

Hearing of the U.S. Senate Committee on Agriculture, Nutrition and Forestry

STATEMENT OF TIMOTHY MASSAD

MARCH 6, 2014

Chairwoman Stabenow, Ranking Member Cochran, and members of the Committee: it is a privilege to appear before you today as President Obama's nominee to be the next chairman of the Commodity Futures Trading Commission.

I would like to introduce the members of my family who are here with me today: my wife Charlotte, my children Emil and Jayne, my mother Dee and my brother Steve. I am deeply indebted to them for their love and support.

For decades, the CFTC has had the vital mission of preventing fraud and manipulation in our futures markets. These markets are critical to many farmers, ranchers and businesses. Today, the CFTC's role is even more important, because it has the responsibility to bring much-needed regulation to the markets for over-the-counter derivatives. I am honored to have the opportunity, if confirmed, to lead the CFTC in carrying out this essential mission.

I have spent the last five years helping our nation recover from the worst financial crisis since the Great Depression. Excessive risk related to derivatives, particularly at American International Group, was one of many factors that contributed to that crisis. Today, we have recovered every dollar of the taxpayer funds committed to prevent the collapse of AIG, as well as a profit. And indeed, today, we have recovered more on all the crisis investments than was disbursed. But it was awful and unfair that we had to take these actions in the first place. We

must never forget that the true cost of the financial crisis is not the fiscal cost of the programs. It is the millions of jobs lost, the homes foreclosed, the retirements postponed and the dreams deferred.

That is why it is so important to continue to implement strong financial reform. And that is a major reason why I embrace the opportunity to lead the CFTC at this time.

I would like to take a moment to tell you about my background before briefly discussing the issues facing the CFTC. I was born in Louisiana, and lived in Texas, Oklahoma and Connecticut as a child. My grandparents were immigrants from Lebanon who came to this country as teenagers, barely able to speak English and with nothing more than a suitcase. My parents grew up during the Great Depression. They worked hard to provide our family with more opportunities than they had, and I have been fortunate as a result.

I spent twenty five years in private law practice before coming to Washington to serve my country. During my career as a lawyer, I worked on all types of complex financial transactions, and I worked throughout the world, including in New York, London and Hong Kong.

I had substantial experience with derivatives as a lawyer. I helped to draft the original standardized agreements for swaps in the late 1980s. Throughout my career as a lawyer, I helped many businesses negotiate and execute transactions to hedge exposures in commodities and derivatives markets.

I saw from personal experience how important these markets are to businesses of all types, including those of farmers and ranchers. The United States of America has the best financial markets in the world—the most efficient, most innovative and best regulated. And if confirmed as the next chairman of the CFTC, I want to help make sure that the United States continues to lead the world.

If confirmed, I look forward to addressing the many important issues facing the CFTC.

First, I believe there is nothing more important than a robust enforcement program in order to protect the integrity of our financial markets. We must aggressively pursue wrongdoers—whatever their position or size—and we must deter and prevent unlawful practices. Strong enforcement is vital to maintaining the public's confidence in our markets. Therefore, I will make it a top priority to fulfill the CFTC's responsibility to enforce the laws protecting these markets vigorously.

Second, the CFTC has promulgated almost all of the new rules required by Congress. Now the Commission must make sure that the rules work, that participants comply with the requirements and that the markets operate transparently and effectively. This is true not just for the swaps markets where the new rules have received great attention, but for the futures markets as well. As we implement important reforms, we must make sure the markets continue to serve their essential functions of providing hedging and price discovery for end users. In this regard, I look forward to listening to the concerns of traditional end users such

as agricultural stakeholders, as well as participants in the markets newly subject to the CFTC's jurisdiction.

The Commission must also work closely with international regulators. The derivatives markets are global, and we must ultimately achieve strong international regulatory standards. The United States should be a strong leader in developing such standards, as it has been in regulating the securities markets since the 1930s.

Third, the CFTC faces important technological and data challenges. The markets it regulates are, like all financial markets today, heavily dependent on technology. We must focus on the issues this creates and make sure the Commission has the up-to-date capabilities to do its job. In addition, the law requires the collection of vast amounts of data concerning the derivatives market. We must make sure this data is collected wisely and efficiently so that it can be used to monitor and mitigate excessive risk and bring much-needed transparency to these markets.

There are many other areas where the Commission has important responsibilities, such as final action on a position limits rule for physical commodities, margin requirements for uncleared swaps, and ensuring adequate protection of customer funds. If I am confirmed, I pledge to work tirelessly to lead the CFTC in fulfilling its responsibilities.

In conclusion, I consider public service the highest calling, and it would be an honor and a privilege to serve as the next chairman of the CFTC. If confirmed, I look forward to working closely with the Members of this Committee and your

colleagues as you conduct your important legislative and oversight role. Thank you for considering me for this important position and for the opportunity to appear before you today. I would be happy to answer any questions.