

CFTC-SEC Press Conference to Announce Agency MOU
Opening Remarks of CFTC Acting Chairman Walt Lukken
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Good morning. Thank you, Chairman Cox for the vision and strong leadership you have shown in finalizing today's agreement. This is a historic development and I am pleased to sign this Memorandum of Understanding (MOU) with the SEC today. The CFTC appreciates the cooperative relationship we have enjoyed with the SEC over the years as Chairman Cox just outlined and today's MOU marks another watershed in the narration of our agencies' histories.

The CFTC has been practicing the concept of "mutual recognition" with our international counterparts for years. This practice works well internationally, enabling us to avoid duplicative regulation, promote competition and expand economic opportunity, while working collaboratively with other expert international regulators to uphold our public mission.

As Chairman Cox and I discussed issues of joint interest during the past several months, it became clear that this mutual recognition model would also enhance collaboration between our respective domestic agencies.

It goes without saying that the CFTC and the SEC are two different regulators, with different regulatory approaches and statutory mandates, overseeing markets with different economic purposes – one for capital formation, the other for risk management and price discovery. However, we have many common regulatory interests as the U.S. financial markets are evolving and developing without regard to our agencies' differences. Today, new financial products may share characteristics of both "securities" and "futures." Signing a new MOU between our agencies will allow us to tackle not only today's new and emerging issues but also those that we are sure to face in the future.

Today's document builds on an earlier interagency MOU signed in 2004, which focused on security futures products. The new agreement will complement that effort and allow our agencies to better harmonize our regulatory efforts, eliminating duplication and delay. One of our major areas of mutual interest is the consideration of novel derivatives products. The goal is to get these new products to market quickly, while ensuring that the proper market protections are in place. To facilitate consideration of novel products, the agencies crafted a set of governing principles that encourage innovation and competition, promote market neutrality, and provide legal and regulatory certainty for market participants.

The MOU will also allow us to address future issues such as portfolio margining and foreign stock indices. Resolving these matters could bring enormous benefits and efficiencies to the marketplace.

This event also marks the first step in taking this MOU out of theory and into practice. Today, both agencies are putting out notices requesting public comment on two new products that would be based on the streetTracks Gold Trust Shares. One product is an option that would be traded on an options exchange and the other is a future that would be traded on a security futures

exchange. As a principles-based regulator, I'm thrilled that the agreement utilizes flexible principles for guiding the agencies in their approach to these types of novel products and that they are already being put to practical use.

In closing, I am very proud to be here today with Chairman Cox to announce this new interagency agreement and would like to thank him for his commitment to completing it. I would also like to thank my CFTC colleagues, Commissioners Dunn, Sommers and Chilton, and SEC Commissioners Atkins and Casey, for their support as we finalized the agreement. I would also like to recognize the staffs from both the SEC and CFTC for their hard work and diligence in reaching today's goal. It is a major step forward as we work to ensure that the regulatory structure that oversees the U.S. financial markets embrace innovation, growth and competition in the global marketplace, without compromising market integrity, customer protection and the public good. That is the important balance we always strive to achieve and I am confident that we have hit that mark here today. Thank you.