

**Statement of**  
**J. Christopher Giancarlo**  
**Acting Chairman**  
**U.S. Commodity Futures Trading Commission**  
**Before the U.S. Senate Committee on Agriculture, Nutrition, and Forestry**  
**June 22, 2017**

---

Thank you Chairman Roberts, Ranking Member Stabenow and members of the Committee.

I am honored to testify before you today as the President's nominee to serve as the thirteenth Chairman of the U.S. Commodity Futures Trading Commission (CFTC).

I want to thank many of you for the courtesy of meeting with me leading up to this hearing and over the past few years. I have learned a lot from you about the issues facing America's farmers and users of commodity futures. I am grateful for the opportunity today to listen to your concerns and answer your questions.

With your permission, Chairman Roberts, I would like to introduce members of my family who are here with me today. I am joined by my wife and best friend of 28 years, Regina, our sons Luke and Henry, and my brother Dr. Timothy Giancarlo. My daughter Emma could not join us because of work commitments.

I am also pleased to introduce my mother, Mrs. Ella Jane Keegan, a registered nurse. Together with my recently deceased father, a physician, she founded a fifty-year-old family business caring for the elderly, where I worked growing up. My parents taught my three brothers and me to arrive early to work, to leave things better than we found them and to give thanks at night for the blessings of this wonderful country. They also taught us that there is no job worth doing that doesn't require hard work and no service worth providing that is beneath your dignity. I am grateful for these lessons and for their love and constant support.

I appeared before this Committee in 2014 upon my nomination as Commissioner to the CFTC by President Obama. At that hearing, I presented my background in commercial law and business. I also acknowledged my rather obvious character flaw of not having been raised on a farm. Nevertheless, I committed then to learning everything I could about the agricultural sector.

When I was a practicing lawyer, I always tried to spend time with new clients at their business offices to learn what they did and how they did it. I believe you cannot truly serve someone you represent unless you first dig in and understand how they make a living.

In the three years I have served at the CFTC, I have had the honor to meet with hundreds of Americans who depend on CFTC-regulated derivatives markets. I have travelled to Kansas, Michigan, Indiana, Illinois, Iowa, Minnesota, South Dakota, North Dakota, New York, Missouri, Kentucky, Ohio, Montana and more to meet with farmers, ranchers, energy producers, and small and large manufacturers, all of whom use our markets to hedge production and price risk.

I have been 900 feet underground in a Kentucky coal mine and 90 feet above ground on a North Dakota natural gas rig. I have milked dairy cows with family farmers in Melrose, Minnesota, and met with grain and livestock farmers from New York to Montana and Iowa to Louisiana. I have walked factory floors in Illinois, oil refineries in Texas, grain elevators in Indiana and power plants in Ohio.

In Kansas, I met Mary and Pat Ross at their feed lot in Lawrence, traveled to Ken McCauley's corn farm in White Cloud, and Pat O'Trimble's soybean farm in Perry. In Michigan, I toured the Ford Rouge automobile manufacturing plant, visited a grain mill and met with farmers and agricultural product suppliers at a fertilizer supply depot in Henderson.

While these visits have been delightful in their own right, they have made me a better informed regulator of American commodity futures markets. I thank members of this Committee for encouraging these visits.

As you well know, American farmers and ranchers have used listed derivatives markets to hedge their costs of production and delivery for more than 100 years. These markets allow the risks of variable production costs, such as the price of raw materials, energy, foreign currency and interest rates, to be transferred from those who cannot afford them to those who can. They are the reason why American consumers enjoy stable prices in the grocery store, whatever the conditions out on the farm.

Even Americans not actively participating in the futures markets are impacted by the prices generated by them. Commodity futures markets provide a critical source of information about future harvest prices. For example, a grain elevator uses the futures market to accurately price grain when the local farmer comes to sell it. In return, farmers know they are getting a fair value for their crop and can make well-informed decisions. The U.S. Department of Agriculture (USDA) uses that same information to

make price projections, determine volatility measures and make payouts on crop insurance.<sup>1</sup>

But derivatives markets are not just useful for agricultural producers. They impact the price and availability of heating in American homes, the energy used in factories, the interest rates borrowers pay on home mortgages and the returns workers earn on their retirement savings. More than 90 percent of *Fortune 500* companies use derivatives to manage commercial or market risk in their worldwide business operations.

In short, derivatives serve the needs of society to help moderate price, supply and other commercial risks to free up capital for economic growth, job creation and prosperity.

When I spoke to you in 2014, I explained that my best qualification to serve on the CFTC was my commercial expertise in the global over-the-counter swaps markets. I was then - and remain today - a supporter of the swaps reforms established in 2009 by the G20 leaders and embodied in Title VII of the Dodd-Frank Act. I said that my support for these reforms was not based on academic theory or political ideology. It was based on practical experience.

I have not wavered in my support for these reforms in my three years on the Commission. Yes, I have criticized some of the agency's implementation of the reforms – almost always where I believed it was impractical, overly burdensome or out of step with Congressional intent. Yet, in all cases, I advocated alternative approaches I believe better support healthy markets and are more faithful to the law.

That is why we must get our regulations right. And that is the basis for my three priorities for the CFTC:

First, if confirmed, I will faithfully serve the CFTC's mission to foster open, transparent, competitive and financially sound markets - free from fraud and manipulation - for the trading of commodity and financial futures, swaps and other derivatives.

The day after the White House announced in March its intention to nominate me as Chairman, I spoke publicly and said that, "There will be no pause, let up or reduction in our duty to enforce the law and punish wrongdoing in our derivatives markets. The American people are counting on us."

---

<sup>1</sup> USDA, Informational Memorandum: PM-17-012, *2017 Crop Year (CY) Common Crop Insurance Policy and Area Risk Protection Insurance Projected Prices and Volatility Factors; Malting Barley Endorsement Projected Price Component and Volatility Factor; and Hybrid Seed Price Endorsement - Hybrid Seed Corn Prices* (Mar. 1, 2017). Available at <https://www.rma.usda.gov/bulletins/pm/2017/17-012.pdf>.

Since then, I have appointed as our Director of Enforcement a well-regarded Assistant Attorney General from the Southern District of New York; strengthened our rules and procedures to better protect whistleblowers; reorganized our Market Surveillance Branch to report directly to the Director of Enforcement; requested additional funding for enforcement investigators and successfully concluded important enforcement cases, including imposing penalties and achieving monetary settlements for wrongdoing in markets for U.S. Dollar Interest Rate Swaps, retail foreign exchange, binary options and precious metals. These steps evidence my priority to oversee robust enforcement of our rules and root out bad actors and wrongful practices.

Second, if confirmed, I will serve the CFTC's regulatory mission in a way that best fosters broad-based economic growth and American prosperity. In order for all segments of our economy to flourish, we need thoughtful rules and regulations that encourage participation and innovation in our markets. The CFTC must promote policies that do not needlessly impinge on the ability to hedge against adverse price moves. We must provide all market participants with legal certainty and regulations whose benefits unambiguously justify their costs.

Yet, we must also look to the future. So much of our world today, especially farming, has undergone a digital transformation. And it should be no surprise that our capital, commodity and futures markets are going through the same digital transformation. The electronification of markets over the past 30 to 40 years and the advent of exponential growth in digital technologies have altered trading, markets and the entire financial landscape with far-ranging implications for capital formation and risk transfer.

The world is changing. Our parents' financial markets are gone. The 21st century digital transformation is well underway, and the digital technology genie will not go back in the bottle. In order for the CFTC to remain an effective regulator, it must keep pace with these changes or our regulations will become outdated and ineffective.

We recently launched an initiative called LabCFTC. Its purpose is twofold: The first is to provide greater regulatory certainty that encourages market-enhancing financial technology innovation to improve the quality, resiliency, and competitiveness of our markets. The second is to identify and utilize emerging technologies that will enable the CFTC to carry out its mission more effectively and efficiently in the new digital world.

Simply put, LabCFTC is intended to help bridge the gap from where we are today to where we need to be: a 21st century regulator for 21st century digital markets.

As derivatives markets continue to evolve, the CFTC must be a regulatory thought leader. This is especially so in its oversight of derivatives clearing houses.

Mandatory clearing of standardized swaps was a core component of the G-20 reform agenda. The world's largest CCPs, which collectively clear over 95 percent of the global cleared swaps market, are directly registered with CFTC as Designated Clearing Organizations (DCOs). These DCOs are located in the United States as well as in major financial centers in Europe and Asia. I am committed to ensuring that the regulatory approach to oversight over these global markets is effective and robust without fragmenting markets and trading activity.

Third, if confirmed, I will serve our regulatory mission in a way that respects the American taxpayer. That means getting back to regular order in operations, conducting more thorough econometric analysis and efficiently managing appropriated resources.

On February 24, 2017, President Trump issued an executive order furthering his regulatory reform agenda to stimulate economic revival.<sup>2</sup> To achieve it, our first step is to reduce excessive regulatory burdens. The President's executive order directs federal agencies to establish Regulatory Reform Task Forces.<sup>3</sup> Accordingly, I recently announced the launch of a new agency initiative: Project KISS.

Project KISS stands for "Keep It Simple Stupid." It is an agency-wide review of CFTC rules, regulations and practices to make them simpler, less burdensome and less costly. As part of that effort, Project KISS recently issued a call for recommendations from the public on regulatory reform. We now have a portal on our website for the public to provide suggestions that we can look to implement.

Project KISS is NOT about identifying rules for repeal or even rewrite. What it IS about is taking our existing rules as they are and applying them in ways that are simpler, and less burdensome. I believe the American taxpayer expects us to do nothing less.

If confirmed, I intend to do all I can to focus on these priorities. I pledge to the Members of this Committee to always be available to listen to your priorities as well.

Chairman Roberts and Ranking Member Stabenow, this Committee has a long tradition of bipartisanship. During my time on the Commission, I have mirrored that practice by working constructively with my fellow commissioners. I have voted with them on more than 95 percent of the matters before us. This has remained so in recent months as Commissioner Sharon Bowen and I have unanimously advanced a number of new initiatives, such as LabCFTC and Project KISS mentioned above.

---

<sup>2</sup> Exec. Order No. 13777, 82 Fed. Reg. 12285 (Feb. 24, 2017). Available at <https://www.whitehouse.gov/the-press-office/2017/02/24/presidential-executive-order-enforcing-regulatory-reform-agenda>.

<sup>3</sup> *Id.*

If confirmed, I will continue to put aside partisanship at the agency and will work with each of you, with candor and promptness, in our common purpose of serving the American people and the agricultural producers upon which we all rely.

Again, thank you for the honor to testify before you.

I look forward to answering your questions.