



Commodity Futures Trading Commission

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Statement

“The Right Road to Reform”

Commissioner Bart Chilton Comments on the Administration’s Legislative Language to Regulate OTC Transactions

August 11, 2009

President Obama recently called for us to “build something better” in reforming our nation’s financial market regulatory system, and today’s delivery to Capitol Hill of watershed legislation to regulate currently opaque over-the-counter derivative markets clearly puts us on the right road to reform.

The Administration’s comprehensive legislative package—sent to the Hill just 54 days after the release of the blueprint for regulatory overhaul, an astounding achievement—represents much-needed modifications to the former “hands-off” attitude toward complex derivatives trading and clearing in the United States. These changes, if enacted into law, will bring transparency and accountability to these markets, as well as the ability for federal regulators to move in promptly if necessary with strong regulatory and enforcement authorities. I’m particularly pleased to note the provisions that would allow for imposition of position limits and large trader reporting requirements in OTC contracts that perform significant price discovery functions, such as certain energy contracts, for example. These critically important markets that affect the prices American consumers pay for the gasoline in their cars and for the oil that heats their homes are too important to be allowed to fall prey to the types of market catastrophes and sharp dealing we have witnessed in recent years. OTC contracts that, in essence, determine the price of the commodities we buy in our daily lives should be subject to comprehensive federal oversight, and this legislation would accomplish precisely that objective.

I hope that Congress will act expeditiously to provide the SEC and CFTC with the authorities to protect consumers and markets as provided in this legislation, and I believe the agencies will diligently work in coordination and cooperation to give effect to these provisions—regulating OTC clearing and trading of standardized products, enhancing capital and margin requirements, regulating derivatives dealers, enforcement business conduct, recordkeeping and reporting requirements, and detecting and

prosecuting fraud, abuse and manipulation to protect all market participants—to their fullest extent.