



Commodity Futures Trading Commission

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Statement

Statement by Chairman Gary Gensler on Speculative Position Limits and Enhanced Transparency Initiatives

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The Commodity Futures Trading Commission is directed by statute and provided with broad authorities to ensure the fair, open, and efficient functioning of futures markets. Upon becoming the Chairman of the CFTC, I instructed Commission staff to present all available regulatory options to carry out our duties and fulfill our mission. My firm belief is that we must aggressively use all existing authorities to ensure market integrity and efficiency.

Today, I am announcing that the Commission will be conducting hearings during the months of July and August. This effort will seek input from the public --- consumers, farmers, businesses, and other futures market participants.

Our first hearing will focus on whether federal speculative limits should be set by the CFTC for commodities of finite supply, in particular energy commodities, such as crude oil, heating oil, natural gas, gasoline and other energy products. This will include a careful review of the appropriateness of exemptions from these limits for various types of market participants.

Aggregate Position Limits and Review of Hedge Exemptions for Energy Futures Markets

The Commodity Exchange Act states that the CFTC shall impose limits on trading and positions as necessary to eliminate, diminish, or prevent the undue burdens on interstate commerce that may result from excessive speculation. The CFTC currently sets, and ensures adherence to, position limits with respect to certain agriculture products. This is not the case for energy markets. For energy commodities, futures exchanges set position limits and accountability levels to protect against manipulation and congestion. The exchanges are not required to set and enforce position limits to address the burdens that may result from excessive speculation.

This different regulatory approach to position limits for agriculture and other physically delivered commodities deserves thoughtful review. It is incumbent upon the CFTC to

ensure a fair and orderly price discovery process for all commodities. The Commission will be seeking views on applying position limits consistently across all markets and participants, including index traders and managers of Exchange Traded Funds; whether such limits would enhance market integrity and efficiency; whether the CFTC needs additional authority to fully accomplish these goals; and, what formulation the Commission should use to determine position limit levels for each market.

While the Commodity Exchange Act provides for exemptions from such limits for “bona fide hedging transactions or positions”, the CFTC is currently reviewing the manner in which these exemptions have been implemented. Recently, the Commission completed a comment period on whether the bona fide hedge exemption should continue to apply to persons using the futures markets to hedge risks other than risks arising from the actual use of a commodity. In addition to the comments received, these hearings will further inform the rulemaking process for the Commission on this issue.

Improving Market Transparency

Secondly, I would like to take this opportunity to announce improvements in the transparency of market data that the Commission provides the public. Specifically, we will be making enhancements in the near term to our weekly Commitments of Traders (COT) report. In addition, the Commission, through our special call authority, will continue to collect and report data from swaps dealers and index investors.

For decades, the Commission has issued COT reports to the public each Friday. These reports have included the aggregated positions of Noncommercial and Commercial traders. Further, they have been an important tool for market participants, and the public, to track the positions of important groups of market participants. Enhancing the quality of information in these weekly reports will better inform market participants and the public about the positions of the various types of traders.

I have directed staff to improve our COT reports in four ways. First, we will be disaggregating the current Commercial positions and creating a new category for swaps dealers. Second, we will be disaggregating the current Noncommercial positions and creating a new managed money category, which will report the positions of hedge funds. Third, we will be including the position data the CFTC receives for all foreign contracts linked to the settlement price of domestic contracts. Fourth, we will be including the positions of traders of contracts determined to perform a significant price discovery function.

Last September, the CFTC published a Report on Swap Dealers and Index Traders that was based upon data received from our special call authority. The Commission will continue this special call, enhance the information disseminated in this report, and release it on a quarterly basis with a goal of eventually releasing this data monthly.

The combination of these transparency initiatives will provide the public with greater insight into the new types of trading activity that have entered the markets recently.

Conclusion

I look forward to our upcoming hearing on speculative position limits and enhancing market transparency. In addition to these important initiatives announced today, I want to highlight that the Commission will continue our review of all available regulatory options to improve the oversight of our markets so they better serve the American people. As this process progresses, we will make further announcements.