

Michael V. Dunn, of Iowa, to be a commissioner of the Commodity Futures Trading Commission for a term expiring June 19, 2011 (Reappointment)

Good morning, Mr. Chairman, Senator Harkin, members of the Committee. I would like to thank you for having this hearing today. As a former staff member of this Committee, I know the time and effort required to hold such a hearing. Including this nomination hearing in your already busy hearing schedule is a tribute to the dedication and leadership of the Committee Members and their staff.

Mr. Chairman I am honored to be considered for a full five-year term as a Commissioner of the Commodity Futures Trading Commission (CFTC). I would like to thank President Bush for nominating me for this position, and Ranking Democratic Member Harkin and Minority Leader Reid for recommending me for nomination.

I have had the privilege of serving for the last year-and-a-half as a member of the CFTC; observing first hand the impact of the Commodity Futures Modernization Act (CFMA) upon our domestic and international financial markets. The Congress and this Committee exhibited commendable foresight in enacting that legislation which has contributed to increases in futures and options markets trading volume of 326%. The CFMA, aided by globalization, competition, and electronic markets, has facilitated an explosion of innovation in the development of new risk management tools.

The CFMA implemented a flexible regulatory framework designed to foster the development of new products and regulatory approaches that can adapt to the rapid changes unfolding in the futures and options industry every day. Most observers agree the CFMA has largely been successful in accomplishing this.

In furtherance of the public's interest in fair, transparent, and efficient financial markets, Congress has entrusted the CFTC with oversight of the commodities trading industry. In my opinion, my fellow Commissioners and CFTC staff have done an outstanding job discharging that trust.

Recently, the Commission has increased its schedule of public hearings and requests for public input on key issues facing our commodity markets. Public access and transparency in the operation of the Commission are an important part of the CFTC's meeting the mandate of Congress, and I find it most welcome. The Commission needs to reach out to the public to demystify an industry many see as murky and arcane. Increasing the agency's transparency is a step towards accomplishing that.

Chairman Jeffery and my fellow Commissioners have selected me to Chair the Agricultural Advisory Committee (AAC). The AAC was created to advise the Commission on issues affecting end users of the agricultural commodity markets. It is a valuable communications link between the Commission and the agricultural community. The Committee's membership includes representatives of national farm organizations, major commodity groups, agribusiness concerns, and agricultural bankers. For the first time, reflecting their enhanced presence in commodity markets, the Committee also includes representatives from the managed money and

swaps and derivatives industries.

The AAC will hold its 31st meeting on Aug. 1st at the CFTC's Washington office. This meeting will cover two topics. First, we will review the Commission's weekly publishing of Commitment of Trader (COT) reports. The Commission is currently seeking public comment on the need for changes, if any, to the reports and their continued usefulness in today's markets. Second, we will explore the economic and market implications of thinly traded price discovery markets, which is sure to generate a great deal of discussion.

The Commission has maintained its commitment to pursuing and prosecuting violators of the Commodity Exchange Act. It has cooperated with federal, state and local authorities to see that those who defraud or bilk the public are taken off the streets.

Chairman Jeffery has asked me to chair a task force on public outreach and education regarding retail foreign currency exchange (forex). This task force has worked diligently over the last several months to alert and educate members of the general public about fraudulent solicitations and sales of forex to retail investors. The forex task force has two goals: 1) to raise consumer awareness regarding forex fraud through direct educational efforts; and 2) to encourage state, local and federal authorities, as well as consumer advocacy and industry organizations, to assist our efforts in fighting forex fraud.

As you are aware, the CFTC has aggressively pursued forex fraud through enforcement actions, and has successfully shut down firms, frozen assets, and assisted in criminal prosecutions that have led to jail time for violators. Since passage of the CFMA, the CFTC has filed 90 forex cases in which approximately 25,000 customers lost almost \$400 million. However, the CFTC's enforcement efforts can only do so much. The first line of defense for consumers is education and caution in the face of unknown investments.

The task force has created and distributed a brochure warning investors of potential fraud and what to do to protect themselves from it. Thousands of these brochures have been circulated around the country and close to 10,000 have been downloaded from CFTC's web site. The task force has facilitated CFTC membership in consumer alliance groups, engaged in joint activities with the National Futures Association (NFA), the North American Securities Administrators Association (NASAA), and met with staff of state attorney general offices.

This educational outreach process, when combined with proposed changes in the CEA reauthorization will give the CFTC a two-pronged approach to fight forex fraud.

Mr. Chairman, it has been an honor and privilege to serve as a Commissioner at the CFTC for the last year-and-a-half. If confirmed for a full five-year term, I look forward to working with this Committee, Congress, the Administration and my fellow Commissioners to fulfill the mandates of congress at the CFTC.

Thank you very much for your time. I appreciate your allowing me the opportunity to testify today, and I look forward to answering any questions you may have.

