



Commodity Futures Trading Commission
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Statement

Statement of CFTC Acting Chairman Walt Lukken Regarding Department of Treasury's Blueprint for Modernizing the Financial Regulatory Structure

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Washington, DC – Today, the U.S. Department of Treasury released a regulatory blueprint that includes recommendations to improve the U.S. financial regulatory structure with the goal of enhancing U.S. competitiveness in the global marketplace. Some of the proposals include recommendations related to combining the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC). CFTC Acting Chairman Walt Lukken made the following statement in response to the blueprint:

“It is essential to examine ways to enhance the competitiveness of U.S. financial markets and seek improvements to the regulatory structure. Policymakers all strive for good government solutions that protect the public, reduce duplication and enhance competition and innovation. While I am still studying the Blueprint’s many recommendations, I applaud Secretary Paulson and the Treasury Department for their work on this critical undertaking and for recognizing the CFTC model of regulation as an advantageous one.”

“The CFTC utilizes a flexible and risk-tailored approach to regulation aimed at ensuring consumer protection and market stability while encouraging innovation and competition. Congress gave the CFTC these powers with the passage of the Commodity Futures Modernization Act (CFMA) in 2000, which shifted the CFTC’s oversight from a rules-based approach to one founded on principles. This prudential style is complemented by strong enforcement against market abuse and manipulation as evidenced by the \$1 billion worth of penalties assessed by the CFTC since the CFMA. The regulatory balance fostered by the CFMA has enabled the futures industry to thrive and gain market share on its global competitors with volumes on the U.S. futures exchanges increasing over 500 percent since 2000. During recent economic stress, these risk-management markets have performed well in discovering prices and providing necessary liquidity.”

“Although the creation of a new unified regulator for securities and futures could bring efficiencies, the tradeoffs of such a significant undertaking should be weighed carefully given these turbulent economic times and the competitive global advantage currently enjoyed by the U.S. futures industry. The CFTC is a world-class regulator because of its focused mission, market expertise, manageable size, problem solving culture and global outlook—all of which may be jeopardized with the creation of a larger regulatory bureaucracy. Any regulatory reform effort must preserve the benefits of the CFTC’s principles-based model and recognize the distinct functions of the futures markets and mission of the CFTC.”

“Many of the benefits of a unified regulator can be immediately gained through enhanced coordination and information sharing between agencies. In fact, the CFTC and SEC recently signed a cooperation agreement aimed at addressing cross-agency issues, including the approval of hybrid products that may have otherwise fallen between our jurisdictional divide. These sorts of agreements should be given time to bear fruit. As Treasury recognizes in its Blueprint, the laws that govern the securities markets should be modernized similar to the futures laws before unification is contemplated to improve its chances of success. Unless the securities laws are first rationalized with those governing the futures markets, a merger may ironically make the U.S. futures industry less competitive globally and run counter to the explicit goal of this important endeavor. I look forward to working with policymakers to ensure that these issues are properly debated and addressed.”