



## **Commodity Futures Trading Commission**

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# **Statement**

## **Statement of Commissioner Bart Chilton Regarding House Agriculture Committee Futures Industry Oversight Hearings and Consideration of Legislation to Improve Regulation of Futures and Derivatives Markets**

I commend Chairman Peterson for his continued leadership and support his efforts to restore the public's confidence in U.S. futures markets by ensuring appropriate oversight. The proposal incorporates needed changes to our current regulatory structure that will greatly improve our ability to protect consumers and businesses alike.

In a speech last week, I quoted the American folklorist Zora Neale Hurston, who said; "There are years that ask questions, and there are years that answer." This year must be a year of answers. During my remarks, I went on to lay out what I see as necessary steps to healing our fractures in our regulatory system. I'm pleased that the Chairman's proposal also addresses several of these critical components.

- 1) Require OTC reporting and recordkeeping. This will enable the CFTC to examine trading information, particularly information about sizable, look-alike or price discovery transactions that could impact regulated markets—markets that have a bearing on what consumers pay for products like gasoline or food, or even interest rates on loans;
- 2) Oversee mandatory clearing of OTC Credit Default Swap (CDS) transactions, and encourage clearing for other OTC products as appropriate. The stability and safety of our financial system is significantly improved by enhancing clearing systems for CDSs—in a manner that does not lead to cross-border arbitrage—as well as for other OTC derivatives. Such clearing would not only provide counterparty risk, but a data audit trail for regulators.
- 3) Regulate OTC transactions if the Commission determines that certain trades are problematic. The CFTC should be given the authority to determine and set position limits (aggregated with exchange positions, and eliminate bona fide hedge exemptions) to protect consumers. Congress should also extend CFTC anti-fraud, anti-manipulation and emergency authorities as appropriate to OTC transactions to allow greater openness, transparency and oversight of our

financial markets. These provisions are included in the Chairman's proposal. I am hopeful that the Committee will also consider two other items, one within its jurisdiction – the other an appropriations matter.

- 4) Public Directors on Investment Industry Boards. Corporate boards would benefit greatly from the inclusion of public directors who bring a diversity of backgrounds and experiences to the boardroom. Such a provision would allow farmers, consumer representatives or other individuals to serve and provide different, yet important perspectives. All too often, these boards look more like an extension of the companies themselves than a group of individuals that are there to spot problems and deliver constructive criticism. Unfortunately, what we witnessed in the securities world is that this had to be mandated rather than simply encouraged. For that reason, I would urge Congress to consider a requirement that a third of board members be considered public directors.
- 5) Congress should appropriate immediate full funding (\$157 million for Fiscal Year 2009) in additional resources, which would allow the CFTC to hire an additional 150 employees, and fund related technology infrastructure so that the agency can properly effectuate our duties under the Commodity Exchange Act, as amended by the Farm Bill. Many in Congress have joined together to call for increased resources for the Securities and Exchange Commission (SEC). By comparison, the CFTC oversees exchanges with significantly greater market capitalization than the SEC. For example the CME Group alone has a market capitalization of roughly \$11 billion, while NYSE/Euronext (largest US securities exchange regulated by the SEC) has a market capitalization of \$5.5 billion. The SEC has 3,450 employees, while the CFTC struggles with roughly 450 – fully 3,000 less staff. It is not a popular thing to call for more money for federal employees, but cops on the beat are needed to detect and deter crimes. The CFTC needs these additional resources and we need them now.

There are many other provisions in the Chairman's proposal that I support, such as closing the London Loophole and ensuring exclusive jurisdiction over environmental futures market regulation. Simply put, the success of a cap-and-trade system requires an experienced regulator. The Chairman's proposal, if enacted, will bring much needed transparency and accountability to both over-the-counter and certain overseas markets; provide the CFTC the authorities necessary to prevent market disruptions from excessive speculation; and give regulators a window into currently "dark markets" by requiring reporting and recordkeeping.