



U.S. Commodity Futures Trading Commission
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Chairman's Transmittal Letter

February 14, 2011

The Honorable Daniel K. Inouye
Chairman
Committee on Appropriations
U.S. Senate
Washington, D. C. 20510

The Honorable Thad Cochran
Vice Chairman
Committee on Appropriations
U.S. Senate
Washington, D. C. 20510

The Honorable Harold Rogers
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D. C. 20515

The Honorable Norm Dicks
Ranking Member
Committee on Appropriations
U.S. House of Representatives
Washington, D. C. 20515

Dear Senators Inouye and Cochran and Representatives Rogers and Dicks:

Two years ago, the financial system and the financial regulatory system failed. Last summer, the Administration and the Congress responded by enacting the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Dodd-Frank Act will — for the first time — bring comprehensive regulation to the swaps marketplace. Derivatives dealers will be subject to robust oversight. Standardized derivatives will be required to trade on open platforms and be submitted for clearing to central counterparties, all of which will be subject to Federal regulation and supervision. The Commodity Futures Trading Commission (CFTC) looks forward to implementing the Dodd-Frank Act to help lower risk, promote transparency and protect the American public. To implement these reforms, the Commission will require increased funding.

The CFTC and its predecessor agencies have regulated derivatives since the 1920s. The first derivatives — called futures — began trading at the time of the Civil War, when grain merchants came together and created this new marketplace. It took nearly 60 years until Congress first regulated the futures markets. President Franklin Roosevelt and the Congress significantly strengthened this regulatory regime with the passage of the Commodity Exchange Act (CEA) in 1936.

The CFTC currently ensures that futures and commodity options exchanges have procedures to protect market participants and ensure fair and orderly trading that is free from fraud, manipulation and other abuses. The CFTC registers and oversees futures clearinghouses, known as derivatives clearing organizations (DCOs), to ensure that they have appropriate risk management standards. The Commission has wide-ranging transparency efforts designed to provide aggregate information about commodity futures markets and trading to the American public. The agency also uses its broad surveillance powers to police the markets.

The CFTC is now tasked with bringing its regulatory expertise to the swaps marketplace. Though the Commission has much experience regulating the on-exchange derivatives marketplace — having done so for more than 70 years — the Dodd-Frank Act presents new responsibilities and authorities. The futures marketplace that the CFTC currently oversees is a \$40 trillion industry in notional amount. The swaps market that the Dodd-Frank Act tasks the CFTC with regulating has a notional amount roughly seven times the size of that of the futures market and is significantly more complex. Based upon figures compiled by the Office of the Comptroller of the Currency as of the 3rd quarter of 2010, the largest 25 bank holding companies currently have \$277 trillion notional amount of swaps. Others estimate that the market could be as big as \$300 trillion in the United States alone.

Some of the CFTC's expanded authorities will be consistent with our current authorities but expanded to also include swaps. Some will be new responsibilities, such as regulating swap dealers, major swap participants, swap execution facilities (SEFs) and swap data repositories (SDRs).

In addition to bringing regulation to the swaps market, the Dodd-Frank Act provides the Commission with specific authorities to address areas of need under its traditional mission in the regulation of futures markets. Included is specific direction with regard to the regulation of both on-exchange and off-exchange derivatives markets for agricultural and energy commodities.

The challenge before the agency is significant, but manageable, provided we are sufficiently resourced.

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At the start of Fiscal Year (FY) 2011, the Commission had on-board a staff of 680. Given the new responsibilities for the CFTC to regulate the swaps market, this is far less than what is required to properly fulfill our significantly expanded role.

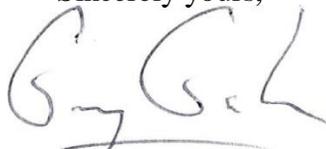
Therefore, I am pleased to transmit to you the CFTC's Budget and Performance Estimate for FY 2012. This budget builds off the FY 2011 Continuing Resolution (CR) appropriation expiring March 4, 2011.

- This budget requests an appropriation of \$308,000,000 and 983 staff-years. This is a \$139,200,000 increase over the FY 2011 CR Appropriation of \$168,800,000 and 667 full-time equivalents (FTE). The FY 2011 CR appropriation includes no funds for Dodd-Frank authorities.
- Our FY 2012 Budget thus includes necessary funding to bring on board 78 FTE needed to implement pre-Dodd-Frank authorities, and 238 FTE needed to implement the Dodd-Frank Act and to ensure that the nation's futures and swaps markets operate without disruption.

The talented and dedicated staff of the CFTC is moving forward with the rules required by the Dodd-Frank Act and fully implementing both long-standing and new statutory authorities with respect to its pre-existing mission. To continue to effectively carry out that mission and its new responsibilities, the Commission requires augmented staffing levels and technology resources.

I am available to discuss this budget request and to answer any questions you may have.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Gary Gensler", written in a cursive style.

Gary Gensler
Chairman

cc:

The Honorable Debbie Stabenow
Chairwoman
Committee on Agriculture,
Nutrition, and Forestry
U.S. Senate
Washington, D. C. 20510

The Honorable Pat Roberts
Ranking Member
Committee on Agriculture,
Nutrition, and Forestry
U.S. Senate
Washington, D. C. 20510

The Honorable Frank D. Lucas
Chairman
Committee on Agriculture
U.S. House of Representatives
Washington, D. C. 20515

The Honorable Collin C. Peterson
Ranking Minority Member
Committee on Agriculture
U.S. House of Representatives
Washington, D. C. 20515

The Honorable Richard Durbin
Chairman
Subcommittee on Financial Services
and General Government
Committee on Appropriations
U.S. Senate
Washington, D. C. 20510

The Honorable Jerry Moran
Ranking Member
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The Honorable Jack Kingston
Chairman
Subcommittee on Agriculture, Rural
Development, Food and Drug Administration,
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Committee on Agriculture
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Washington, D. C. 20515

The Honorable Sam Farr
Ranking Member
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