

**Statement of Commissioner Jill E. Sommers  
Before the United States Senate  
Committee on Agriculture, Nutrition and Forestry  
September 30, 2009**

Chairman Lincoln, Ranking Member Chambliss and other members of the Agriculture Committee, I am honored to be nominated by President Obama for another term as a Commissioner at the Commodity Futures Trading Commission (CFTC). I have been in this position since August of 2007, and it has been a true privilege to serve the American public as a regulator of the U.S. commodity futures and options markets.

During my career, I have had the opportunity to work on Capitol Hill for Senator Bob Dole, for a regulated derivatives exchange, as well as for the trade association representing participants in the privately negotiated derivatives industry. I believe this unique experience gives me a diverse view of risk management issues and the knowledge to help implement our core mission at the CFTC.

Since 1974, that mission has been to protect market users and the public from fraud, manipulation, and abusive trading practices related to the sale of physical and financial futures and options, and to foster open, competitive, and financially sound markets. The agency endeavors to ensure the fairness, efficiency, and economic utility of the markets through a strong regulatory oversight program that includes market surveillance to detect and prevent manipulation and other market disruptions as well as ensuring the financial integrity of the clearing process. This risk-tailored approach to regulation is also complemented by strong enforcement as evidenced by over \$2.8 billion worth of penalties and restitution assessed in actions brought by the CFTC since the year 2002.

Through effective oversight, we facilitate the important hedging and price discovery functions that the futures markets were designed to serve. This regulatory regime has enabled the futures industry to experience enormous growth over the past decade. In FY 2000, the U.S. exchange traded volume was a little over 500 million contracts. In FY 2009, the volume is almost 3 billion contracts, which is a 180% increase. Even with that growth, the regulated futures industry did not endure the loss of any customer funds during the current economic turmoil due to the default or failure of a futures commission merchant (FCM).

Although the regulated futures exchanges and FCMs have performed well throughout the financial crisis, there is a widespread belief that the CFTC's regulatory authority should be extended to cover the trading of over-the-counter (OTC) derivatives. There is broad consensus that more transparency must be brought to these markets. The current Commission is unified in support of comprehensive regulatory reforms including full regulation of the over-the-counter markets (OTC). This regulatory framework would cover both OTC derivative dealers and the OTC derivative markets in which they trade.

I believe we need to enhance transparency and close regulatory gaps to achieve improvements in the regulatory structure. To that end, the CFTC has undertaken a number of initiatives over the past year to strengthen our regulatory oversight and

thereby enhance public confidence in the markets we regulate. There is no doubt that public confidence in the markets is crucial. Unless the public is assured that the markets are operating efficiently and are free from abuse, commercial producers and users of the commodities underlying futures transactions will be reluctant to use the markets to hedge their price risks, and the information they would otherwise bring to the markets—which is essential to discovering accurate prices—will be lost. We must strive to bolster that confidence and strengthen market integrity. As decision makers, it is our job to implement prudent government solutions. The CFTC has a responsibility to achieve these objectives, and if reconfirmed, I look forward to continuing to ensure this responsibility is met.

Under the leadership of Chairman Gary Gensler we have taken several steps recently to fulfill those objectives. First, the Commission held three days of hearings in July and August to review the application of and exemptions from position limits for futures contracts involving physical commodities, with a particular focus on energy commodities. We heard from almost thirty witnesses with very diverse points of view. Second, together with the Securities and Exchange Commission, the CFTC held two days of joint public meetings the first week of September to discuss issues of regulation harmonization. The two agencies have been asked by the Administration to identify conflicts in how we regulate similar financial products and to either explain why those differences further important policy goals, or make recommendations for resolving differences where they do not. And finally, on September 4, we implemented two new transparency measures by further disaggregating our Commitments of Traders (COT) report and publishing an updated report, Index Investment Data, based on the information we have been receiving since June of 2008 through our special call authority.

The questions surrounding these issues are enormously complex and require thoughtful resolutions. Our staff is working very hard to provide recommendations on these as well as a number of other important initiatives. I want to take this opportunity to salute the dedicated men and women at the CFTC who serve the American public and the futures industry with great distinction. I am very proud of their work and know they will do an outstanding job implementing any recommendations for enhancing and harmonizing the regulatory framework.

Not since the Commodity Exchange Act and the securities laws were passed in the 1930s has there been a time when events have coalesced, as they have over the past year, to bring into such sharp focus the need for harmonizing regulation and closing regulatory gaps. As a commissioner at the CFTC, I believe there is a historic opportunity to reshape the regulatory oversight of financial markets. It is a very challenging time for the Commission and I am committed to strengthening regulation where needed and eliminating inefficiencies where possible. If confirmed by this Committee and the United States Senate, I will work hard to ensure that the CFTC continues its role of protecting the integrity of the markets while addressing concerns about the regulatory structure. It is the responsibility of the Commodity Futures Trading Commission to defend the crucial risk management and price discovery functions provided by our commodity futures and options markets.