



CFTC Chair Gensler calls for ‘additional authorities’ over OTC derivatives

By Agri-Pulse Staff

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Washington, March 3 – Testifying in a House hearing Wednesday on how ‘08 Farm Bill provisions have affected the Commodity Exchange Act, Commodity Futures Trading Commission (CFTC) Chair Gary Gensler called for two more changes:

- “additional authorities to oversee the over-the-counter derivatives marketplace,”
- “additional resources to best protect the American public.”

House Agriculture Subcommittee on General Farm Commodities & Risk Management Chair Leonard Boswell (D-IA) said his subcommittee’s job is “to bring greater transparency and oversight to the futures markets and ensure that we provide necessary oversight of these markets without hindering legitimate consumers from operating within them. To the extent fraudulent activity is taking place and hard-working Americans are getting taken to the cleaners, we need to ensure that federal regulators have the tools necessary to protect consumers.”

In response, Gensler pointed to a very active year for the CFTC, regulating 66,187 commodity futures markets registrants and 2,051 actively traded contracts with a volume of nearly three billion contracts traded, for a market that “measured in notional value, was more than \$33 trillion in 2009.” To do all that, which includes the CFTC’s expanded role under the ‘08 Farm Bill, he said CFTC began fiscal 2010 with 580 employees. But to fully perform its new duties, he said the CFTC budget proposal for fiscal 2011 “would increase the agency’s funding by \$47.2 million to \$216 million and would augment agency staff by 95 FTE to a total of 745 FTE.” He noted that further increases for both funding and staff will be needed if financial regulatory reform legislation is passed, placing further demands on the commission.

Turning to the need to bring transparency and “comprehensive regulation” to the opaque over-the-counter derivatives market, he said that the new regulatory reform measures being worked on by the House and Senate “among other things” should:

- “Require that swap dealers and major swap participants register and come under comprehensive regulation, including capital standards, margin requirements, business conduct standards and recordkeeping and reporting requirements;”
- “Require the use of transparent, regulated trading facilities for standardized swaps;”
- “Ensure that clearable swaps are submitted to and settled through central clearinghouses; and,”
- “Provide the CFTC with authority to impose aggregate position limits across both futures and OTC derivatives markets.”

Subcommittee Ranking Member Jerry Moran (R-KS) commented that “Congress needs to determine whether CFTC is effectively carrying out its intent and I believe today’s hearing gave us an indication of the Commission’s recent activities.”

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