it be stayed and reexamined.

106. Can I have your commitment that the FDA will act very soon to save companies like MGP Ingredients?

Response: FDA is committed to working with manufacturers covered by the Nutrition and Supplement Facts Labels (NFL/SFL) final rule, published on May 27, 2016, to help them complete and print updated NFLs/SFLs for their products before they are expected to be in compliance.

FDA defined dietary fiber to ensure that the amount of non-digestible carbohydrates that are declared as dietary fiber on the NFL/SFL will assist consumers in maintaining healthy dietary practices. The definition does not prevent companies from continuing to add a non-digestible carbohydrate to a food product, even if the ingredient is not a dietary fiber because it does not provide a physiological effect that is beneficial to human health.

FDA received 12 citizen petitions, including one from MGP Ingredients, asking the Agency to amend the definition of "dietary fiber" to include specified ingredients in the definition as dietary fibers. FDA is reviewing these petitions as expeditiously as possible. After FDA completes its scientific review, it will notify the petitioners concerning the Agency's decision. If FDA determines that any of the petitioners' isolated or synthetic non-digestible carbohydrates meet the new "dietary fiber" definition, the Agency intends to amend the regulatory definition by adding those products to the existing list of dietary fibers.

As we work to complete the petition review process, stakeholders who use isolated or synthetic non-digestible carbohydrates have expressed a need for clarity from FDA, and the need for clarity has also resulted in requests to extend the NFL/SFL compliance dates.

On June 13, 2017, the FDA announced its intention to extend the compliance date for the NFL/SFL final rules. The FDA will provide details of the extension through a *Federal Register* notice at a later time.

Generic Drugs

In 2013 the FDA released a proposed rule on labeling changes for generic drugs. I am aware this proposed rule has been delayed 3 times. While I welcome those delays, the pharmaceutical industry deserves clarity on the Agency's intentions.

107. When will you make a final determination on whether to move forward with this rule?

Response: The FDA has updated the Spring 2017 Unified Agenda to move the final rule entitled "Supplemental Applications Proposing Labeling Changes for Approved Drugs and Biological Products" to the long-term action list. As such, the Agency does not plan to issue a final rule within the next 12 months. The FDA will determine next steps based on our

analysis of comments on the proposed rule and additional information submitted as part of the March 2015 public meeting. As the FDA updates the Unified Agenda to reflect the most immediate priorities, the Agency will carefully consider the impact to public health and industry. The FDA provides information on the status of rulemaking activities through publicly available resources, such as the Unified Agenda.

Nutrition Facts Panel Extension and Harmonization

108. Considering the logistical challenge and costly expense of updating packaging for the more than 650,000 food products on the market today, would you as Commissioner grant additional time for Nutrition Facts compliance and work with USDA to ensure a harmonized process for both of these major labeling overhauls?

Response: On June 13, 2017, FDA announced its intention to extend the compliance date for the Nutrition Facts label final rules. After careful consideration, FDA determined that additional time would provide manufacturers covered by the rule with guidance from FDA, and would help them be able to complete and print updated Nutrition Facts labels for their products before they are expected to be in compliance. FDA also has heard requests from industry to align the compliance dates for the Nutrition Facts label and U.S. Department of Agriculture's (USDA's) future bioengineered food disclosure rules, and is currently considering these requests. Additional compliance time also would provide an opportunity to try to align the compliance dates in the Nutrition Facts label rules with the compliance date for the USDA's bioengineered food disclosure rules.[15] FDA will provide details of the extension through a *Federal Register* notice at a later time.

109. What will you do to ensure that there is sufficient time for compliance with the Nutrition Facts Panel changes so that those suppliers – already limited in number – are able to help their customers meet compliance deadlines? This is especially important to me as there is real concern that smaller businesses will likely be placed at the back of the queue if bottlenecks in service occur.

Response: On June 13, 2017, FDA announced its intention to extend the compliance date for the Nutrition Facts label final rules. After careful consideration, FDA determined that additional time would provide manufacturers covered by the rule with guidance from FDA, and would help them be able to complete and print updated Nutrition Facts labels for their

[15] *See* www.ams.usda.gov/rules-regulations/gmo.

products before they are expected to be in compliance. FDA will provide details of the extension through a *Federal Register* notice at a later time.

FDA has provided several guidance documents and is actively working on additional topics to address, for example, certain technical questions we received after publication of the final rules. Providing additional guidance to help answer industry's questions on the new labeling requirements is an Agency priority. FDA is working to finalize several key guidance documents and to supply additional guidance as soon as possible.

110. Will you as Secretary direct FDA to prioritize these and other guidance documents so that food manufacturers have the ability to comply with the law, and work with food manufacturers to ensure they have these and other resources as they implement these label updates? Will you consider providing an extension to the compliance deadline?

Response: In 2016, FDA published three draft guidance documents to advise industry on labeling food products in accordance with FDA's requirements for the Nutrition and Supplement Facts labels and Serving Size final rules and is actively working on additional topics to address, for example, certain technical questions we received after publication of the final rules. Providing guidance to help answer industry's questions on the new labeling requirements is an Agency priority. In addition, in 2016, FDA published a request for scientific information to help FDA identify additional isolated or synthetic non-digestible carbohydrates that provide physiological effects that are beneficial to human health and therefore meet the "dietary fiber" definition.

FDA is working to finalize the guidance documents described above and also to develop guidance on additional specific topics. FDA is also actively working to complete our work related to dietary fiber.

The Agency has also conducted outreach and industry education efforts on the new requirements, and currently hosts an email inbox for specific questions. FDA has held more than 50 webinars, presentations, and meetings on the rules.

On June 13, 2017, FDA announced its intention to extend the compliance date for the Nutrition and Supplement Facts labels and Serving Size final rules. After careful consideration, FDA determined that additional time would provide manufacturers covered by the rule with guidance from FDA, and would help them be able to complete and print updated nutrition facts panels for their products before they are expected to be in compliance. FDA will provide details of the extension through a *Federal Register* notice at a later time.

Unfortunately, FDA's final deeming rule makes it harder for innovative products, like e-cigarettes to come to market than a cigarette. FDA has significant regulatory power and discretion under the Tobacco Control Act.

111. Will you commit to re-assessing the final deeming rule and utilizing that regulatory power and discretion to make changes that support tobacco harm reduction?

Response: On July 28, 2017, FDA announced a comprehensive approach to the regulation of nicotine premised on the need to confront and alter cigarette addiction by rendering cigarettes minimally addictive or non-addictive by regulating nicotine levels. The comprehensive approach includes, among other things, a reconsideration of aspects of the implementation of the final deeming rule with an eye towards fostering innovation where innovation could truly make a public health difference, and making sure we have the foundational regulations we need in place to make the entire program transparent, predictable, and sustainable for the long run.

On August 4, 2017, FDA issued a guidance that extended the deadlines for the submission of marketing applications for those products that became newly-regulated by last year's deeming rule and were on the market as of August 8, 2016. Applications for newly-regulated *combusted* products – such as most cigars, pipe tobacco and hookah tobacco – would be submitted by August 8, 2021. Applications for newly-regulated *non-combusted* products – such as most e-cigarettes – would be submitted by August 8, 2022. For newly regulated products on the market as of August 8, 2016, FDA anticipates that manufacturers will continue marketing products while FDA reviews product applications submitted by the revised dates.

With this additional time, FDA intends to issue other foundational rules and guidances – covering topics such as the type of information FDA expects to be included in marketing applications – that will help make the product review process more efficient, predicable and transparent, while still upholding the FDA's public health mission.

The overall goal of the comprehensive approach announced on July 28, 2017, is to make changes that support tobacco harm reduction by shifting use of the most harmful tobacco products (combusted cigarettes) to less harmful tobacco products.

The Agency and the tobacco industry are forced to operate in an unclear, uncertain and often inconsistent environment of regulatory decision-making. This uncertainty impacts the ability of

the agency and regulated industry to focus on new, innovative tobacco products that may present less risk to individual tobacco product consumers.

112. Would you agree that it is critical that the agency and regulated industry have clear rules for product reviews and approvals?

Response: It is important for FDA to develop rules and guidance documents to provide industry with clarity and predictability in the premarket review process. FDA is committed to providing this assistance. For example, concurrent with the announcement of the final deeming rule, FDA announced the availability of several other regulatory documents that provide additional clarity, instructions, and/or guidance on issues specific to newly-deemed products, including: Premarket Tobacco Product Applications (PMTAs) Draft Guidance for ENDS, Tobacco Product Master File (TPMF) Guidance, and Small Entity Compliance Guide for Deeming.

On July 28, 2017, FDA announced, as part of a larger plan for comprehensive regulation of nicotine and tobacco that it intends to provide additional time for companies to submit premarket applications for newly regulated products. FDA issued a guidance explaining these revised timelines on August 4, 2017.

This additional time will allow FDA to issue rules and guidance to make the product review process more efficient, predictable, and transparent for manufacturers, while also providing manufacturers more time to develop higher quality and more complete applications. Specifically, FDA intends to issue rules for Substantial Equivalence applications, Premarket Tobacco Product applications, Modified Risk Tobacco Product applications, and Tobacco Product Manufacturing Practices, among others.

The ability to educate and communicate with regulated entities is critical to the success of FDA's program to review tobacco product applications. This communication is ongoing and will continue. For example, FDA's Guidance for Industry and Investigators, "Meetings with Industry and Investigators on the Research and Development of Tobacco Products (Revised)," describes how companies can request to meet with FDA prior to submitting a PMTA.

In addition to the documents listed above, FDA has provided and will continue to provide additional assistance to newly-regulated entities. To date, FDA has posted sixteen compliance training webinars about the deeming final rule on its website, including two live webinars in which industry could ask questions about the rule.

113. Would you agree that a more efficient process based on clear rules would allow the Center to better focus its resources on concrete actions to reduce the harm caused by smoking?

Response: FDA expects additional guidance and regulations to result in higher quality and more complete applications that will make the review process more efficient and enhance the regulatory predictability and certainty in this space. FDA recently announced a comprehensive approach to the regulation of nicotine and tobacco that is largely based on the principle of harm reduction. FDA's comprehensive plan recognizes the potential for innovation to lead to less harmful products and envisions a world where cigarettes would no longer contain nicotine at addictive levels. But at the same time, adults who still want nicotine could get it from alternative – and importantly, less harmful – sources. To that end, FDA is committed to encouraging innovations that have the potential to make a notable public health difference and inform future policies.

FDA plans to begin a public dialogue about lowering nicotine levels in combustible cigarettes to non-addictive levels through achievable product standards. The Agency intends to issue an ANPRM to seek input on the potential public health benefits and any possible adverse effects of lowering nicotine in cigarettes. Because nearly 90 percent of adult smokers started smoking before the age of 18 and nearly 2,500 youth smoke their first cigarette every day in the United States, lowering nicotine levels could decrease the likelihood that future generations become addicted to cigarettes and allow more currently addicted smokers to quit.

FDA plans to issue rules and guidance to make the product review process more efficient, predictable, and transparent for manufacturers, while upholding FDA's public health mission. Among other things, FDA intends to issue regulations outlining what information the Agency expects to be included in premarket applications. Specifically, FDA intends to propose rules governing procedures for Substantial Equivalence applications, Premarket Tobacco Product applications, Modified Risk Tobacco Product applications, and Tobacco Product Manufacturing Practices. FDA will also continue to assist industry in complying with federal tobacco regulations through online information, meetings, webinars, and guidance documents.

Hearing aids

114. Can you elaborate on ways that FDA intends to mitigate potential consequences associated with the creation of an OTC channel for hearing aids?

Response: FDA is supportive of language included in FDARA to make hearing aids available over the counter (OTC). Hearing loss affects some 30 million people in the United States and can have a significant impact on communication, social participation, and overall health and quality of life. However, despite the high prevalence and public health impact of hearing loss, only about one-fifth of people who could benefit from a hearing aid seek intervention. The legislation's proposed process to create an OTC class of hearing aids will help facilitate access to these important devices while lessening regulatory burdens.

In June 2016, FDA, other federal agencies, and a consumer advocacy group sponsored a study entitled, "Hearing Health Care for Adults: Priorities for Improving Access and Affordability[16]," through the National Academics of Sciences, Engineering and Medicine (NAS). The study cited FDA regulations regarding conditions for sale as a potential barrier to the availability and accessibility of hearing aids, and concluded that the regulation was providing little to no meaningful benefit to patients. The FDA Reauthorization Act (FDARA) of 2017 directs FDA to establish a category of over-the-counter hearing aids, which the Agency believes has the potential to deliver new, innovative and lower-cost products to millions of consumers, while still ensuring proper safeguards that will protect patients.

As part of the new class of OTC hearing aids, the legislation requires FDA to include the requirements that are the legislation requires require clear and appropriate labeling for OTC use. Such labeling will also explain the circumstances when a patient should contact a health care professional.

[16] www.nationalacademies.org/hmd/Reports/2016/Hearing-Health-Care-for-Adults.aspx.

QUESTIONS SUBMITTED BY CONGRESSMAN THOMAS J. ROONEY

FDA Tobacco Deeming Rule

The premium, hand-made cigar industry has a rich history in my state of Florida which dates back to the 18th century. Florida is home to hundreds of family owned retail stores and dozens of manufacturers who proudly serve tens of thousands of adult customers. This small industry is suffering tremendously at the hands of FDA's deeming rule. User fees alone will drain millions of dollars from Florida businesses this year and compliance costs are even higher.

115. Will you undertake a review of the FDA's decision to include premium hand-made cigars in the regulation and work to mitigate the regulations that are devastating this industry?

Response: In the preamble to the proposed deeming rule, FDA sought comment on two options regarding the categories of cigars that would be covered by this rule—specifically, whether all cigars should be subject to deeming or if only those cigars not considered "premium" should be subject to deeming. FDA sought comments on these two options because it has been suggested that different kinds of cigars may have the potential for varying effects on public health.

FDA carefully reviewed all comments, data, and information submitted to the docket, including many comments from cigar users and the cigar industry, and concluded in the deeming final rule that regulating all cigars, rather than a subset, more completely protects the public health. Ultimately, FDA concluded that all cigars pose serious negative health risks and "premium" cigars are used by youth and young adults.

On July 28, 2017, FDA announced that it intends to issue an Advance Notice of Proposed Rulemaking to provide interested parties an opportunity to develop and submit new information or data related to the patterns of use and resulting public health impacts from so-called premium cigars. We will explore any new and different questions raised, and carefully consider any additional data submitted relevant to the appropriate regulatory status of premium cigars.

116. If FDA is undertaking such an evaluation, does it make sense to extend the compliance deadlines contained within the Final Rule?

Response: In the preamble to the proposed deeming rule, FDA sought comment on two options regarding the categories of cigars that would be covered by this rule—specifically, whether all cigars should be subject to deeming or if only those cigars not considered "premium" should be subject to deeming. FDA sought comments on these two options

because it has been suggested that different kinds of cigars may have the potential for varying effects on public health.

FDA carefully reviewed all comments, data, and information submitted to the docket, including many comments from cigar users and the cigar industry, and concluded in the deeming final rule that regulating all cigars, rather than a subset, more completely protects the public health. Ultimately, FDA concluded that all cigars pose serious negative health risks and "premium" cigars are used by youth and young adults.

On July 28, 2017, as part of FDA's comprehensive plan for nicotine and tobacco regulation, FDA announced that it intends to issue an Advance Notice of Proposed Rulemaking to provide interested parties an opportunity to develop and submit new information or data related to the patterns of use and resulting public health impacts from so-called premium cigars. In addition, as part of FDA's comprehensive plan, FDA announced that it will further extend the compliance date for submission of premarket applications for newly regulated combusted tobacco products, such as most cigars, that were on the market as of August 8, 2016, to August 8, 2021. FDA issued a guidance document regarding this revised compliance policy on August 4, 2017.

117. Is FDA, under your leadership, evaluating whether it could use its enforcement discretion to apply a different grandfather date for Newly Deemed Products?

Response: FDA has determined that it lacks authority to change the grandfather date, which is set by statute (79 FR 23142 at 23174). FDA heard the concerns about the grandfather date and requested comments in the deeming proposed rule that offered a legal basis to change the grandfather date. FDA did not receive any comments in response to this request.

The grandfather date is prescribed in the statute. Section 910(a)(1)(A) of the FD&C Act states, in pertinent part, that the term "new tobacco product" means any tobacco product, including those products in test markets, that was not commercially marketed in the United States as of February 15, 2007. For purposes of the SE pathway, the statute also clearly states, in pertinent part, that a predicate product must be commercially marketed, other than for test marketing, in the United States as of February 15, 2007, in both section 910(a)(2)(A) and section 905(j)(1). FDA's authority is not so broad as to allow FDA to issue a regulation that contradicts a clear statutory provision.

118. CTP Director Zeller has often commented that FDA is considering an agency-wide comprehensive approach to nicotine policy. Is this something FDA will continue to pursue? If so, how do the provisions of the Final Rule Deeming all Tobacco Products subject to the Tobacco Control Act fit within this policy?

Response: On July 28, 2017, FDA announced a comprehensive approach to the regulation of nicotine premised on the need to confront and alter cigarette addiction by rendering cigarettes minimally addictive or non-addictive by regulating nicotine levels. The comprehensive approach includes, among other things, a reconsideration of aspects of the implementation of the final deeming rule with an eye towards fostering innovation that could truly make a public health difference. FDA also wants to make sure that we have the foundational regulations in place needed to make the entire program transparent, predictable, and sustainable for the long run.

On August 4, 2017, FDA issued a guidance extending the deadlines for the submission of marketing applications for products that became newly-regulated by last year's deeming rule and were on the market as of August 8, 2016. Applications for newly-regulated *combusted* products – such as most cigars, pipe tobacco and hookah tobacco – would be submitted by August 8, 2021. Applications for newly-regulated *non-combusted* products – such as most e-cigarettes – would be submitted by August 8, 2022.

For newly regulated products on the market as of August 8, 2016, FDA anticipates that manufacturers will continue marketing products while FDA reviews product applications submitted by the revised dates.

During this extended period, FDA intends to issue rules and guidances – covering topics such as the type of information FDA expects to be included in the marketing applications – that will help make the product review process more efficient, predicable and transparent, while still upholding the FDA's public health mission.

This additional time, rules, and guidance will help manufacturers develop higher quality and more complete applications.

FDA Dairy Labeling

My state of Florida is home to a thriving dairy industry, mainly fluid milk, with some minor exceptions. Dairy products are an important part of a healthy diet for both children and adults. The 2015 Dietary Guidelines for Americans, published by the U.S. Department of Health and Human Services and the U.S. Department of Agriculture, found that most Americans are not meeting recommended intake for the dairy food group. Consumers know that dairy products provide key nutrients necessary for healthy child development and for adult health. However, the labeling of plant-based alternatives as "milk" conveys a nutritional equivalency that is not accurate. The trend in mislabeling is expanding each year, and needs to be corrected.

119. Will you consider having the FDA issue guidance for nationwide enforcement of mislabeled imitation dairy products within 90 days and require the FDA to report to Congress two years after enactment to hold the agency accountable for this update in their enforcement obligations?

Response: FDA understands the concern about food products marketed using the names of standardized dairy foods, such as "milk," when the products do not meet the standard of identity for those foods. The Agency takes seriously its responsibilities under federal law to protect consumers from misbranded food.

FDA has heard from stakeholders with a range of perspectives on the labeling of dairy and plant-based foods and beverages. However, the Agency has not seen data that are adequate to determine whether consumers are being misled or are confused by this labeling. In meetings with dairy and plant-based food industry stakeholders, FDA has requested that they provide data and information on this issue.

FDA's approach to these issues seeks to be one that is science based, relies on our statutory authorities, and keeps honesty and fair dealing in the interest of consumers foremost in mind.

FDA anticipates that any guidance issued by the Agency regarding the use of names of standardized dairy foods in the labeling of plant-based foods could generate numerous, diverse comments that the Agency would need to consider, in accordance with FDA's "Good Guidance Practices" regulation at 21 CFR 10.115.

FDA Over-the-Counter Hearing Aids

There has been a lot of discussion in the media recently related to over-the-counter (OTC) hearing aids. Many of my constituents in southern Florida are hearing aid users and while I appreciate and support the idea of making hearing aids more affordable, I am concerned about the number of potential unintended consequences that would result if legislation like "The Over the Counter Hearing Aid Act of 2017" were to become law. It seems to me that we need to have a more engaged and thoughtful conversation before any action like this is taken.

120. What do you think the outcome would be the FDA began to regulate personal sound amplification products (PSAPs) like they do with medical devices like hearing aids?

Response: Because they are not intended for therapeutic uses, personal sound amplification products (PSAPs) are not medical devices, and FDA does not have authority to them.

Moreover, included in Sec 709 of the FDA Reauthorization Act (FDARA) of 2017 is language that specifically excludes PSAPs from the definition of over-the-counter hearing aid: "(B) EXCEPTION.—Such term does not include a personal sound amplification product intended to amplify sound for non-hearing impaired consumers in situations including hunting and bird-watching."

121. Do you think the FDA should allow hearing aids to be purchased over the counter?

Response: The FDA Reauthorization Act (FDARA) of 2017 directs FDA to establish a category of over-the-counter hearing aids, which the Agency believes has the potential to deliver new, innovative and lower-cost products to millions of consumers, while still ensuring proper safeguards that will protect patients.

There has been significant involvement by both the FDA and the healthcare community in considering a pathway for OTC hearing aids. In October 2015, the President's Council of Advisors on Science and Technology (PCAST) issued recommendations intended to facilitate hearing aid device innovation, and improve affordability and patient access. Additionally, the FDA and other federal agencies and a consumer advocacy group sponsored a study published by the National Academies of Sciences, Engineering and Medicine (NAS) in June 2016.

Both PCAST and NAS cited FDA regulations regarding conditions for sale as a potential barrier to availability and accessibility of hearing aids, and concluded that the regulation was providing little to no meaningful benefit to patients. The regulation requires that all prospective hearing aid users have a medical evaluation by a licensed physician to determine the cause of hearing loss and whether medical or surgical treatments would be more appropriate. Individuals 18 and up may waive the requirement for a medical evaluation by signing a waiver. However, per a December 2016 guidance, FDA does not intend to enforce the medical evaluation or recordkeeping requirements prior to dispensing certain hearing aid devices to individuals 18 years of age or older.

The PCAST also noted that, at present, hearing aids often cost more than $2,000 a piece, and such barriers to distribution channels may limit new entrants who could achieve technological breakthroughs that could offer a greater variety of lower-cost hearing aid options.

122. Is there any scientific data that shows hearing aids can successfully be administered via an OTC channel for mild let alone moderate hearing loss?

Response: In October 2015, the President's Council of Advisors on Science and Technology (PCAST) issued recommendations intended to facilitate hearing aid device innovation, and improve affordability and patient access. Additionally, the FDA and other federal agencies, and a consumer advocacy group sponsored a study published by the National Academies of Sciences, Engineering and Medicine (NAS) in June 2016. Both the PCAST report and the National Academies report support OTC hearing aids for mild to moderate hearing loss.

The inclusion of mild to moderate loss in the intended use for OTC hearing aids will more likely cater to the population who would be experiencing functional difficulties with their hearing loss. Only 20 percent of the people who need hearing aids seek intervention. Studies and surveys indicate that cost is a significant factor, if not the most important one, when people consider seeking treatment for their hearing loss. The current medical literature indicates[17]—and PCAST and the National Academies agree—that for the majority of adults with mild to moderate hearing loss, a medical evaluation is unnecessary and provides little to no clinically meaningful benefit. Thus, the data suggests that the OTC sale of certain hearing aids without a required medical evaluation will improve access to hearing health care without harming patients.

123. Do you think the FDA has the authority to regulate the free market regarding personal sound amplification products (PSAPs)?

Response: Personal sound amplification products (PSAPs), because they are not intended for therapeutic uses, are not medical devices. Thus, the FDA does not intend to regulate PSAPs as medical devices. Included in Sec 709 of FDARA is language that specifically excepts PSAPs from the category of OTC hearing aids: "(B) EXCEPTION.—Such term does not include a personal sound amplification product intended to amplify sound for non-hearing impaired consumers in situations including hunting and bird-watching."

124. If something like this were to occur, do you anticipate patients with moderate to profound hearing loss will self-diagnose and self-treat with an inappropriate device because it is OTC, and not pursue further clinical consult if dissatisfied with results?

Response: Patients with severe to profound hearing loss would need a device with higher output limits than what will be available over-the-counter (OTC). Thus, those patients will likely seek professional care, since the OTC product would not meet their needs.

[17] *See* Table 3-3, p. 101 at www.nap.edu/read/23446/chapter/5#101.

QUESTIONS SUBMITTED BY CONGRESSMAN DAVID YOUNG

Genetically Modified Foods

Genetically modified crops are safe, resist disease better, and can provide a reliable, abundant food source. GMOs are critical to feeding a growing and hungry world. Additionally, GMOs are essential to conservation efforts such as reduced and no till practices – reducing erosion and soil loss. In my home state of Iowa, 97 percent of soybeans and 95 percent of corn grown in the state is genetically modified. I'm concerned about the falsehoods and fear being spread about the safety of GMO foods – which have been proven to be safe.

125. How does the FDA view their role in providing consumers with factual food information and fighting back against food claims not based in sound science?

Response: FDA's public materials on FDA.gov discuss the FDA's regulatory role in ensuring that foods from genetically engineered (GE) plants meet the same food safety requirements as foods derived from traditionally bred plants.[18] The materials encourage industry to use FDA's voluntary Plant Biotechnology Consultation Program, which allows GE plant developers to work cooperatively with FDA to ensure foods made from their new GE plant varieties are safe and in compliance with applicable FDA laws and regulations. Because FDA's evaluations are focused on safety, our communications materials do not address the benefits of crop biotechnology relating to agricultural, environmental (such as pest control, weed control, land use, irrigation, yield) or humanitarian issues beyond FDA's food safety mandate.

FDA has been taking actions to educate consumers about the safety of these products and the regulatory process under which these products are routinely evaluated. For instanee, FDA has developed two new consumer-friendly internet pages regarding "Consumer Info About Food from Genetically Engineered Plants" and "How FDA Regulates Food from Genetically Engineered Plants".[19] As required under the FY 2017 Consolidated Appropriations Act, FDA is coordinating with USDA to provide education and outreach to the public on the safety of crop biotechnology and food and feed ingredients derived from biotechnology. FDA is obligating $3.0 million, and these funds will be distributed across several contract vehicles to include a variety of activities that will inform, develop, and implement education and outreach initiatives on agricultural biotechnology.

[18] *See* www.fda.gov/Food/IngredientsPackagingLabeling/GEPlants/default.htm.
[19] *See* www.fda.gov/Food/IngredientsPackagingLabeling/GEPlants/ucm461805.htm, and www.fda.gov/Food/IngredientsPackagingLabeling/GEPlants/ucm461831.htm.

126. Can you provide an update on the regulatory steps required by the GMO labeling bill passed by Congress last year?

Response: In July 2016 the National Bioengineered Food Disclosure Act (Public Law 114-216) was signed into law. This Act charges the U.S. Department of Agriculture (USDA) with developing by July 2018 a national mandatory standard for disclosing the presence of bioengineered material in food. USDA's Agricultural Marketing Service is in the process of implementing this law.

Antibiotic Use and Resistance

The FDA has been very focused in recent years about possible connections between on-farm antibiotic use and antibiotic resistance. The Agency has taken significant steps to encourage restrictions on such use, but doing so has also left the industry without valuable tools to meet its obligation to protect animal health.

127. Under your leadership, what steps will FDA take to encourage research and development of non-antimicrobial drugs to address animal health issues currently treated with antibiotics?

Response: In conjunction with FDA's strategy to eliminate the production – growth promotion – use of medically important antimicrobial drugs under Guidance for Industry #213, FDA encouraged drug sponsors to seek approval for new therapeutic uses of these products, particularly where such new uses would help address unmet animal health needs. A key objective of FDA's strategy is to take steps, in collaboration with affeeted industry, to help address the public health concern associated with antimicrobial resistance while preserving the availability of antimicrobials for treating, controlling, and preventing disease in animals.

Since 2003, the FDA's funding has been supplemented through the Animal Drug User Fee Act, which enabled the agency to acquire additional scientific experts and develop and implement policies and procedures for streamlined evaluation of new animal drugs. FDA exceeded all goals 99.8 percent of the time since the enactment of the user fee legislation. We have streamlined our review processes while providing the scientific expertise needed to thoughtfully review scientific data to determine whether the proposed uses of products are safe and effective.

Animal drug review enhancements that have been implemented include a process for enabling the development, evaluation, and approval of new technologies such as alternatives to antibiotics. This process already resulted in the approval of a Granulocyte Colony

Stimulation Factor drug for the treatment of bovine mastitis. The time to approval for this product was less than the usual time for a traditional new animal drug taking the product from very early proof of concept, through development, regulatory evaluation, and approval. FDA recognizes that efficient drug review processes, with predictable timelines, is critical for encouraging the development of alternative products for addressing animal health needs.

128. Will faster approval times for these drugs be a priority?

Response: While FDA does not have a formal expedited review process for new animal drugs, the Agency recognizes the importance of an efficient animal drug review process for supporting new product development.

Congress, through the Animal Drug User Fee Act, has supplemented budget authority funding that has enabled the Agency to acquire additional scientific experts and develop and implement policies and procedures for the streamlined evaluation of new animal drugs. FDA exceeded all goals 99.8 percent of the time since the enactment of the user fee legislation. FDA has streamlined its review processes while providing the scientific expertise needed to thoughtfully review scientific data to determine whether the proposed uses of products are safe and effective.

FDA continues to enhance the efficiency of new animal drug review and to work with industry sponsors to expedite overall drug approval time.

Menu Labeling

I commend the FDA for not only formally extending the FDA "Menu Labeling" Rule implementation period until May 7, 2018, but also opening up a process to formally review the Rule due to substantive regulatory and enforcement concerns. The review process is critically important and may be overlooked by some.

129. Is it accurate the FDA issued an Interim Final Rule on May 4, 2017, that formally changes underlying menu labeling rule?

Response: On May 4, 2017, FDA published an interim final rule to extend the compliance date for menu labeling requirements to May 7, 2018, and to invite comments on the implementation of the menu labeling requirements to reduce regulatory burden or increase flexibility. The interim final rule does not change the requirements of the menu labeling rule other than extending the compliance date. The comment period closed on August 2, 2017.

These comments will help inform FDA on how we might further reduce the regulatory burden or increase flexibility while continuing to achieve our regulatory objectives to provide consumers with nutrition information so that they can make informed choices for themselves and their families.

130. Does it also propose the possibility that more changes to the Rule may be coming? Is it accurate the Interim Final Rule does not "repeal" the menu labeling rule or the law's federal preemption?

Response: On May 4, 2017, FDA published an interim final rule to extend the compliance date for menu labeling requirements to May 7, 2018, and to invite comments from industry and stakeholders on the implementation of the menu labeling requirements. The interim final rule does not "repeal" the menu labeling rule or the law's federal preemption. The comment period closed on August 2, 2017.

The comments FDA received will help inform the Agency on how we might further reduce the regulatory burden or increase flexibility while continuing to achieve our regulatory objectives to provide consumers with nutrition information so that they can make informed choices for themselves and their families.

131. While there is certainly appreciation for the relief provided with the revised compliance date, it's even more important these problems get fixed. In the Interim Final Rule announcement, FDA stated its intent "to review approaches to reduce the regulatory burden and increase flexibility" under the final menu labeling rule. If the comments warrant – and I believe they will – would FDA consider formally re-opening and modifying the rule to substantively address these tremendous challenges?

Response: On May 4, 2017, FDA published an interim final rule to extend the compliance date for menu labeling requirements to May 7, 2018, and to invite comments from industry and stakeholders on the implementation of the menu labeling requirements. The comment period ended on August 2, 2017.

FDA will carefully review and consider all of the comments submitted, and consider opportunities to further reduce the regulatory burden and cost and improve flexibility of these requirements while continuing to achieve our regulatory objectives to provide consumers with nutrition information so that they can make informed choices for themselves and their families.

Just recently, the FDA extended the compliance date for menu labeling requirements by two years to explore cost reduction opportunities associated with the rule. Over the next three years, the food and beverage industry is facing six mandatory labeling changes and requirements that have significant cost implications (Vending, Menu, Nutrition Facts Panel (USDA and FDA), GRAS and GMO disclosure). The FDA estimates there are 715,000 stock keeping units that will be impacted by the label changes. The Nutritional Facts Panel update alone will cost the industry at the bare minimum over $2 billion. Seventy-five to eighty percent of those same products would also require an additional label change to meet bioengineered disclosure standard. Without harmonization, the expected industry cost to comply with both labeling changes (NFP and GMO disclosure) would be at least $4 billion in less than 3 years. Harmonization would save approximately $1.7 billion and keep food prices from increasing. The first step to harmonization is extending the current NFP compliance date to May 2021.

132. Can you tell us when the FDA will announce an extension?

Response: On June 13, 2017, the FDA announced its intention to extend the compliance date for the Nutrition Facts Label final rules. The FDA will provide details of the extension through a *Federal Register* notice at a later time.

133. Will the FDA work with USDA on a plan to harmonize these compliance dates so food and beverage manufacturers only have to label once and consumers receive consistent information?

Response: On June 13, 2017, FDA announced its intention to extend the compliance date for the Nutrition Facts label final rules. After careful consideration, FDA determined that additional time would provide manufacturers covered by the rule with guidance from FDA, and would help them be able to complete and print updated nutrition facts panels for their products before they are expected to be in compliance. FDA has also heard requests from industry to align the compliance dates for the Nutrition Facts label and U.S. Department of Agriculture's (USDA) future bioengineered food disclosure rules, and is currently considering these requests. Additional compliance time also would provide an opportunity to try to align the compliance dates for the Nutrition Facts label rules with the compliance date for USDA's bioengineered food disclosure rules.[20] The FDA will provide details of the extension through a *Federal Register* notice at a later time.

[20] www.ams.usda.gov/rules-regulations/gmo.

Food Safety Modernization Act: Vet Feed

The Food Safety Modernization Act became federal law in early 2011 and greatly expanded the authority of the FDA to help ensure the safety of human and animal food. Food safety has been, and continues to be, a top priority for farmers everywhere. However, in enacting the Food Safety Modernization Act, Congress left many details to be addressed by the FDA through rulemaking when, historically, the FDA has relied successfully on state feed control officials for many aspects of the regulation of animal food. As more ingredients are being brought to the market, the regulatory hurdles to receive final approval continue to increase. This has resulted in a dramatic slow-down in approvals, increased costs for the submitter and loss of revenue from years of delays in making it through the review process. According to the animal food industry—livestock, poultry and pet foods—it takes roughly three to five years to get an animal food ingredient reviewed and approved by the FDA's Center for Veterinary Medicine. And for every year of delay, it costs the company on average $1.75 million in lost revenue.

134. From my perspective this is an unwarranted and burdensome approval process riddled with delays and I'm wondering what your views on this process are?

Response: FDA's Center for Veterinary Medicine (CVM) reviews food additive petitions (FAP) and generally recognized as safe (GRAS) notices, reviews animal food labels and labeling, monitors and establishes standards for feed contaminants, and directs FDA's medicated feed and pet food programs to ensure the health and safety of livestock, poultry, fish, and pets. Before marketing a new food additive or using a food additive in a new manner, a manufacturer or other sponsor must first petition the FDA for its approval. Food additives used in animal foods are generally intended to supply nutrients, add aroma/flavor, aid stability, or alter a food's characteristics.

These reviews have become more arduous for newer ingredients, which are increasingly complex.

In FY 2016, FDA helped ensure the safety of the animal food and feed supply by performing 101 animal FAP reviews. This was an increase from 40 animal FAP reviews in FY 2013, 72 in FY 2014, and 81 in FY 2015. These increases in workload have slowed the process of completing approvals.

The reviewers in CVM work hard to continue to ensure the safety of animal food ingredients and help bring new animal food ingredients onto the market. FDA is committed to working with industry to improve the review process for animal food and feed ingredients.

135. What resource allocations does the President's budget have to speed up the animal food ingredient review process, and what additional resources are needed to speed up the review process for animal food to be more on par with human food?

Response: FDA's budget authority allocates 12 full time equivalents (FTE) to work on animal food ingredient review. These positions work across the vital review areas of target animal safety, safety of the human food derived from food producing animals, manufacturing of the animal food ingredient, functionality of the ingredient, and communicating with sponsors during the review process. These reviews ensure safety for the animals and for humans.

FDA's performance measure goal for food additive petition reviews is based on 60 reviews each year, but in FY 2016 FDA performed 101 reviews in response to the increase in the number of animal food additive petitions submitted. We have worked to continue to meet our performance goal, but the current workload is not sustainable to meet that goal.

FDA is working to analyze the resources needed to meet performance goals and will submit such a request in future budgets.

136. I hear from my constituents who manufacture animal food that the review process for new animal food ingredients is slow and tedious and data requirements are a moving target. For example, requirements change mid-review, further delaying the process. How many Center for Veterinary Medicine staff review animal food ingredient submissions?

Response: FDA currently has 12 full time equivalents (FTE) to work on animal food ingredient review. These positions work across the vital review areas of target animal safety, safety of the human food derived from food producing animals, manufacturing of the animal food ingredient, functionality of the ingredient, and communicating with sponsors during the review process. These reviews ensure safety for the animals and for humans.

The animal food industry continues to develop new ingredients, which has led to FDA's growing workload and corresponding delays in review of these ingredients. Over the past five years, the volume of animal food additive petitions alone has grown by 150 percent. At the same time, the complexity of new ingredients has increased, requiring more in-depth review and greater data to support product safety.

FDA's performance measure goal for food additive petition reviews is based on 60 reviews each year, but in FY 2016 the Agency has performed 101 reviews due to the increase in the number of animal food additive petitions submitted. FDA has worked to continue to meet its performance goal, but the current workload is not sustainable to meet that goal.

FDA is committed to working with the animal food industry to improve the process of review of animal food ingredients. The Agency encourages ingredient sponsors to reach out to us early in the development of new food ingredients to discuss product review and submission requirements – and to communicate, at appropriate times, during the review process.

137. FDA is behind in providing guidance to industry on compliance with the animal food regulations to implement the Food Safety Modernization Act. Will your agency consider delaying implementation of some requirements for one to two years in order to allow the agency more time to get caught up and provide the necessary information and guidance for compliance to the industry?

Response: Throughout the process for developing the FSMA regulations and during initial implementation of these regulations, FDA has consistently maintained that the Agency will educate before and while we regulate. FDA recognizes that the Preventive Controls for Animal Food regulation is new territory for both industry and FDA, and FDA has heard from animal food producers that they need more resources and time to fully understand the requirements. At this time, FDA is not extending the compliance date for the preventive controls provisions of the regulation because we believe sufficient time has been provided to comply with these important public health provisions.

Although FDA is not extending the compliance date, we will not begin routine regulatory inspections for the preventive controls provisions of the regulation until the fall of 2018. Delaying routine inspection dates will give the facilities that will have to comply with these requirements this September some flexibility to further develop their food safety plans.

FDA has published several draft guidance documents associated with this regulation such as a small entity compliance guide and guidance on current good manufacturing practices, use of human food by-products as animal food, and other guidances that are specific to certain provisions in the regulation or to sectors of the industry. FDA is working to get additional guidance out as quickly and efficiently as possible. In the meantime, there are other tools available to help animal food producers create their food safety plans, including training available through the Food Safety Preventive Controls Alliance and FDA's FSMA Technical Assistance Network.

138. Under the previous administration, FDA could not quantify any benefit of implementing the animal food rule under FSMA. Will you commit to review the regulations so they follow congressional intent and to reduce the financial burden on this industry?

Response: The Preventive Controls for Animal Food (PCAF) regulation is consistent with the intent of FSMA to move FDA's food safety system to a preventive, as opposed to reactive, system and includes the requirements Congress directed FDA to implement. FDA conducted extensive outreach to the industry during the rulemaking process, and the final requirements reflect the need for flexibility in applying these requirements across the animal food industry. As a result, the flexibility allows the animal food industry to develop and implement food safety plans that are workable for the facility yet still provide protection of public health. FDA continues to engage industry on FSMA implementation. For example, in response to industry concerns, last year FDA extended compliance dates for some provisions of the Preventive Controls for Human and Animal Food regulations. FDA is also identifying areas of the regulation that require clarity or additional explanation that we can address through guidance. FDA continues to be open to hearing specific concerns about the regulatory burden and to considering whether changes to the regulations or implementation process can be made without negatively impacting public health protections these regulations provide.

The primary costs associated with the PCAF regulation are the preventive controls requirements. The facility's hazard analysis will identify hazards that require a preventive control and subsequently drive what a facility will be required to do to implement the requirements. In FDA's discussions with the animal food industry, FDA emphasizes that a facility should take a scientific, yet practical, approach to their hazard analysis. The more hazards requiring a preventive control, the higher the costs to a facility. But if a facility identifies these hazards as important food safety hazards to control with a preventive control, controlling them is in the best interest of food safety and public health for animals and humans.

FDA Accountability

Accountability to Congress, and by extension our constituents, is important in all aspects of government. This is true especially for an agency such as the FDA, who has full control of entire industries, such as the tobacco and smokeless products industry. This brings me to two important questions I have regarding how you see the interplay between Congress, the FDA, and the people they both serve.

139. First, do you believe the FDA has an obligation to provide a full accounting of how it spends its funds, including user fees that it collects?

Response: FDA provides annual accounting of how it spends its funds through various reporting mechanisms. FDA is in compliance with all financial reporting and audit

requirements under the Chief Financial Officers Act of 1990, including preparing annual financial statements and audit reports. In addition, FDA provides annual user fee financial and performance reports in accordance with negotiated user fee agreements, as well as various Reports to Congress, such as the monthly reports on user fee carryover, collections, and obligations.

140. Second, do you agree regulating via guidance documents rather than the customary rulemaking procedures provides the industry with no predictability while affording the FDA with too much unaccountable authority?

Response: FDA does not regulate via guidance documents as guidance does not create legally enforceable rights or responsibilities and are generally not legally binding. Guidances often refer to the underlying regulatory requirements. Unless there is a regulatory or statutory requirement cited or an underlying statutory provision mandates that the guidance has a binding effect, adherence to the guidance is voluntary and alternative approaches can be used. Any alternative approach must comply with the relevant statutes and regulations and FDA is willing to discuss proposed alternatives with stakeholders to help ensure compliance. FDA will issue a regulation when the Agency is creating a legal requirement that must be followed versus providing advice and information about a regulatory policy issue that stakeholders routinely request via guidance.

FDA issues guidance documents under section 701 of the Federal Food, Drug, and Cosmetic Act and must follow FDA's Good Guidance Practices (GGP) regulation (21 CFR 10.115), promulgated in 2000. FDA is the only Federal agency that has a regulation in place governing the issuance of guidance. GGPs require FDA to provide the opportunity for affected stakeholders and others to comment on a guidance at any time. Industry, consumers, and other stakeholders play a significant role in the Agency's guidance development processes. To ensure appropriate stakeholder engagement and accountability, FDA will continue to adhere to good guidance practices in developing new guidances and reviewing existing guidances.

141. Do you commit to initiate rulemaking to replace guidance on major programs or procedures that are impacting product reviews?

Response: Guidance is a helpful tool that allows the Food and Drug Administration (FDA or Agency) to inform stakeholders about the Agency's views on continually evolving scientific and technical policy issues. Guidances are critical to support industry efforts to comply with the law and to develop new products that may benefit the public health. FDA often issues guidance at the request of stakeholders and small businesses are often particularly interested in and reliant upon Agency guidances.

FDA follows good guidance practices (GGPs) as required by statute and implemented through 21 CFR 10.115, including the opportunity for affected stakeholders and others to comment on a guidance document at any time. The law is clear that FDA's choice between issuing a binding regulation or a guidance is governed by what it is trying to accomplish, that is, whether it is creating a legal requirement that must be followed versus providing advice and information about a regulatory policy issue that is routinely requested by FDA stakeholders. Additionally, there are times when Congress directs FDA to issue guidance on certain issues. For example, the 21st Century Cures Act requires FDA to issue a guidance regarding the collection of patient experience data and the use of such data and related information in drug development. FDA will continue to evaluate when a regulation is needed or required for particular issues, including those impacting product reviews, and initiate rulemaking whenever appropriate.

QUESTIONS SUBMITTED BY CONGRESSMAN STEVEN PALAZZO

Risk-Based Foreign Inspections

As FDA continues to incorporate a more targeted, risk-based, and efficient inspection model for importing food, medical devices, and drug products this will require better data about foreign facilities and the companies exporting FDA-regulated products to the U.S. In the FY17 Omnibus Appropriations Act, a $2.5 million increase above the amount of $5 million provided in FY16 has been allocated to the Office of the Global Regulatory Operations Policy to continue efforts to develop and "utilize a targeted, risk-based, and efficient inspection model that incorporates commercially available information on high-risk establishments for onsite verifications.

142. Can you elaborate on FDA's progress in utilizing commercial foreign onsite verification reviews and facility data as inputs to risk-based decision making on the part of the food, medical devices, and drug product centers, along with overall global expansion of compliance activities?

Response: In FY 2016, FDA spent the bulk of the money provided to Office of Global Regulatory Operations and Policy (GO) on commercial foreign onsite verification reviews in support of expanding global coverage. FDA partnered with Dun and Bradstreet (D&B) to provide site verification information on specific facilities. D&B performed site verifications across all of the regulated commodities. With respect to medical products, the remaining funds were used in support of the pharmaceutical GMP mutual recognition initiative, and enhancing the Center for Drug Evaluation and Research (CDER) site selection model. On the foods side, the remaining funds were used to enhanee the process and consolidate the responsibilities of foreign food inspection planning in the Office of Regulatory Affairs. In FY 2017 GO expanded the number of foreign verifications and facility data delivered through D&B for foreign medical device and food establishments. These specific commodities were chosen due to the value and impact that third-party onsite verifications provide these programs. For the pharmaceutical program, GO has worked with CDER to issue grants for analysis that will support the development of quality scorecards for pharmaceutical facilities and products. A quantitative characterization of the state of quality can enhance oversight by improving the site selection model's identification of high-risk foreign facilities.

As part of the reauthorization of the Generic Drug User Fee Amendments (GDUFA) in the FDA Reauthorization Act (FDARA), FDA committed to working on a guidance explaining the risk-based site selection model as well as outreach activities to better inform foreign regulatory counterparts about our model.

FDA Honey Labeling Rule

I've had inquiries from beekeepers from my district about the FDA's interpretation of naturally occurring sugar in honey and how it has been characterized as "added sugar" under the new Nutrition Label proposed by FDA. While well-intended, the beekeepers make the case that this labeling rule will cause consumers to perceive that "added sugar" has been indeed "added" or adulterated to their product, and as result causing economic hardship on their industry.

143. Can you update the committee on the status of the overall new nutrition labeling rule and any adjustments or exemptions the agency is planning to make in regard to honey specifically?

Response: FDA announced on June 13, 2017, its intention to extend the compliance dates for the Nutrition Facts label final rules. After careful consideration, FDA determined that additional time would provide manufacturers covered by the rule with guidance from FDA, and would help them be able to complete and print updated nutrition facts labels for their products before they are expected to be in compliance. FDA will provide details of the extension through a *Federal Register* notice at a later time.

The Nutrition Facts label final rule defines "added sugars," in part, to include sugars that are either added during the processing of foods, or are packaged as such, which includes packages of sugar or containers of honey. The Agency has heard concerns from the honey industry about declaring added sugars on a jar of honey since no sugar was "added" to the product. Providing industry more information about the labeling of "Added Sugars" on pure honey and other single ingredient sugar products is an Agency priority, and we are working to address issues related to this labeling concern. FDA plans to invite further comment in the near future. FDA intends to follow up with the honey industry and other stakeholders at a later date.

FDA Deeming Rule

In 2016 the FDA published a deeming rule extending a painstaking premarket review regime designed for cigarettes and smokeless tobacco to hand-made premium cigars and pipe tobacco. The rule imposes substantial costs and burdens that will decimate an artisanal industry, will jeopardize 35,000 Main Street American jobs and 350,000 Central American jobs that will raise the rate of illegal immigration, and will reduce consumer choice in an adult market that has lawfully and responsibly served adults over many decades. We passed the Family Smoking Prevention and Tobacco Control Act to attack youth smoking, but a recent FDA-supported study in the New England Journal of Medicine found that use of "traditional cigars" by youths 12-17

was statistically insignificant. At the same time, the FDA has never identified what it expects to find by running every variety of handmade cigars through expensive pre-market reviews. The premium cigar industry has no history of nicotine manipulation or dangerous additives. As a result, the FDA could not even begin to estimate the benefits of the Rule. We can only conclude that the FDA wished to destroy the family-owned small businesses that populate the premium cigar industry and thereby reduce the types of cigars and allow the largest companies to dominate the market. As you know, under the President's executive orders, the FDA cannot promulgate another rule without eliminating two others and taking down regulations that impose each dollar of cost on business that the new regulation is projected to require.

144. Given the Department's limited resources, other important priorities, and the clear imbalance of costs and benefits presented by this rule, do you support withdrawing the rule or at least an immediate long-term extension of all deadlines under the rule to allow the FDA the time necessary to fully address whether and how to reasonably and appropriately regulate in this area?

Response: Tobacco use remains the leading cause of preventable disease and death in the United States, causing more than 480,000 deaths every single year. In addition to the devastating human toll caused mainly by cigarette smoking, tobacco also causes substantial financial costs to society, with direct health care and lost produetivity costs totaling nearly $300 billion a year.

On July 28, 2017, the FDA announced a new comprehensive plan for tobacco and nicotine regulation that will serve as a multi-year roadmap to better protect kids and significantly reduce tobacco-related disease and death. The approach places nicotine, and the issue of addiction, at the center of the Agency's tobacco regulation efforts. To make certain that the FDA is striking an appropriate balance between regulation and encouraging development of innovative tobacco products that may be less dangerous than cigarettes, the Agency is also providing targeted relief on some timelines described in the May 2016 final rule that extended the FDA's authority to additional tobacco products. The Agency will also seek input on critical public health issues such as the role of flavors in tobacco products.

A key piece of the FDA's approach is demonstrating a greater awareness that nicotine – while highly addictive – is delivered through products that represent a continuum of risk and is most harmful when delivered through smoke particles in combustible cigarettes. The FDA plans to begin a public dialogue about lowering nicotine levels in combustible cigarettes to non-addictive levels through achievable product standards. The Agency intends to issue an Advance Notice of Proposed Rulemaking (ANPRM) to seek input on the potential public health benefits and any possible adverse effects of lowering nicotine in cigarettes.

Addressing the addictive levels of nicotine in combustible cigarettes must be part of the FDA's strategy for addressing the devastating addiction crisis that is threatening American families. FDA's approach to nicotine must be accompanied by a firm foundation of rules and standards for newly-regulated products. To be successful all of these steps must be done in concert and not in isolation.

The FDA is committed to encouraging innovations that have the potential to make a notable public health difference and inform policies and efforts that will best protect kids and help smokers quit cigarettes. To make this effort successful, the Agency issued guidance on August 4, 2017, extending timelines to submit tobacco product review applications for newly regulated tobacco products that were on the market as of Aug. 8, 2016.

Under the revised timelines, applications for newly-regulated combustible products, such as most cigars, pipe tobacco and hookah tobacco, would be submitted by Aug. 8, 2021; applications for non-combustible products, such as most electronic nicotine delivery systems (ENDS) or e-cigarettes, would be submitted by Aug. 8, 2022. Additionally, the FDA expects that manufacturers would continue to market products while the Agency reviews product applications. This approach will not apply to provisions of the final rule for which compliance deadlines already have passed, such as mandatory age and photo-ID checks to prevent illegal sales to minors. It also will not affect future deadlines for other provisions of the rule, including, but not limited to, required warning statements, ingredient listing, health document submissions, harmful and potentially harmful constituent reports, and the removal of modified risk claims, such as "light," "low," or "mild," or similar descriptors.

The Agency also will seek input from the public on a variety of significant topics, including approaches to regulating kid-appealing flavors in e-cigarettes and cigars. In particular, the FDA intends to issue ANPRMs to: 1) seek public comment on the role that flavors - including menthol - in tobacco products play in attracting youth and may play in helping some smokers switch to potentially less harmful forms of nicotine delivery; and 2) solicit additional comments and scientific data related to the patterns of use and resulting public health impacts from premium cigars, which were included in the FDA's 2016 rule.

User Fee Package Proposals

Dr. Gottlieb, between the new authorities from the 21st Century Cures Act, the four human health user fee programs (PDUFA, MDUFA, GDUFA, & BsUFA), and any other legislative provisions included in the user fee package, your team has quite a task ahead of you. There is some significant overlap between Cures, the user fee agreements, and likely the user fee legislation.

145. Can you share your thoughts on how you'll work to ensure all of these important new programs are implemented and tools are utilized, consistent with Congressional intent, on time, and in a way that helps patients?

Response: FDA is committed to protecting and promoting the safety and health of families and patients by efficiently implementing the various complementary provisions and new authorities included in the 21st Century Cures Act, FDARA, and other key legislation. Certain aspects of these provisions also are incorporated into FDA and Department of Health and Human Services strategic priorities.

FDA currently has various levels of oversight throughout the Agency to ensure the necessary progress is being made on statutory requirements and Commitment Letter goals. These include Center-level oversight groups responsible for ensuring the timely completion of key deliverables and cross-Agency oversight groups responsible for ensuring coordination of efforts across multiple groups. FDA's implementation of many of the provisions involve public meetings or dockets that provide opportunities for patient and broader public input, and FDA maintains relationships with a broad range of patient constituency organizations. Additionally, FDA monitors progress toward these goals through tracking mechanisms, as well as provides the public with information on accomplishments.

QUESTIONS SUBMITTED BY FULL COMMITTEE RANKING MEMBER NITA M. LOWEY

Phenobarbital

Phenobarbital is used for the treatment of certain types of epilepsy and is commonly used to treat seizures in young children. In administering the drug, there is a narrow line between therapeutic and toxic doses. As a result, the manufacturing and quality standards for phenobarbital are critically important for patient safety.

I have learned that certain manufacturers have recently produced phenobarbital without the approval of the FDA, and in some cases, it is possible this manufacturing is in facilities not approved by the FDA.

146. What is FDA doing to enforce its own policy, including the timeline for removal of phenobarbital products that have come to market after September 19, 2011?

Response: Phenobarbital is an example of a medically necessary drug that has never been approved by FDA. Because patients rely on phenobarbital, it has been a low priority for FDA enforcement action. FDA's position is that the best course of action is to encourage manufacturers to seek FDA approval of their phenobarbital products.

FDA's current policies regarding marketed unapproved drugs are articulated in the Compliance Policy Guide Sec. 440.100 "Marketed New Drugs Without Approved NDAs and ANDAs" (CPG), which was published in 2006 and revised in 2011. Both versions of the CPG made clear that any product that is being marketed illegally is "subject to FDA enforcement action at any time" and encouraged firms to submit applications for their unapproved new drugs.

Despite the publication of the CPG, new unapproved drugs continued to be added to the market each year. In response, FDA issued an update to the CPG on September 19, 2011, clarifying how it expects to prioritize its compliance actions.

The purpose of the revisions to the CPG was to further discourage manufacturers from introducing new unapproved drugs on the market, not to provide special marketing rights to unapproved drugs already being marketed. Nevertheless, manufacturers of pre-2011 unapproved drugs often advocate for FDA enforcement action against their post-2011 competitors based upon the revisions in the 2011 CPG, while ignoring that all illegally marketed unapproved drugs, whether pre-2011 or post-2011, are subject to FDA enforcement action at any time, as clearly stated in both the 2006 and 2011 versions of the CPG.

There are both pre-2011 and post-2011 unapproved versions of phenobarbital on the market. Before taking action against any unapproved phenobarbital product, FDA would carefully evaluate whether the action might cause a shortage. The initial marketing date of specific unapproved versions of phenobarbital is not necessarily the best public health criterion to use when deciding whether to remove medically necessary unapproved products such as phenobarbital from the market. In particular, FDA does not have information supporting a conclusion that the pre-2011 unapproved phenobarbital drug products are any better in terms of safety, efficacy, or quality than the post-2011 unapproved versions, but we will evaluate any information that becomes available about the marketed products and will continue to encourage firms to submit applications for approval.

QUESTIONS SUBMITTED BY RANKING MEMBER SANFORD BISHOP

Compounding

It is my understanding that health care providers who were receiving compounded medications from local pharmacies have been unable to get many of these same medications from large outsourcing facilities in the limited quantities and short time frame needed to meet patients' needs. FDA's position that local pharmacies cannot compound for office-use has potentially created a problem of patient access to these critical medications.

  - Bacitracin, Gentimicin and Cefazolin in 0.9% nacl 500 ml or 1000 ml (bottle).
- Organ Transplant Irrigations, Soaks and Baths
  - Cardioplegia solutions (mixtures of lidocaine, electrolytes, mannitol, dextrose, etc.).
  - Epinephrine in 0.9% nacl (bottle).
- Crash/Emergency Cart drugs/ICU/Ambulance/Helicopter/Airplane
  - Sodium Bicarbonate used by Anesthesia/ER crash carts, a sterile drug that has been on chronic backorder and shortage from manufacturers.
  - Calcium Chloride used by Anesthesia/ER crash carts/dialysis centers – chronic backorder from manufacturers.
  - Calcium Gluconate used by icus /dialysis centers; chronic backorder from manufacturers.
  - Propofol repackaged into 10 and 20 ml syringes during shortages.
  - Dexmedetomidine straight from diluted commercial vial or compounded with 0.9% NS and concentrated vial, then packaged in syringes.
  - Heparin 500 units / ml (3 ml) compounded then packaged in syringes for dialysis.
  - Heparin 2,000 units / ml (3 ml) compounded then packaged in syringes for dialysis.
  - Heparin 1,000 units / ml (3 and 8 ml) packaged in syringes for dialysis.
  - Lidocaine 1% buffered with nabicarb (0.8 & 5 ml) packaged in syringes for IV starts and dialysis.
  - Lidocaine with nabicarb (0.2 ml) packaged in J-tip syringes for IV starts and shots in ER, surgery centers, inpatient and clinics.
  - Heparin 2 units / ml compounded from Heparin and 0.45% nacl commercial products (250, 500 and 1000 ml bags) for storage in automated dispensing cabinets within health systems and long term care facilities.
  - Epinephrine 0.01 mg / ml compounded from epinephrine and D5W commercial products (50 ml syringe) for storage in automated dispensing machines within health systems and long term care facilities.
  - Epinephrine 0.02 mg / ml compounded from epinephrine and D5W commercial products (50 ml syringe) for storage in automated dispensing machines within health systems and long term care facilities.

- Nicardipine 0.5 mg / ml compounded from Nicardipine and D5W commercial products (50 ml syringe) for storage in automated dispensing machines within health systems and long term care facilities.
- Nicardipine 0.5 mg / ml compounded from Nicardipine and 0.9% nacl commercial products (50 ml syringe) for storage in automated dispensing machines within health systems and long term care facilities.
- Dextrose 10% plus 14.6% nacl or 23.4% nacl to prepare D10 and nacl 0.2% (250 ml) bag due to commercial product on chronic mfg b/o (prepared from commercial products).
- Dextrose 10% plus 14.6% nacl or 23.4% nacl plus heparin to equal 1 unit / ml to prepare D10 and nacl 0.2% and Heparin 1 unit / ml (250 ml) bag (prepared from commercial products) may be stored in automated dispensing cabinets.
- Bupivacaine 0.25 % + Epinephrine = 1:200,000 injection for use in surgery and surgery centers.
- Epinephrine 1:100,000 injection prepared from epinephrine and 0.9% nacl commercial products for use in surgery and surgery centers.
- Epinephrine 1:400,000 injection prepared from epinephrine and 0.9% nacl commercial products for use in surgery and surgery centers.
- Lidocaine 0.25% with Epinephrine 1:400,00 units injection prepared from commercial products in a vial for use in surgery and surgery centers.
- Lidocaine 1% with Epinephrine 1:10,000 units injection prepared from commercial products into a vial for use in surgery and surgery centers.
- Ropivacaine 0.2% with Epinephrine 1:200,000 units injection prepared from commercial products into a vial for use in surgery and surgery centers.
- Milrinone 0.2 mg / ml compounded or premix commercial product repackaged into 20 and 50 ml syringes for storage in automated dispensing cabinets.
- Pentobarbital 50 mg / ml commercial product repackaged into 1 ml syringe for cath lab and anesthesia surgery centers.
- Dopamine 1.6 and 3.2 mg / ml compounded or premix commercial product repackaged into 20 and 50 ml syringes for each for storage in automated dispensing cabinets.
- Nitroglycerin 0.4 mg / ml commercial product repackaged into 20 and 50 ml syringes during commercial product manufacturing back order and shortages.
- Iopamidol (Isovue) 61% injection repackaged into 20 ml syringes during Manufacturing back order and shortages.
- Botulinium Toxin solution reconstituted commercial product and packaged in syringes for office use treatment of spasticity, diagnosis of gastrointestinal disorders and which dermatologists and plastic surgeons also use.

- Ceftriaxone mixed with lidocaine to 350 mg / ml, drawn up in 1.1, 1.4 and 2.2 ml volumes in an ISO 5 environment for storage in an automated dispensing cabinet refrigerator in ers and clinics.

147. I would appreciate FDA review the above list of compounded medications identified as "hard/difficult/impossible" to secure from large outsourcing facilities and determine if a policy revision on office-use of compounding by local pharmacies is warranted.

Response: FDA shares your concern about access to drugs compounded for "office-use" for patients who need them. FDA is also committed to protecting patients from poor quality compounded medications that could cause serious harm. The Agency believes that in order to accomplish these two important public health objectives it is critical to enforce the statutory language in section 503A of the Federal Food, Drug, and Cosmetic Act (FD&C Act) requiring that compounding of medications be based on the receipt of a valid prescription for an identified individual patient (section 503A(a)), and that healthcare facilities that purchase drugs compounded for office-use be directed to outsourcing facilities.

Outsourcing facilities under section 503B can compound and distribute drugs for office-use without receiving prescriptions for identified individual patients. Unlike compounders operating under 503A, outsourcing facilities must comply with current good manufacturing practice (CGMP) requirements, must be inspected by FDA according to a risk-based schedule, and must meet certain conditions, such as reporting adverse events, and providing FDA with certain information about the products they compound that provide greater assurance of quality of their compounded drugs. Outsourcing facilities vary widely in terms of size and drug products produced. Many produce small batches of drug products, with or without receiving prescriptions for identified individual patients.

FDA reviewed the list that you provided, and most of the drug products, or a variation of them (e.g., a different strength), have been compounded by outsourcing facilities within the last six months. This includes most of the drugs identified on your list as being in shortage or on backorder. In other cases, outsourcing facilities may be willing to compound drugs that they had not previously compounded if they receive an order for them. FDA is working towards posting lists of drug products compounded by outsourcing facilities so that purchasers will be better able to identify which outsourcing facilities to contact for drug products that they need.

Cotton

As part of the Food Safety Modernization Act implementation in the September 2015 FDA-FSMA Preventive Controls for Animal Food Rule, all cotton gins were excluded from the Current Good Manufacturing Practices (CGMP) requirements, but included gins NOT considered farmer-owned under the Rule's Subpart C – Hazard Analysis and Risk-Based Preventative Controls and Subpart E – Supply Chain Program. The September 2015 final rule of

the Current Good Manufacturing Practice, Hazard Analysis, and Risk-Based Preventive Controls for Food for Animals included some cotton gins that would NOT be considered farmer-owned. Because of the activity performed by all cotton gins of separating the cotton fiber from the seed, there are growers that believe the ownership structure of a cotton gin should have no bearing on whether gins are included or excluded under any section of this rule. Cotton gins do not convert any raw agricultural commodity into a processed food and the gins simply separate the seed cotton --a perishable raw agricultural commodity-- into three products – seed, fiber, and leaves, sticks, and stems. Removing cotton fiber could be compared to shelling kernels of corn from a corn cob or threshing wheat and the cleaning activities are similar to the screening of grain, which is included in the rule as a holding activity that, in FDAs opinion, does not change the raw agricultural commodity into a processed food. The issue at hand is whether cotton ginning should be subject to Subparts C and E, if the gin is required to register under the regulation.

148. Commissioner, I recognize that this is just one interpretation, so I am requesting FDA review this issue and determine how to ensure cotton isn't disproportionately regulated. Additionally, I request a sit down with you when the review is completed to discuss your recommendations to remedy the concern.

Response: FDA is aware of the concerns of the cotton industry and has met with representatives from the cotton industry to discuss those concerns in December 2015, March and November 2016, and August 2017. FDA has committed to continue to dialogue with the cotton ginning industry stakeholders as we work to address their concerns about the applicability of the Preventive Controls for Animal Food (PCAF) regulation.

FDA is aware of concern from the cotton ginning industry over whether certain entities are classified as farms or facilities, which subjects them to different requirements of the PCAF regulation. FDA also is aware of their concern related to ginning and whether or not that results in a "processed food." FDA is evaluating the farm definition, and will consider the concerns of the cotton ginning industry in that evaluation. To facilitate this effort, on August 23, 2016, FDA announced an extension for the compliance date on several issues related to the farm definition, including extending compliance dates for facilities solely engaged in the ginning of cotton until January 28, 2019, or later, depending on business size, to provide FDA time to consider concerns raised by the cotton ginning industry. An extension of compliance dates related to ownership of secondary activities farms also may be applicable to some cotton ginners.

FDA's experts are committed to working with the industry and finding a workable solution. We are still evaluating our options and would be willing to have discussions with you during the process to hear your concerns and thoughts and then re-engage once recommendations have been formulated.

New user fees

I am very concerned that there may not be a back-up plan in the event that increasing user fees is not authorized to replace more than $700 million of appropriated budget authority now used for drug and device reviews. The Senate authorizing chairman has been publicly quoted as saying this is too late because the current user fees have to be reauthorized by July 30. If they are not, I'm concerned that FDA would have to send lay-off notices to nearly 5,000 employees. I'd like to avoid that, if possible.

149. With the limited time before us to get it enacted for approval in the 2018 budget, can you share with us what you are doing to move it forward – have you talked to industry regarding the new proposed fees as well as consumer advocates?

Response: On August 3, Congress passed H.R. 2430, the FDA Reauthorization Act of 2017 (FDARA), which amends and reauthorizes FDA's user-fee programs for prescription drugs, medical devices, generic drugs, and biosimilar products, among other measures. On August 18, the President signed FDARA into law. Reauthorization of these programs was imperative for the Agency to continue fulfilling its mission of protecting and promoting public health. FDARA will provide FDA with necessary resources to increase regulatory efficiency and speed the availability of innovative, safe, and effective medical products.

150. Please also walk us through the potential program impacts, and be as specific as you can, if new fees are not approved by Congress.

Response: Please see response to Question 149.

QUESTIONS SUBMITTED BY CONGRESSWOMAN ROSA DELAURO

Recall Information

I am deeply concerned about the FDA's policy of withholding the names and locations of stores and schools where recalled food products are sold for fear of violating trade secrets. As you are aware, for the past couple of months the nation has been in the midst of numerous foodborne outbreaks, including a *Listeria* outbreak in soft cheese that killed two consumers and an *E. coli* outbreak in SoyNut Butter that caused nine kidney failures and twelve hospitalizations in mostly children. An FDA agency spokesman was quoted as saying that "federal disclosure rules" prevent FDA from releasing downstream recall information. However, similar information has routinely been made available by the Department of Agriculture's Food Safety Inspection Service (FSIS) since 2008.

151. Will the agency review the agency's policy of withholding the locations of stores and schools where recalled food products are sold in order to better protect American consumers? If not, please explain.

Response: FDA remains committed to protecting consumers from hazards associated with recalled foods in the most effective and efficient ways possible based on the most reliable and up-to-date information available to FDA. FDA's recall communications are designed to help consumers, distributors, retail stores, restaurants, and institutional food service providers, such as schools and hospitals determine whether they possess any of the recalled product and to help ensure that the public has awareness and a clear understanding of the scope and implications of the recall. FDA establishes recall communications strategies based on an evaluation of the type of product being recalled, the nature of the problem with the product, the extent to which the product was distributed, and other relevant information.

FDA's recall communications strategies are intended to help ensure that the public has awareness and a clear understanding of the scope and implications of the recall. As such, FDA carefully evaluates the available information in determining what can and should be communicated to the public. FDA develops recall communication strategies within the scope of our authority for information disclosure and consistent with our public health mission. FDA is bound by Federal statutes to protect certain types of information received from external parties, such as regulated industries. The Trade Secrets Act (TSA), 18 U.S.C. 1905, and Exemption 4 of the Freedom of Information Act (FOIA), 5 U.S.C. 552(b)(4), both govern FDA's disclosure of confidential commercial information (CCI). FDA's regulations on this topic appear in the Code of Federal Regulations at 21 CFR Part 20, "Public Information."

FDA may not disclose CCI unless authorized to do so by law. FDA engages in a case-by-case consideration, applying the law to specific facts. Where information about a product being recalled is CCI, FDA determines whether public disclosure of that information would be necessary to effectuate the recall, and whether such disclosure would be useful and appropriate based on the specific circumstances, and public health implications of the recall. For example, during a recent recall of tuna contaminated with Hepatitis A, FDA released the names of known restaurants and retailers that had received recalled product. This was done, in large part, so people who had already consumed tuna at these establishments would be aware the tuna was potentially contaminated with Hepatitis A and that they should consider post-exposure prophylactic treatment.

Essure

Much to my disappointment, the FDA stopped short of removing Essure from the market last year and instead announced new measures including a boxed warning and a post market safety study to further assess its risks. Early estimates indicate that this study could take upwards of seven years to complete—all while the device remains on the market, potentially harming thousands of women.

152. Could you give us an update on the study?

Response: After significant review and analysis of currently available information, FDA believes Essure is safe and effective for many women—but also that some women may experience very serious and sometimes debilitating problems. Essure is the only currently available, non-incisional form of permanent birth-control. It doesn't require general anesthesia to implant, and most women can return to normal activities within one day of receiving the implant. As such, it provides benefits to some women over more traditional methods of sterilization. The implant does not contain drugs or hormones and it is effective at preventing pregnancy.

Banning Essure would remove the device from the market for all patients—and would limit the options available to physicians and patients. The Agency will continue to monitor the safety of Essure to ensure that the benefits of the device continue to outweigh its risks.

As of May 3, 2017:

- 60 sites selected for participation,
- 31 sites submitted Institutional Review Board (IRB) applications,
- 24 sites received central IRB approval,

- 3 sites enrolled.
- 1 patient enrolled.

The next interim update from the sponsor is due to FDA on September 2, 2017 and the Agency anticipates additional patients will be enrolled. After processing and review, FDA will make interim study results and updates available on the Essure Postmarket Surveillance Study page.[21]

153. Since many women are still being implanted with the device and are not aware of the black box warning, can you explain why the FDA believes it should only be "voluntary" for doctors to disclose to patients the black box warning, new clinical trials, and patent checklist?

Response: In 2016, as part of the supplemental premarket approval application for Essure, the FDA approved Essure's updated labeling that includes a boxed warning which states the types of significant and/or common adverse events that may he associated with the device and its insertion, use, and/or removal procedure, and states that these risks should be conveyed to the patient during the decision-making process.

Since the FDA does not regulate the practice of medicine by physicians, the Agency strongly encourages its use by physicians. Further, Essure's updated labeling includes a Patient Decision Checklist that includes key items related to the device, its use, and its safety and effectiveness. The Checklist is intended to be reviewed and signed by both the physician and the patient prior to deciding to undergo implantation.

Essure's updated physician and patient labeling is available on Bayer's website, on the FDA's website, and in the patient information brochure. The Agency continues to work with Bayer on education and outreach to ensure that all patients considering Essure understand the risks and benefits of the device prior to undergoing implantation.

154. Additionally, can you explain why the FDA still refuses to take this product off of the market? Note that other countries, such as Brazil, have suspended and recalled Essure from the market.

Response: Essure is currently being marketed in Brazil. On July 10, 2017, Brazil's regulatory agency, ANVISA, lifted the temporary suspension of Essure from the Brazilian market. The suspension was not related to safety issues but to a delay by the manufacturer in submitting updated product instructions for use, including the addition of a patient checklist that FDA has asked the manufacturer to distribute to U.S. customers.

[21] www.accessdata.fda.gov/scripts/cdrh/cfdocs/cfPMA/pss.cfm?t_id=356&c_id=3854.

Essure remains on the market in the United States. As part of the FDA's efforts to ensure that women and doctors are appropriately informed of the potential risks of Essure, the Agency recently approved updated labeling, including a boxed warning and patient decision checklist that are consistent with FDA's recommendations in its final guidance[22] on labeling for permanent hysteroscopically-placed tubal implants intended for sterilization. The Agency also ordered Bayer to conduct a new postmarket surveillance study to learn more about the safety of the device. Additional information can be found on the FDA's postmarket surveillance webpage.[23]

After significant review and analysis of currently available information, FDA believes Essure is safe and effective for many women—but also that some women may experience very serious and sometimes debilitating problems. Essure is the only currently available, non-incisional form of permanent birth-control. It does not require general anesthesia to implant, and most women can return to normal activities within one day of receiving the implant. As such, it provides benefits to some women over more traditional methods of sterilization. The implant does not contain drugs or hormones and it is effective at preventing pregnancy. Banning Essure would remove the device from the market for all patients—and would limit the options available to physicians and patients. The Agency will continue to monitor the safety of Essure to ensure that the benefits of the device continue to outweigh its risks.

Faulty Lead Tests

Recently, the FDA announced that certain lead testing devices have been found to provide inaccurate results—potentially jeopardizing the lifelong health of the 8 million Americans who utilized the tests. It has come to my attention that the particular device in question was approved through FDA's 510(k) pathway. Unfortunately, issues with devices approved through the 510(k) are not uncommon. According to a study by the Archives of Internal Medicine, a disproportionate number of medical devices that have caused health problems and patient deaths were approved through the 510(k) process. In addition to not requiring clinical studies for approval, the 510(k) pathway does not require premarket inspections of how devices are manufactured or postmarket studies as a condition of clearance. Additionally, the FDA has limited authority to withdraw clearance if a 510(k) device is found to be unsafe or ineffective.

[22] "Labeling for Permanent Hysteroscopically Placed Tubal Implants Intended for Sterilization," www.fda.gov/downloads/MedicalDevices/DeviceRegulationandGuidance/GuidanceDocuments/UCM488020.pdf.

[23] www.accessdata.fda.gov/scripts/cdrh/cfdocs/cfPMA/pss.cfm?t_id=356&c_id=3854.

155. Why does the FDA continuously utilize a pathway that has been proven to be ineffective in ensuring patient safety?

Response: FDA believes the 510(k) pathway appropriately balances regulatory oversight with patient access to medical technology. FDA requires manufacturers to submit a 510(k) before marketing a device that is not subject to premarket approval, unless the device is exempt from the 510(k) requirements of the Federal Food, Drug, and Cosmetic Act. To determine if a device meets the criteria for clearance, FDA determines whether the device is substantially equivalent to a legally marketed (predicate) device. Under the statutory standard for substantial equivalence, FDA must find that the device has the same intended use as the predicate device. In addition, when comparing a device to a predicate device, FDA must find that the two devices have the same technological characteristics, or that different technological characteristics do not raise different questions of safety and effectiveness and the new device is as safe and effective as a legally marketed device. This means FDA evaluates the intended use and the technological characteristics of a new device during review of 510(k).

Further, in situations where warranted, FDA requests that manufacturers submit clinical data to support their 510(k). FDA may use such data to gain a better understanding of the safety profile of the device to make a determination regarding the substantial equivalence of the device in comparison to the predicate.

156. Under what circumstances would the agency use its authority to reclassify devices that present significant risk to the health, safety, or welfare of the patient?

Response: The FDA considers reclassifying medical devices when data demonstrate there is a significant risk to patient health, safety, or welfare for a device; and the applicable regulatory controls may be insufficient to mitigate the risks to health and provide a reasonable assurance of safety and effectiveness. The FDA is continually seeking to collect more data on how devices are used in real-world settings, which helps the Agency set and adjust appropriate regulatory controls. That is why the FDA is building a staff of experts in the science of patient input and supporting the National Evaluation System for health Technology (NEST), both of which will facilitate the collection and curation of high-quality data about patient and provider experiences with devices.

For more information about how the FDA reclassifies devices see: www.fda.gov/AboutFDA/CentersOffices/OfficeofMedicalProductsandTobacco/CDRH/CDRHTransparency/ucm378724.htm.

157. Furthermore, in light of FDA agency officials stating that the lead test company in question was not forthcoming with the agency about the test defects, does it really make

sense to give companies even more leverage over FDA staff through increased use of user fees?

Response: User fees provide the FDA with resources to meet review performance goals and other commitments related to improving and enhancing the device review process, with the goal of providing more timely access to safe and effective medical devices.

Congress established the user fee process for the medical device program after recognizing the success of the prescription drug user fee program in speeding patient access to safe and efficacious prescription drugs. The process Congress designed gives the FDA and industry the opportunity to propose changes to FDA's complex premarket review program; those changes are ratified by Congress through reauthorization of the user fee program.

Negotiations take place over the course of several months and—at Congress' direction—include feedback from representatives of patient and consumer advocates as well as two public meetings.

One outcome of the MDUFA 4 negotiations is that FDA will direct $30 million of device user fee revenue over the next five years to the National Evaluation System for health Technology (NEST) to improve the process for approving/clearing new devices (or new uses of existing devices) and to improve the process for malfunction reporting. The user fee negotiations have resulted in funding for FDA to conduct activities critical to responding to public health priorities.

User Fees

The President's FY18 budget request includes numerous proposals to increase FDA's reliance on user fees. Specifically, the budget increases FDA's user fees by $3.2 billion– an increase of 68 percent—all while gutting discretionary funding for the agency by $854 million. We have heard from both Republican and Democrats on the authorizing committees that it is too late to even consider FDA's proposal and that they are not slowing down the legislative process that is already underway. This will result in a gaping hole in the Agency's budget and hamstring its ability to perform regulatory functions. Additionally, I am extremely opposed to FDA's proposal to increase user fees on the grounds that FDA's primary function is as a public health regulatory Agency. This function should not be compromised by an industry-based "pay-for-play" funding mechanism.

158. Assuming your budget becomes law, what safeguards will you put in place to ensure that the user fees utilized by the agency maintain a strong, independent review process with no undue influence from industry?

Response: FDA's science base informs all decision-making across every product that the Agency regulates – drugs, medical devices, food, and more. Since enactment of the Prescription Drug User Fee Act (PDUFA) in 1992, user fees have been instrumental in allowing FDA to build capacity and improve the timeliness of the medical product review process without compromising the Agency's high standards for strong, independent review. The user fee programs provide FDA with the critical and stable funding the Agency needs to hire and train the highly-qualified reviewers needed to keep pace with innovation.

Food Safety Cuts

FDA's food safety program sustains a substantial cut of $119 million—roughly 9%—in the President's proposed budget. Specifically, the budget slashes FDA's international capacity building, cosmetics safety work, scientific research, and funding for state and local health organizations. As you know, outbreaks of foodborne illness and contamination events have a substantial impact on public health. An estimated 48 million foodborne illnesses occur every year, causing over 128,000 hospitalizations and 3,000 deaths. Additionally, foodborne illness cause more than $36 billion per year in medical costs, lost productivity, and other burdens to society. Cutting over $119 million in food safety at the FDA will have a detrimental impact in ensuring the health and safety of American families. Furthermore, despite this committee providing FDA funding for the Food Safety Modernization Act (FSMA) for the past number of years, there is no mention of FSMA funding in the budget. I feel strongly that this is extremely shortsighted given that the agency has finalized seven foundational FSMA rules and is in the process of conducting extensive outreach to ensure that stakeholders on the ground understand the new requirements.

159. Do you agree that FDA must continue to ensure that consumers remain confident in our food supply and that the Agency's work to implement FSMA must continue?

Response: Under the FY 2018 President's Budget, FDA would preserve its most critical public health and safety activities, including outbreak response, implementation of FSMA regulations, and ensuring that foods are safe and properly labeled. The United States has one of the safest food supplies in the world, and FDA will continue to make food safety a priority so that it remains that way.

160. Additionally, the FDA routinely inspects less than 2% of imported food coming into the country. How will these cuts impact the agency's ability to inspect foreign products?

Response: FDA's Office of Regulatory Affairs (ORA) conducts the agency's field work and performs inspections at domestic and foreign food manufacturers, as well as providing coverage of imported food coming into the country. Under the funding constraints proposed within the FY 2018 President's Budget, FDA has placed a high priority on protecting operational capabilities and maintaining levels of inspections and compliance work. These operational activities are core to FDA's mission. In fact, the level of foreign food inspections and coverage of imported foods, such as import field exams and import sample analysis, were excluded from the impacts of the proposed reductions, and, therefore, the levels of operations conducted in these areas have been maintained in FY 2018 at the FY 2017 levels.

Approval Speeds

Dr. Gottlieb, in your testimony, you speak heavily about the desire to reduce agency review times by improving processes and gaining efficiencies to the greatest extent possible. Your statement, in an attempt to promote expediting the drug and device approval process, forgets about those who the science and clinical trials are meant to help – the patients. The reality is that FDA already has been reporting faster review and approval periods and Americans have access to new drugs sooner than anyone else – but this has come at the cost of rigorous scientific evaluation. Approval of medical devices on limited scientific data can have life threaten consequences. For example, thirteen models of St. Jude's defibrillators are currently being recalled for sudden battery failure that has been linked to at least 2 deaths, 10 people fainting, and 37 people feeling dizzy due to the sudden and unexpected failure of their defibrillator's battery. Nearly 200,000 people in the United States have a defibrillator included in the recall. These medical devices were approved without any clinical data under an already existing FDA expedited pathway and the risks of the device were known for at least 22 months before the FDA issued any formal safety communication. Aecelerated pathways are designed to deliver new treatments even faster, but sadly data from a recent Government Accountability Office (GAO) report on FDA's medical device approval process underscores that new devices do not need to be proven as either safe or effective before consumers begin using them.

161. What has been the loss of life because of the desire to streamline FDA's review process?

Response: FDA takes very seriously its responsibility to review medical products and only approve products for marketing if the Agency determines they meet the legal standard that there is a reasonable assurance the devices are safe and effective for their intended use. From

time to time, FDA evaluates and revises its review processes to ensure that they are clear, efficient, and effective in reaching the decision about a product's safety and effectiveness. While FDA strives to advance public health by helping to speed innovations, FDA does not do so at the expense of our safety and effectiveness standards.

162. Additionally, FDA's proposed budget hamstrings the agency's ability to track these drugs and devices once they are on the market. The agency already has difficulty keeping track of products on the market, how do you plan to keep consumers safe from faulty devices and unsafe drugs with less of a budget?

Response: All budget reductions in the President's FY 2018 Budget proposal are targeted to certain areas where better tools and policies will allow FDA to do more with less, while preserving the Agency's core mission. These reductions will be coupled with policy efforts to improve the efficiency of programs that see reductions to make sure that the Agency is improving our effectiveness and taking a risk-based approach to our consumer protection mission.

163. Furthermore, you describe how you are "committed to the goal of reducing barriers to innovation and spurring innovation on behalf of patients." What regulations are you planning to roll back in order to accomplish this goal?

Response: FDA is committed to fostering an environment that enables industry to advance innovative, safe, and effective treatments and cures to the patients who need them as quickly as possible. To achieve this goal in FY 2018, FDA will implement programs and process improvements to achieve greater regulatory efficiency and advance innovative, safe, and effective medical products in the market. These improvements are described in the PDUFA VI, MDUFA IV, GDUFA II, and BSUFA II commitment letters submitted to Congress in January 2017 and are consistent with the FDA Reauthorization Act (FDARA) of 2017 which Congress passed on August 3, 2017 and the President signed on August 18. These efforts will include activities aimed at:

- Streamlining clinical trials to reduce time and costs, consistent with the evidentiary standards in statute, by taking actions such as fostering the development and implementation of the science and technology of real-world evidence generation and utilization;
- Increasing patient input and promoting patient-centered outcomes to integrate patient voices throughout the regulatory process, thereby better enabling patient perspectives to shape product development, review, and approval;

- Increasing engagement with manufacturers, including providing standardized and predictable pathways for early interactions to help reduce uncertainty in medical product development;
- Reducing review times by streamlining processes and gaining efficiencies to the greatest extent possible;
- Reducing regulatory burden and leveraging FDA's statutory mandates, including recent enhancements through the 21st Century Cures Act; and
- Promoting greater preparedness for novel and emerging public health threats, including emerging infectious diseases.

Medical Devices

Over the past few months, we have seen several safety issues emerge with medical devices—including St. Jude Medical knowingly selling faulty defibrillators for years, a deadly form of cancer being linked to breast implants, and Essure—a contraceptive device—having more than 16,000 adverse events reports filed by doctors and patients. In each one of these cases, the FDA has failed in its responsibility as a regulatory agency to take serious corrective action to protect consumers against these devices. Unfortunately, the agency has a history of airing on the side of industry and not the public, and refuses to pull faulty devices off of the market.

164. Why is the FDA refusing to use its mandatory recall authority to remove these unsafe devices from the market?

Response: The Agency is continually working to improve its recall handling practices that are aimed at both enhancing the safety of medical devices and reducing the burden required to quickly recall and correct device problems. In December 2016, FDA published the guidance "*Factors to Consider Regarding Benefit-Risk in Medical Device Product Availability, Compliance, and Enforcement Decisions.*"[24] This document lays the groundwork for how FDA and industry will formally consider device benefit and risk when encountering device problems and how they can arrive at the best method of correction, removal, and availability.

The Agency is also working to improve the postmarket surveillance system for medical devices. The current system is *passive*, relying on patients and health care providers to alert

24 www.fda.gov/downloads/medicaldevices/deviceregulationandguidance/guidancedocuments/ucm506679.pdf.

FDA about medical device issues. FDA is working to build a system that collects data as part of an *active* surveillance system.

The National Evaluation System for health Technology, or "NEST," is being designed to efficiently generate better evidence for medical device evaluation and regulatory decision-making. A national evaluation system will be able to generate evidence across the total product lifecycle of medical devices by strategically and systematically leveraging real-world evidence and applying advanced analytics to data tailored to the unique data needs and innovation cycles of medical devices.

When medical devices have safety or performance issues, manufacturers quickly identify the issue and voluntarily take steps to correct or remove the devices on the market. Manufacturers typically identify risk mitigations on their own and inform their customers of necessary actions. Manufacturers and importers are required to promptly report any correction or removal of a medical device if it was initiated to reduce a risk to health or to remedy a violation of the Act caused by the device (See section 519 of the Federal Food, Drug, and Cosmetic At [21 U.S.C. § 360i]; 21 CFR 806). The Agency works with the reporter to ensure they are properly assessing the scope of the issue with their device and addressing any necessary risk mitigations.

165. Under what circumstances would you use your authority to recall unsafe devices?

Response: In order to fulfill its mission of assuring that the American public has access to safe and effective medical devices, FDA must always balance the benefit and risk of device use. All medical devices carry some level of risk. There are times when access to devices should be allowed, even if the risks are greater than initially believed when introduced into the market. There are also times when the benefits of a device still outweigh the risk for certain patient populations; such as if a device removal would cause a shortage and additional harm.

The most timely and efficient way to address an issue involving an unsafe device is when a manufacturer voluntarily takes action, in conjunction with FDA, to address issues with its device. In the rare instance that a manufacturer or importer fails to voluntarily recall a device, and there is a significant risk to health, FDA has the authority to order the manufacturer to recall the device under section 518(e) of the Federal Food, Drug, and Cosmetic Act [21 U.S.C. § 360h(e)] in accordance with the procedures in 21 CFR 810.[25] The Agency is continually working to improve its recall handling practices that are aimed at both enhancing the safety of medical devices and reducing the burden required to quickly and

[25] *See* www.accessdata.fda.gov/scripts/cdrh/cfdocs/cfcfr/showCFR.cfm?CFRPart=810.

effectively recall and correct device problems. In December 2016, FDA published the guidance "*Factors to Consider Regarding Benefit-Risk in Medical Device Product Availability, Compliance, and Enforcement Decisions.*"[26] This document lays the groundwork for how FDA and industry will formally consider device benefit and risk when encountering device problems, and how they can together arrive at the best method of correction, removal, and availability.

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26 www.fda.gov/downloads/medicaldevices/deviceregulationandguidance/guidancedocuments/ucm506679.pdf.

QUESTIONS SUBMITTED BY CONGRESSWOMAN CHELLIE PINGREE

Antibiotic Resistance

In 2013, FDA published FDA Guidance #213 prompting industry to remove production claims for medically important antimicrobials and set a three-year timeframe for drug sponsors to complete these changes. The target date for implementation was December 2016.

166. Please provide an update on whether all drugs sponsors are now in compliance with this guidance.

Response: On January 3, 2017, FDA announced that it had completed the implementation of Guidance for Industry (GFI) #213, a process begun in 2013 to transition antimicrobial drugs with importance in human medicine –medically important antimicrobials – that are used in the feed or drinking water of food-producing animals to veterinary oversight and eliminate the use of these products in animals for production – such as growth promotion – purposes.

As of January 3, 2017, all affected drug applications have either aligned with the recommendations outlined in GFI #213 or their approvals have been voluntarily withdrawn. As a result of these changes, these products cannot be used for production – such as growth promotion – purposes and may only be used under the authorization of a licensed veterinarian.

FDA has and continues to express its appreciation for the cooperation of the animal pharmaceutical industry for meeting its commitment to fully align all affected products with the GFI #213 recommendations. The Agency also acknowledges the role that a number of key stakeholders played in helping to prepare for this important transition. This includes, but is not limited to, veterinary organizations, animal producer organizations, feed industry organizations, as well as various local, state, and federal agencies. The success of this collaborative effort marks an important step forward for promoting antimicrobial stewardship in animals.

Of the 292 new animal drug applications initially affected by GFI #213, 84 new animal drug applications were completely withdrawn. Of the remaining 208 applications, 93 applications for oral dosage form products intended for use in water were converted from over-the-counter to prescription status, and 115 applications for products intended for use in feed were converted from over-the-counter to veterinary feed directive status. Production – such as growth promotion – indications were withdrawn from all 31 applications that included such indications for use.

167. Does FDA have the resources to monitor compliance with FDA's guidance on production claims for medically important antimicrobials?

Response: A critical component of FDA's antimicrobial resistance strategy, outlined in Guidance for Industry #213 and voluntarily agreed to by affected industry, was bringing the use of medically important antimicrobials in drinking water and feed under the oversight of licensed veterinarians as either prescription or veterinary feed directive (VFD) drugs. All 25 affected drug sponsors committed to implementing the changes described in Guidance #213 by the December 2016 target date. For medically important antimicrobials used in feed, in conjunction with finalizing the updated VFD regulation and re-designating such drugs as VFD drugs, FDA is employing a phased-in compliance strategy. Under this strategy, FDA is placing its initial focus on educating affected stakeholders on the new requirements before taking enforcement action.

As part of this phased-in compliance strategy, FDA initiated a field assignment to pilot a compliance strategy for VFD medicated feeds. The purpose of this assignment is to conduct targeted surveillance of the use and management of currently approved VFD drugs. FDA's target for VFD inspections in FY 2017 is 100 distributors of VFD medicated feeds, including trace forward to producers and trace back to veterinarians. The information gathered will help the Agency further develop education and outreach efforts as well as develop a comprehensive compliance strategy, including assessing resource needs.

Centers of Excellence

The FY18 budget includes a $21.8 million cut to the Center for Food Safety and Applied Nutrition (CFSAN). The explanation for this cut indicates that support for some partnerships may be eliminated, including the Centers of Excellence. I understand there are four CFSAN Centers of Excellence at four universities across the US that do research, conduct outreach, and provide education in partnership with FDA.

168. Could you explain more about the Centers' role and how you measure whether these are valuable partnerships?

Response: The Center for Food Safety and Applied Nutrition (CFSAN) is actively involved in high-visibility endeavors with several academic institutions through its Centers of Excellence (COE) program. These collaborations yield critical information that enhances our ongoing efforts to protect the food supply. CFSAN has four COEs, the National Center for Food Safety and Technology (NCFST) with the Illinois Institute of Technology; the Joint Institute for Food Safety and Applied Nutrition (JIFSAN) with the University of Maryland;

the FDA COE for Botanical Dietary Supplement Research at the National Center for Natural Products Research (NCNPR), University of Mississippi; and the Western Center for Food Safety (WCFS) with the University of California at Davis. Each COE has distinct expertise that supplements FDA's in-house capabilities and is highly successful at supporting activities in areas such as FSMA implementation, risk assessment development, international food safety outreach and technical assistance, industry food safety best practices, and training and technology evaluation. CFSAN provides continual oversight of activities through frequent conference calls, monthly to quarterly meetings regarding continuing and new research projects, and semiannual reviews of the COE programs in relation to FDA programmatic needs. The value of these partnerships is captured in an annual report produced by CFSAN that highlights selected projects, describes leveraging and outreach results, and explains the COE impact on CFSAN's mission to protect and promote public health. The COE model at CFSAN is an efficient and productive mechanism to support and supplement in-house activities.

169. Do you intend to cut funding for all of CFSAN's Centers of Excellence?

Response: The Center for Food Safety and Applied Nutrition (CFSAN) has four Centers of Excellence (COE): the National Center for Food Safety and Technology (NCFST) with the Illinois Institute of Technology; the Joint Institute for Food Safety and Applied Nutrition (JIFSAN) with the University of Maryland; the FDA COE for Botanical Dietary Supplement Research at the National Center for Natural Products Research (NCNPR), University of Mississippi; and the Western Center for Food Safety (WCFS) with the University of California at Davis. FDA maintains longstanding and highly successful cooperative agreements with the four Centers of Excellence to promote the efficient development of research, outreach and education. The programs developed under these agreements, which relate to FDA-regulated commodities such as food, dietary supplements and cosmetics complement the diverse activities of both public and private sectors. FDA values the Centers' contributions and intends to continue to work closely with each of them as resources allow.

Drug Importation

I'm interested in the role that drug importation can play in providing relief to individuals who are struggling to manage drug prices. I've introduced HR 1480, a bill that would allow individuals with valid prescriptions to import their drugs from safe, US-certified Canadian pharmacies. Unfortunately, prescription drug prices were not significantly addressed in the administration's fiscal year 2018 budget. However, President Trump has long been supportive of importation proposals.

170. Do you agree with the President? What resources would FDA require to help facilitate successful drug importation from Canada in order to provide relief for patients and families?

Response: FDA appreciates your concerns about the affordability of medications for Americans. FDA's mission is to ensure that drugs are safe and effective. In carrying out this responsibility, the FDA also works to do all we can under the law to make drugs accessible and help doctors and patients use them as effectively as possible. The Agency works to do this by approving safe, effective, and high-quality prescription and generic drugs. While FDA does have a policy describing its enforcement priorities with respect to an individual's importation of an unapproved drug for personal use, also known as the Personal Importation Policy (PIP), it is important to note that this policy is limited to, among other things, drugs for use for a serious condition for which effective treatment is not available in the U.S. For a full explanation of the PIP, please visit FDA's website at: www.fda.gov/ForIndustry/ImportProgram/ImportBasics/ucm432661.htm. FDA's PIP is applied on a case-by-case basis and is specific to a particular set of circumstances surrounding an individual's drug offered for import. However, FDA remains concerned about the risks that legalizing drug importation poses to patients. However, FDA remains concerned about the risks importation poses to patients.

FDA drug approvals are—manufacturer, product, and/or manufacturing site specific—reflecting a determination that the product meets quality, safety, and efficacy requirements. These requirements, as well as our nation's closed drug distribution system, enable the Agency to protect the public health and allow Americans to have confidence in their drug products. Authorizing importation would compromise the closed U.S. distribution system. In addition, assuring that drugs are from Canada's legitimate, regulated supply chain would be challenging. In fact, an FDA evaluation of non-FDA approved imported drugs revealed that, while nearly half of the imported drugs claimed to be Canadian or from Canadian pharmacies, 85 percent of these claimed Canadian drugs were actually from different countries. Typically, these products are smuggled into the U.S. after being transshipped to third-party countries to avoid detection and falsely purport to be from countries that consumers may find trustworthy, such as Canada. There are documented incidences of non-FDA approved imported drugs found to be contaminated, counterfeit, containing varying amounts of active ingredients (or none at all), or containing different ingredients than the FDA-approved product.

Numerous factors need to be considered to assess the risks of an importation program, including but not limited to:

- Which products would be eligible for import;

- How product safety, efficacy, quality, and bioequivalence would be assessed;
- How adverse events, recalls, and product quality problems associated with imported drugs would be identified and managed;
- Whether FDA would inspect Canadian exporters or rely on Health Canada and provincial regulatory authorities' inspections;
- How supply chain integrity would be assured;
- What measures would be used to exclude a product or terminate the program if quality, safety, or efficacy problems arise;
- Whether consumers harmed by imports would have legal recourse against foreign suppliers; and
- How entities in the supply chain would seek to protect themselves from liability arising from an importation program in ways that could raise the cost of drugs.

Moreover, certification of Canadian pharmacies could present significant challenges. FDA would not be able to make safety and quality determinations for prescription drugs imported from Canada that have not gone through the FDA approval process. For example, FDA would not have the information needed to determine if a Health Canada-approved drug is bioequivalent to the FDA-approved version. As a result, physicians would not know if the Canadian version, imported under the regime you propose, is an appropriate substitute for the FDA-approved product because of numerous potential differences, including ingredient composition, strength, manufacturing, labeling, and the amount of the active ingredient that becomes available at the site of action. This could impede physicians' ability to make informed product selections to the detriment of patient care and safety. Furthermore, it would likely take significant resources to inspect and evaluate Canadian pharmacies for certification.

In addition, Canadian regulatory authorities might respond to an importation program by tightening export laws or enforcement to protect their citizens from losing access to, or paying higher prices for, drugs. This could undermine the effectiveness of an importation program. Also, manufacturers might react by limiting the volume of drugs sold to Canada or requiring contract restrictions prohibiting export, which would reduce the supply for importation.

Moreover, the concerns with importation from abroad are further evidenced by the fact that, since the 2003 amendment of Section 804(l) of the FDC Act—allowing the Secretary of HHS to permit importation of drug products from abroad that are not otherwise legally imported into the U.S. where there are sufficient guarantees of safety and cost reduction—no Secretary has so certified.

Deeming Rule

In May 2016, FDA finalized a rule to extend its authority to all tobacco products, including e-cigarettes, cigars, hookah tobacco and pipe tobacco. Any covered product brought to market in 2007 or later is subject to review to ensure that it meets the applicable public health standard and is worthy of marketing authorization. This month, the FDA announced a 90-day delay in implementation to August 2017.

171. Can you ensure me that you are committed to enforcing and implementing the deeming rule and that you will not further delay the rule's enforcement or implementation?

Response: On July 28, 2017, FDA announced a comprehensive approach to the regulation of nicotine premised on the need to confront and alter cigarette addiction by rendering cigarettes minimally addictive or non-addictive by regulating nicotine levels. The comprehensive approach includes, among other things, a reconsideration of aspects of the implementation of the final deeming rule with an eye towards fostering innovation where innovation could truly make a public health difference, and making sure we have the foundational regulations we need in place to make the entire program transparent, predictable, and sustainable for the long run.

On August 4, 2017, FDA issued a guidance extending the deadlines for the submission of marketing applications for those products that became newly-regulated by last year's deeming rule and were on the market as of August 8, 2016. Applications for newly-regulated *combustible* products – such as most cigars, pipe tobacco and hookah tobacco – would be submitted by August 8, 2021. Applications for newly-regulated *non-combustible* products – such as most e-cigarettes and other Electronic Nicotine Delivery Systems – would be submitted by August 8, 2022. For newly regulated products on the market as of August 8, 2016, the Agency anticipates that manufacturers will continue marketing products while the FDA reviews product applications submitted by the revised filing dates.

Importantly, the compliance policy described above does not affect any current requirements from the deeming rule that have already gone into effect. For example, the deeming rule provisions regarding mandatory age and photo-ID checks to prevent illegal sales to minors remain in effect and are subject to enforcement by the FDA. Since August 2016, the FDA has issued over 6,400 warning letters to brick and mortar and online retailers for selling newly-regulated tobacco products such as e-cigarettes to minors. It also will not affect future deadlines for other provisions of the rule, including, but not limited to, required warning statements, ingredient listing, health document submissions, harmful and potentially harmful constituent reports, and the prohibition on marketing unauthorized modified risk tobacco products, such as those labeled with "light," "low," or "mild," or similar descriptors.

172. What can I tell parents and health professionals in Maine about what FDA is planning to do to reduce youth use of e-cigarettes?

Response: This fall, the FDA plans to expand its public education campaign, "The Real Cost," to include messaging to teens about the dangers of using e-cigarettes or other electronic nicotine delivery systems (ENDS). Among the messages that will be part of the campaign is the potential for nicotine to rewire a teen's brain and create cravings that can lead to addiction. "The Real Cost" campaign has proven to be successful, with a recent evaluation concluding that the campaign prevented nearly 350,000 youth aged 11 to 18 nationwide from initiating smoking from 2014 to 2016.

The campaign is just one component of the Agency's efforts to restrict youth access, limit youth appeal and reduce toxic exposure to youth from all tobacco products. The FDA continues to enforce important regulations specifically aimed at addressing youth access to ENDS and other products, including banning the sale of tobacco products to youth under age 18, requiring age verification by photo ID, and prohibiting free samples. Since August 2016, the FDA has issued over 6,400 warning letters to brick and mortar and online retailers for selling newly-regulated tobacco products such as e-cigarettes to minors.

The FDA also is exploring clear and meaningful measures to make tobacco products less toxic, appealing and addictive with an intense focus on youth. In particular, the Agency is pursuing product standards for ENDS that would address known risks. This could include measures on battery safety, child-resistant packaging, and product labeling to prevent accidental child exposure to liquid nicotine. The FDA also intends to issue an Advance Notice of Proposed Rulemaking (ANPRM) to seek public comment on the role that flavors - including menthol - in tobacco products play in attracting youth. Additionally, the Agency plans to explore additional restrictions on the sale and promotion of ENDS, including restrictions on how products may be sold and advertised, to further reduce youth exposure and access to these products.

Opioids

As with many states, Maine has been hard hit by the opioid use crisis. I believe that FDA has an important role to play in helping to address this crisis, particularly with regard to provider education on prescribing recommendations. I was pleased to see that you have established an Opioid Policy Steering Committee at FDA.

173. What is the timeline for the Steering Committee's critical work?

Response: FDA recognizes the severity of the opioid crisis. The Agency is committed to using our existing authorities to help ensure that exposure to opioids occurs only under appropriate clinical circumstances, and for appropriate patients.

FDA recently established a new Opioid Policy Steering Committee that is evaluating additional ways the Agency can confront the opioid crisis. The Committee brings together Agency senior leaders and clinical experts to explore and develop additional steps to help address this crisis and is presently exploring solutions targeted at: (1) Reducing the number of new prescription opioid addiction cases; and (2) Preventing misuse and abuse of prescription opioids. The FDA Opioid Policy Steering Committee will provide an update on progress to the Committee when requested.

174. Please share how FDA will seek and incorporate input from stakeholders both within and outside of government, including provider and patient groups.

Response: FDA recognizes the severity of the opioid crisis. The Agency is committed to using our existing authorities to help ensure that exposure to opioids occurs only under appropriate clinical circumstances, and for appropriate patients.

The FDA Opioid Policy Steering Committee agrees that there is value in working with government, private stakeholders, and researchers in this process. FDA has sought input from relevant stakeholders in a variety of settings and on a number of issues related to the ER/LA Opioid Analgesic REMS, including: an Advisory Committee meeting in May 2016, a public workshop in May 2017, and through the establishment of a docket announced in a *Federal Register* notice in May 2017 on how to best support prescriber and other health care provider education on appropriate pain management and opioid analgesic prescribing.[27] The public workshop docket closed on July 10, 2017, and FDA is reviewing the comments. FDA has received more than 250 comments to the docket.[28] The workshop convened government experts and representatives from state licensing boards, professional associations, health care systems, patient groups, and other stakeholder groups involved in the challenges of improving pain management while addressing the opioid epidemic.

Additionally, FDA is considering modifications to the existing *FDA Blueprint for Prescriber Education for Extended-Release and Long-Acting Opioid Analgesics* in light of

[27] See May 9-10, 2017, Docket ID: FDA-2017-N-1094.

[28] Comments can be found at: www.regulations.gov/docketBrowser?rpp=50&so=DESC&sb=postedDate&po=0&dct=PS&D=FDA-2017-N-1094.

recommendations from the May 2016 Advisory Committee meeting. On May 10, 2017, FDA announced the availability of draft revisions to the Blueprint. The docket to receive comments on the draft revisions closed on July 10, 2017, and FDA is reviewing the comments — more than 650 comments were submitted to the docket.[29] The draft revisions to the Blueprint would broaden the Blueprint to incorporate information on pain management, including the principles of acute and chronic pain management, non-pharmacologic treatments for pain, and pharmacologic treatments for pain (both non-opioid analgesic and opioid analgesic).

Under the Opioid Policy Steering Committee, FDA is exploring additional ways the Agency can confront the challenges of the opioid crisis. The Committee brings together Agency senior leaders and clinical experts to explore and develop additional steps to help address this crisis.

FDA believes that all healthcare providers involved in the management of pain should be educated about the safe use of opioids. Based on the feedback the Agency received from two public meetings over the past year, FDA is actively exploring the question of whether there should be mandatory provider education and how to operationalize such a requirement. As part of the Opioid Policy Steering Committee's responsibilities, FDA will be reviewing the data necessary to understand the most effective way to move forward.

Glass Fragmentation Advisory

In 2011, FDA released an advisory to drug manufacturers warning of the potential for glass fragments in injectable drugs filled in small-volume glass vials. At the time, several drugs had been recalled under this concern. I know that FDA has initiated research on ways to mitigate the concern of fragmentation.

175. Please provide an update on whether and how FDA intends to act on those concerns.

Response: FDA appreciates industry's efforts to address quality issues that cause safety problems associated with use of glass products in the manufacture of pharmaceuticals. FDA has met with manufacturers to address quality issues with respect to glass product design and manufacturing for glass products intended for injectable drugs. FDA's laboratory has also initiated a study comparing various types of glass products intended for use in injectable drug products. The Agency expects to conduct an analysis of study results by the end of the year. Additionally, industry experts have initiated studies of new types of glass products to

[29] See Docket ID: FDA-2017-D-2497.

determine superiority to current products and suitability with actual drug product formulations. FDA will use the analysis of its own study, as well as discussions with industry and any other appropriate available data, when considering whether to update the 2011 advisory.

21st Century Cures Implementation

In December 2016, the 21st Century Cures Act was signed into law. I was pleased to support this legislation with the understanding that FDA would receive the resources to properly and safely enact mandated changes to the drug approval process.

176. What is FDA's plan to ensure that staffing levels are adequate to support these process changes?

Response: FDA formed an Agency-wide 21st Century Cures Steering Committee to review and determine the impact of process changes captured in the law as well as the potential impact on staffing levels. As a part of FDA's 21st Century Cures work plan, associated resources were estimated to support the changes; however, those resources are not guaranteed over the indicated 10 year time period. FDA must request related funding each year, and will make additional resource allocations based on appropriated funding each year.

The 21st Century Cures Act also provided FDA with important new hiring and salary authority that will improve the Agency's ability to recruit and retain highly qualified staff. The Agency intends to use this new authority in a targeted and strategic manner to focus on mission critical positions including those related to the drug approval process.

QUESTIONS SUBMITTED BY CONGRESSMAN MARK POCAN

Robotic Milking

There are a lot of robotic milkers in Wisconsin and around the country. However, they are facing significant regulatory hurdles due to a lack of clarity and consistency from FDA.

177. What is FDA doing to support this innovative technology and ensure that farmers in my district and around the country can use robots to harvest milk in the US?

Response: FDA recognizes the benefits of robotic milking equipment, or Automated Milking Installations (AMIs), to U.S. dairy farmers. FDA strives to ensure that new technology and equipment introduced to the Grade "A" dairy industry meets the sanitary construction and design standards within the Grade "A" Pasteurized Milk Ordinance (PMO), which FDA applies in a clear and consistent manner. Approval of any AMIs is dependent on that equipment meeting the construction and sanitary design standards set forth in the PMO. FDA also is working closely with State regulators, who are responsible for approving any equipment used by the Grade "A" dairy industry.

When AMIs were first introduced into the United States, State regulatory agencies were not familiar with the technology and equipment and were unsure how to evaluate it against the sanitary standards set by the PMO. Additionally, in certain instances, State regulatory agencies were required by their own governments to accept AMIs. FDA, the States, and the AMI manufacturers have been working together over the past several years to clarify how AMIs are to be constructed, installed, perform, monitored, and maintained to provide a level of protection equivalent to those required of traditional milking systems under the PMO, with reasonable accommodations being made as appropriate for this new technology.

Although AMI equipment currently installed on some farms and under manufacture is not considered to meet the sanitary standards of the PMO, FDA is committed to working collaboratively with manufacturers and State regulators to identify and implement permanent solutions for currently installed systems used by "Grade A" producers, as well as next generation technologies the AMI industry is developing.

For example, in April 2017, FDA determined the Agency would not take action regarding certain inconsistencies with the PMO relating to computer systems used in AMI technology. In August 2017, FDA met with the major AMI manufacturers and committed to working with them and 3-A to develop a 3-A sanitary design standard for AMIs. FDA also agreed with the manufacturers that having additional expertise on the NCIMS Technical

Review Committee (for equipment) would be helpful, as would be creating a subcommittee specific to AMIs.

178. And, can you affirm that FDA is committed to working with these manufactures and not penalize farms that use this technology?

Response: For several years now, FDA, the States, and the manufacturers of robotic milking systems or Automated Milking Installations (AMIs) have been working together through the National Conference on Interstate Milk Shipments (NCIMS) to clarify how AMIs are to be constructed, installed, perform, monitored, and maintained to provide a level of protection equivalent to those required of traditional milking systems under the Pasteurized Milk Ordinance (PMO), with reasonable accommodations being made as appropriate for this new technology. Through the NCIMS, this activity resulted in the creation in 2003 of an appendix on using AMIs in the production of "Grade A" raw milk, as well as additional changes to the PMO at subsequent NCIMS biennial conferences through 2015. By way of background, FDA's State Cooperative Milk Safety Program was established under a memorandum of understanding with the NCIMS to together assure uniformity with the adoption and uniform enforcement of requirements based on the PMO.

Although AMI equipment currently installed on some farms and under manufacture is not considered to meet the sanitary standards of the PMO, FDA is committed to working collaboratively with manufacturers and State regulators to identify and implement permanent solutions for currently installed systems used by "Grade A" producers, as well as next generation technologies the AMI industry is developing. For example:

- In 2014, FDA sent a memorandum of information to State regulators and FDA staff regarding various administrative and procedural matters involving AMI technologies.
- More recently, FDA collaborated with all five AMI manufacturers in developing a training course for State and regulatory personnel specific to AMI technology. FDA has hosted that training course in several locations across the country.
- In April 2017, FDA determined the Agency would not take action regarding certain inconsistencies with the PMO relating to computer systems used in AMI technology.
- In May 2017, FDA also organized a small task force to work on AMI matters and develop FDA policy relative to same.
- In August 2017, FDA met with the major AMI manufacturers and committed to working with the manufacturers and 3-A Sanitary Standards, Inc., a standards-setting organization for the design of food equipment, as they seek to develop a sanitary design standard for AMIs. FDA also agreed with the manufacturers that having additional expertise available to the NCIMS Technical Review Committee (for equipment) would be helpful, as would creating a subcommittee specific to AMIs.

Compounding Pharmacies

For three years, Congress has expressed its concern that the draft Memorandum of Understanding (MOU) proposed by FDA under 503A exceeds statutory authority by including patient specific dispensing in the definition of distribution. In the Omnibus budget agreement just signed into law, the MOU language contained in the House Report from this committee was included, and was also repeated in the final agreement for emphasis.

179. Does FDA plan to withdraw or modify the draft MOU to take into account the repeated Congressional concerns so that this issue can be resolved in the near future?

Response: Section 503A directs FDA to develop a standard memorandum of understanding (MOU) in consultation with the National Association of Boards of Pharmacy (NABP). FDA developed a draft standard MOU in consultation with NABP and on February 13, 2015, FDA published the draft for public comment. The draft standard MOU under section 503A of the FD&C Act describes the responsibilities of a state that chooses to sign the MOU in investigating and responding to complaints related to compounded human drug products distributed outside the state, and in addressing the interstate distribution of "inordinate amounts" of compounded human drug products. (*See*, www.fda.gov/downloads/Drugs/GuidanceComplianceRegulatoryInformation/PharmacyCompounding/UCM434233.pdf, and www.federalregister.gov/a/2015-03420.

FDA solicited comments from the public on the draft MOU, and more than 3,000 comments were submitted to the docket. FDA is considering all of the comments that were submitted and the input the Agency received during intergovernmental working meetings with representatives of the state boards of pharmacy. After completing this process, FDA may decide to withdraw or modify the draft MOU to take into account the comments received.

In the FY 2018 Budget "Justification of Estimates for Appropriations Committees," FDA responds to report language on animal drug compounding incorporated in the Consolidated Appropriations Act for FY 2017. The FDA indicates that it did attempt to apply provisions similar to 503A and 503B to animal drug compounding even though these provisions are limited by statute to human drug compounding.

180. Can you provide the Committee with the specific statutory provisions that support the implementation of GFI #230 for animal drug compounding? Does FDA plan on requesting statutory changes to support these proposals?

Response: Under the animal drug approval requirements of the Federal Food, Drug, and Cosmetic Act (FD&C Act) (section 512(a) [21 U.S.C. § 360b(a)]), to be legally distributed in

interstate commerce, a "new animal drug" must be approved (section 512 of the FD&C Act [21 U.S.C. § 360b]); conditionally approved (section 571 of the FD&C Act [21 U.S.C. § 360ccc]); indexed (section 572 of the FD&C Act [21 U.S.C. § 360ccc-1]); or be an investigational new animal drug in compliance with all applicable regulatory requirements (section 512(j) of the FD&C Act [21 U.S.C. § 360b]).

"New animal drugs" are not generally recognized, among experts qualified by scientific training and experience to evaluate the safety and effectiveness of animal drugs, as safe and effective for use under the conditions prescribed, recommended, or suggested in the labeling (section 201(v) of the FD&C Act [21 U.S.C. § 321(v)]). Federal courts have repeatedly required that general recognition of safety and efficacy be based on published studies of the drug in question. No such studies exist for drugs compounded from bulk drug substances. Therefore, animal drugs compounded from bulk drug substance[30] are new animal drugs[31] and do not have a legal marketing status, as described above. As a result, these drug products are considered "unsafe" under section 512(a) of the FD&C Act (21 U.S.C. § 360b(a)) and adulterated under section 501(a)(5) (21 U.S.C. § 351(a)(5)).

Draft GFI #230 does not and was not intended to extend the exemptions and provisions of sections 503A or 503B of the FD&C Act to animal drugs. Rather, the draft proposes to provide clarity regarding the conditions under which FDA would generally not intend to take action for certain violations of the law when a necessary animal drug is compounded from a bulk drug substance. At this time, FDA is not seeking a statutory change to the status of animal drugs compounded from bulk drug substance. FDA intends to further clarify that The Drug Quality and Security Act (DQSA) does not apply to animal drug compounding in future guidance documents.

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[30] FDA regulations define "bulk drug substance" as "any substance that is represented for use in a drug and that, when used in the manufacturing, processing, or packaging of a drug, becomes an active ingredient or a finished dosage form of the drug, but the term does not include intermediates used in the synthesis of such substances." 21 CFR 207.3(a)(4). Compounding from bulk drug substances does not include compounding animal drugs from FDA-approved new animal or new human drugs.

[31] *See Medical Center Pharmacy v. Mukasey*, 536 F.3d 383, 394 (5th Cir. 2008).

WITNESSES