Commodity Futures Trading Commission
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Statement

Statement by CFTC Acting Chairman Michael V. Dunn

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As I temporarily take over at the helm of the CFTC, I want to thank former Acting Chairman Walter Lukken for his leadership during a very challenging time. He faced a period where economic events demonstrated, most vividly, the perils of removing large swaths of our derivatives markets from oversight. To address these challenges, Walt did not hesitate to try new approaches. Walt also recognized the need for additional resources and, as such, he was a steadfast advocate for increased agency funding . . . funding that was—and continues to be—critical to the CFTC continuing to successfully fulfill its regulatory responsibilities.

While a great deal of progress has been made, a tremendous amount of work remains to be done . . . work which needs immediate attention. And, while I expect Chairman Nominee Gary Gensler to experience a swift confirmation process, there are five areas of concern that, I believe, we cannot fail to address.

1. **Consumer protection**. The troubled economy we face presently calls for reevaluating derivatives regulation to ensure adequate transparency and oversight of derivatives markets. However, in pursuing broad reforms, we cannot forget that the CFTC still faces legal challenges to its ability to protect retail consumers from commodity fraud. While we are considering broad systemic reforms, we must ensure we are doing all we can to protect consumers and their financial investments.

2. **Oversight of Risk.** The CFTC needs to ensure it is able to identify and manage risks associated with new types of derivative markets and products. Our current regulatory model has worked well to ensure the financial integrity of exchange traded instruments, but we need to be looking ahead for potential trouble spots and risks that may arise in the future. To do this, I will encourage the Agency to establish a Risk Advisory Committee to assist the CFTC in identifying and addressing areas where improvement in its oversight will be absolutely critical.

3. **Collaboration with other regulatory agencies.** Derivatives markets cut across agency jurisdictions. Today, there are already a number of hybrid products such as securities futures, exchange traded futures, or swap contracts that involve the jurisdiction of several agencies. Even without legislation, agencies involved can do a far better job of working together to ensure customers and markets are protected while avoiding unnecessarily duplicative regulatory regimes. The CFTC has made progress in signing Memorandums of Understanding with several other agencies governing the sharing of information, but we need to look for further opportunities to enhance cooperation and collaboration.

4. **Review of hedge exemption policies.** The effect of speculators on commodity prices continues to be questioned. The CFTC has been reviewing the conditions under which it allows entities to exceed speculative position limits. The Commission needs to move forward with this undertaking. It needs to seek public input on possible alternatives to granting exemptions and steps that might/should be taken to increase transparency in the markets.

5. **Adequate CFTC funding.** The CFTC continues to face significant resource challenges. Without additional resources, the CFTC will not be able to fulfill its regulatory charge. With the likelihood of increased agency authorities and responsibilities, combined with a restrictive budget, it is imperative that the CFTC obtain increased funding immediately to avoid serious impairment of the CFTC's ability to protect the markets and customers who use them from fraud and abuse. I fully intend to continue the CFTC's efforts to ensure that its budget is commensurate with its increased regulatory challenges.