

**Statement of CFTC Acting Chairman Walter Lukken
Senate Committee on Agriculture, Nutrition and Forestry
Confirmation Hearing
June 4, 2008**

Mr. Chairman, Senator Chambliss and other distinguished Members, I am honored to address the Senate Agriculture Committee regarding my nomination as Chairman of the Commodity Futures Trading Commission (CFTC). Before I begin, I would like to introduce my wife, Dana, my mother-in-law Denise Bostic and my sister-in-law Diana Bostic. I am also pleased to be here with my Commission colleagues—Commissioners Jill Sommers and Mike Dunn as well as my fellow nominees, Commissioner Bart Chilton and Scott O'Malia.

Since I first appeared before you as a nominee in 2002, the futures markets have changed dramatically in both size and complexity, experiencing five-fold growth in both volume and products listed. Once member-owned and dominated by open-outcry trading, today exchanges are technology-driven corporations that primarily trade electronically 24 hours a day, all around the globe. Add to these significant changes the sub-prime crisis, record commodity prices across-the-board and the large influx of financial funds in futures, and it is clear that these are extraordinary times in the markets. Needless to say, the past year has presented challenges for regulators but also opportunities for advancements in oversight.

In the time since I became Acting Chairman nearly one year ago, the agency has amassed a solid record of accomplishment tackling some of these difficult issues. In my second month in this role, the Commission announced its intention to address the mounting regulatory concerns surrounding exempt markets that trade over-the-counter energy products. The Commission held a public hearing and worked with your Committee to develop legislation providing our agency with additional abilities to oversee exempt commercial markets. These authorities were part of the Farm Bill enacted last month, and the CFTC has begun implementing these important measures into law.

Critically important, the Farm Bill also contained the rest of the CFTC's reauthorization, which had lapsed in 2005. Beyond the energy measures, the bill authorized the agency through 2013, clarified the agency's fraud authority over retail foreign currency transactions, and doubled the agency's penalty authority for manipulation. I applaud the leadership of this Committee for moving this important piece of legislation.

Another major breakthrough this year was the CFTC's agreement with the Securities and Exchange Commission (SEC) that established a regulatory framework for coordinating our respective public missions. In March, Chairman Cox and I signed a memorandum of understanding that will help the agencies share information as well as coordinate our review of novel derivative products. Yesterday, our agencies announced the first products to be approved using this new regulatory framework with the listing of gold ETF products on both OneChicago, a CFTC-regulated exchange and CBOE, an SEC-regulated exchange. This shows that when regulators work together, markets can benefit without compromising the public interest.

During my service, the Commission has been busy on the enforcement front as well. Aggressive enforcement must accompany strong regulatory policies to effectively police the futures markets for manipulation and fraud. The CFTC's Division of Enforcement had another productive year highlighted by the record settlement with British Petroleum for manipulating the propane market, the announced action against Amaranth hedge fund for attempting to manipulate the natural gas market and the Marathon Oil case for attempted manipulation of the crude oil market. The CFTC may be a relatively small federal agency, but we maintain a zero tolerance policy toward anyone who attempts to disrupt these important markets.

Recent concerns with the functioning of the agricultural futures markets led the Commission to convene a public hearing on April 22nd at our Washington D.C. headquarters. Yesterday, the Commission announced several initiatives derived from its agricultural roundtable, including the public disclosure of an on-going cotton investigation surrounding the March price run-up, the review of whether index traders

are being properly classified for regulatory and reporting purposes, the official withdrawal of two proposals regarding increasing speculative participation in the agricultural markets, and the development of additional risk management products for producers, including agricultural trade options and cleared agricultural swaps.

This comes on the heels of last week's announcement of our national crude oil investigation and several other energy initiatives, including a new agreement with the U.K. Financial Services Authority to expand the data received from institutions trading crude oil products across borders. The CFTC also announced that it will use its authorities to receive more detailed data from energy market participants on the amount of index money coming into the markets and whether these funds are properly classified for regulatory purposes.

If this sounds busy, it is. Especially given that the agency's staffing levels are near record low numbers. Since the CFTC opened its doors 33 years ago, the volume on futures exchanges has grown 8,000 percent while the CFTC's staffing numbers have fallen 12 percent.

Mr. Chairman, this is a small agency doing an extraordinary job under difficult circumstances. I am fortunate to work everyday with a group of dedicated and skilled individuals at the CFTC. Without a doubt, these are some of the hardest working and most productive people I know.

Should this Committee and the Senate vote to confirm me as Chairman, I pledge to serve to the best of my abilities as this agency's steward and work with my Commission colleagues as we strive to ensure that these markets are meeting their price discovery and risk management roles free of manipulation and market abuse. There are challenging days ahead of us but I look forward to working with this Committee and Congress on finding the right solutions.

Thank you for this opportunity and I look forward to your questions.