

CFTC: Request for Input on LabCFTC prize Competitions

Background

LabCFTC is the CFTC's effort to facilitate the development and implementation of FinTech. The CFTC is exploring how to stimulate innovation and leverage FinTech to enhance their regulated markets and make the commission itself more efficient. The Science Prize Competition Act authorizes the CFTC to invest federal funds in science and technology research and development as well as in science, technology, engineering, and mathematics education. Under this authority the CFTC wants to implement a competition and prize to advance the CFTC's mission. The Request for Input solicits feedback in focus areas for prize competitions, and how competitions should be structured and administered.

Potential Prize Competition Topics

- 1) Transaction, Position, and Margin data and Analysis
- 2) Enhancing Market Transparency and Oversight
- 3) Systemic Risk and Analysis
- 4) Improving Accessibility of CFTC Regulations
- 5) Strengthening CFTC's Administrative Process

The CFTC also looks for any further Competition Topic recommendations.

For more information: <https://www.federalregister.gov/documents/2018/04/25/2018-08673/request-for-input-on-labcftc-prize-competitions>

Project Fit

Items 4 and 5 appear to parallel ideas presented in an ongoing innovation project at Vertex, Inc..

4) How to leverage technology to make the regulatory framework more accessible, reduce burdens, and enhance overall compliance. Potential approaches:

- Coding rules to make them machine readable
- Creating common ontologies to make rules more understandable and highlight where rules may be inconsistent or diverge
- Creating visual, interactive representations of the regulatory framework, that enable linking of related rules and mapping of regulatory requirements to specific function, teams and individuals within a regulated entity
- Develop machines that "digest" rules to determine data and other requirements, as well as ideal compliance approaches for specific entities.

5) Technology based solutions to address regulation, regulatory process, and the day-to-day operations of market regulators.

- Public comment in the rulemaking process
 - Labor intensive process to review the hundreds, sometimes thousands, of comment letters.
- A "smarter", more dynamic, and more effective notice-and-comment process.

Format

2-3 day Hackathon

Problem: "Come up with a solution for maintaining a regulations database to be utilized by regulators and regulated industry participants."

Competitors would be expected to draft proposals from how to accomplish tasks of submitting, updating, and viewing regulations. This should be paired with mock ups of what this might look like. Proposals would include how to maintain the system, how it would be updated, who would supply content, and who would have access to content.

Specific Questions for Input

Improving Accessibility of CFTC Regulations

1. Are there subject matter areas or specific topics that the Commission should particularly consider or focus on for a potential prize competition?
 - a. How regulatory content should be collected and presented more effectively needs to be addressed. Collecting regulatory content from the CFTC and other regulatory bodies is a process riddled with inefficiencies and complexities.
 - b. FinTech can address this problem by creating processes for submission and distribution of regulations. Within a standardized environment users and providers alike can enable compliance through the use of a single system in which to track, update, and provide commentary on regulations.
 - c. A prize competition would create an environment in which technology companies, regulators, and regulated industry members could come together and create a dialogue or start development to address these problems.
2. What criteria should the Commission use to select prize competition topics?
 - a. The Commission should select prize competition topics based upon importance to daily operations and responses to the Request for Input. Should a certain topic area receive majority of recommendations or carry more weight to improving the daily operations of the Commission it should greatly be considered. The commission could also submit results to the request back to respondents accompanied with a poll reflecting the best recommendations or to identify a particular area of interest compared to others.
3. Are there subject matter areas or specific topics that are not suitable for a prize competition? Please be specific as possible or provide examples where appropriate.
 - a. Of the Potential topic areas listed they all seem suitable.
4. What competition topics may help illuminate areas where new technology can reduce costs or improve services for market participants and end-users who depend on these markets to manage risk?
 - a. As mentioned earlier, regulations are of great interest. A system that could reduce time allocation of regulators and regulated bodies could increase the amount of time that can be allocated to remaining compliant and discussing upcoming regulations. As technology continues to improve the number of new regulations and updates will continue to rise. Inefficiencies in the current system will need to be reduced as to avoid future backlog.

Regarding Administration of a prize competition:

5. What ground rules should govern participation in a CFTC-sponsored FinTech prize competition?
 - a. All should be eligible to the competition.
 - b. Entries should be designated "open source" to encourage collaborative development.
 - c. Winning entries should receive feedback from the panel and CFTC on how to proceed.
6. How should prize competition judges be selected?
 - a. The commission should select a panel of judges.
 - b. The panel should be at least 5 people
 - c. The mix of stakeholders should come from varying relevant industries.
 - d. Judges should come from both sides of the topic, as future users or administrators.