



## **Commodity Futures Trading Commission**

Office of External Affairs  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581  
202.418.5080

# **Statement**

## **Statement of Commissioner Bart Chilton on Regulation of Credit Default Swaps**

Washington, D.C. (October 8, 2008) At this remarkable moment in our nation's financial market history, I join with the SEC chairman's call for oversight of credit default swaps (CDS). These complex financial market transactions, executed outside of the purview of federal financial market regulators, have played a significant role in the current credit market crisis, and it is clear that now is the time to reverse the deregulatory policies that allowed entities to engage in these risky transactions essentially "in the dark."

Where I differ from the SEC chairman's position is as to the appropriate regulatory authority that should oversee such transactions. Swaps, whether they represent transactions in interest rates, wheat, or securities, are transactions used to manage risk, not as investment or capital formation contracts. The federal financial regulator charged by Congress with exclusive jurisdiction to oversee risk management transactions is the CFTC, not the SEC. These two agencies regulate completely different markets, and enforce completely different sets of laws and regulations. The CFTC, as the expert agency in this area, has the experience and background to appropriately regulate these transactions, should Congress provide it with the authority to do so. If swaps of any kind are to be brought under federal regulation in some form or fashion, the logical regulator is the CFTC.

Legislation to bring about precisely this kind of authority has been proposed in both the House and Senate. What American consumers are looking for are solid answers to why they can't get home and car loans, and why they are paying more to put gasoline in their tank and food on the table, and they are frustrated at government officials coming up with ideas that are little more than cosmetic fixes. It is my hope that Congress will act promptly to enact the legislative proposals to give the CFTC authority over these "dark markets," to ensure that American consumers and businesses can effectively utilize price discovery and risk management markets.