

Statement of Gary Gensler  
Nominee for Chairman of the Commodity Futures Trading Commission  
Before the United States Senate  
Committee on Agriculture, Nutrition and Forestry  
February 25, 2008

---

Chairman Harkin, Ranking Member Chambliss, and members of this Committee, thank you for the opportunity to appear before you today. I am honored to be President Obama's nominee for Chairman of the Commodity Futures Trading Commission at this critical time for the commodities markets, and for our nation.

As a champion of the public's interest – for farmers, consumers, small businesses -- the CFTC plays an essential role in our financial regulatory system and affects the lives of all Americans. I firmly believe that strong, intelligent regulation with aggressive enforcement benefits our economy and the public.

The current economic crisis clearly has shown that our financial and regulatory systems have failed the American people terribly. Those of us who have spent our professional lives around markets have to approach the current crisis with humility following these broad failures. We have learned the limits of our ability to foresee how markets may evolve, the importance for absolute candor with the public about the risks we face and the need for unceasing vigilance to address them. We have learned that there is no substitute for strong independent regulation and that transparency and accountability are essential throughout the system. We must always err on the side of protecting the American people.

Those are the lessons that I draw from what has dramatically transpired over the past decade. If confirmed by the Senate, I pledge to this committee that I will not forget these lessons.

We must now repair our regulatory system by enacting much-needed reforms that promote transparency, fairness, and safety. To be effective, these regulations must be able to adapt quickly to developing technologies, new products, and to changes in our global economy.

If confirmed, I will tackle what I believe are four essential priorities for reforming the commodities markets and the financial system:

- Strengthen Enforcement

First, the CFTC must vigorously fulfill its mandates: enforcing existing laws strongly, promoting market integrity, preventing fraud and manipulation, and guarding against excessive speculation. I will work tirelessly to ensure the Commission leaves no stone unturned in ferreting out and putting a stop to activities and practices that hurt the American public. We also must work together to provide adequate funds for this agency which I believe currently lacks sufficient resources to fulfill its mission.

- Prevent Excessive Speculation

Second, I believe increased speculation in energy and agricultural products has hurt farmers and consumers. A transparent and consistent playing field for all physical commodity futures should be the foundation of our regulations. Position limits must be applied consistently to all markets and trading platforms and exemptions to them must be limited and well-defined.

- Regulate Over-the-Counter Derivatives

Third, we must urgently develop a broad regulatory regime for over-the-counter derivatives markets. Standardized derivatives should be brought into mandated centralized clearing and onto exchanges. Derivatives dealers need direct regulation, including capital, business conduct, and reporting rules. Additionally, regulations need to be developed for customized bilateral swaps while allowing commercial interests the benefit of these hedging tools. Credit default swaps, given their unique nature, also will require further regulation.

- System Wide Reform

Fourth, I believe that the CFTC must work with Congress, with other regulators, and with our global financial partners to ensure that the failures of our regulatory and financial systems, failures which have already taken a toll on every American, never happen again. Today's complex financial markets are global and irreversibly interlinked. We must ensure that our partners in regulating markets around the world apply the same rigor in enforcing standards that we demand of our markets. This is the only way we can be sure that Americans are fully protected.

I am a proud believer in financial reform, tough regulation and enforcement. I have been privileged to have had broad exposure to financial markets, here and in Asia, in public service and on Wall Street, as an investor advocate and a government official.

My experiences have taught me the importance of having a strong working relationship with Congress. In these transformational times, we have a unique opportunity – working together --to bring bold and necessary reform to our financial market regulation. We must make the most of the opportunity to ensure that we deliver on the clear expectations Americans have set for us.

I would like to close by saying how much the support of my family and my three daughters – who will sacrifice much if I am honored with this challenge – means to me. Anna, my eldest, is a freshman in college and could not be here. Her sisters, Lee and Isabel, are with me and it gives me great pride to introduce them to you.

Thank you Mr. Chairman, Ranking Member Chambliss, and members of this Committee. I look forward to answering your questions.