

Statement of Dawn D. Stump

Confirmation Hearing

U.S. Senate Committee on Agriculture, Nutrition, and Forestry

July 27, 2017

Chairman Roberts, Ranking Member Stabenow, and Members of the Committee, thank you for the opportunity to appear before you today. I would also like to thank my family for their tremendous support, especially my husband and children who are here with me.

It is an honor to be back at the Senate Committee on Agriculture, Nutrition, and Forestry as a nominee for Commissioner of the Commodity Futures Trading Commission (CFTC). During the six years I worked here as a legislative staffer it was my privilege to handle a variety of matters impacting our farmers and ranchers, including certain farm program policies, crop protection, specialty crop matters, renewable energy initiatives, rural development, and the authorities of the CFTC. I am grateful to the Members of this Committee for holding themselves and the staff to a commendable, yet oftentimes challenging, standard of cooperation for achieving bipartisan solutions. Should I be confirmed to the position, I genuinely believe the experience of collaboration and teamwork gained here at the Agriculture Committee will assist me in contributing to the effectiveness of the bipartisan Commission.

I have spent my entire life and professional career working in and around agriculture. This background is the motivating factor behind my conviction for well-functioning commodity markets. I grew up in the agricultural sector during the farm crisis of the 1980s. My hometown of Olton, Texas is almost exclusively dependent upon crop production, cattle feeding, and more recently dairy operations. I have seen first-hand the tremendous risks involved in these lines of business and know our farmers, ranchers, grain elevators, cotton gins, and livestock operations all need access to a variety of effective risk management and price discovery tools, including the futures markets where they can hedge against the price risks and uncertainty that is ever present in their businesses.

Before serving as a staffer in both the Senate and the House, I worked as a market analyst for U.S. wheat farmers seeking to market their crops around the globe. In this position, I provided U.S. marketing teams around the world with information on the market fundamentals, the futures prices, and the cash markets at various export points. Using my knowledge of our markets to promote U.S. products abroad was extremely rewarding.

An equally worthwhile, though more somber experience was my work at the Texas Department of Agriculture during a period of extreme drought – every county in the State was declared a disaster. Seeing first hand this sort of devastation and helping to coordinate a response further solidified my view that access to functional risk management tools in various forms are crucial for mitigating inherent uncertainty in businesses such as production agriculture.

It should be noted that the markets regulated by the CFTC and their risk mitigation benefits extend beyond agriculture to manufacturers, utilities, pensions, etc. Futures, options, and swaps are

important tools for managing risks associated with currency price fluctuations, energy production disruptions, retirement savings loss, and interest rate variability.

My background is in agriculture, but my experience is further informed by the various energy and financial market initiatives I worked on during my time on the staff of the Senate Agriculture Committee. In 2008, I helped negotiate a bi-partisan effort by Senators Chambliss, Harkin, Levin, Feinstein, Cantwell, Crapo, Snowe, and Conrad to ensure that the CFTC has proper oversight authority over principal-to-principal transactions executed on electronic trading facilities. These markets, known as exempt commercial markets, were previously subject to limited CFTC oversight. Our efforts ensured that when these contracts were performing a significant price discovery function they would be subject to transparency and position management requirements comparable to those of similarly designed futures contracts. At the time, this was particularly applicable in the energy markets.

Later in 2009 and 2010, the Committee was involved in responding to the financial crisis and specifically tasked with examining how to regulate standardized credit and interest rate swaps as well as the more tailored parts of the over-the-counter (OTC) swaps market. I spent countless hours hearing from end-users who utilize these tools to manage risk and discussing with colleagues from the Agriculture and Banking Committees how to appropriately oversee the products, the market participants, and the infrastructure that would support such a newly regulated market.

Since 2010, I have been presented with opportunities to further my experience beyond policy development and into the actual business of derivatives execution and clearing. Working for an exchange, a clearinghouse, and the infrastructure that supports these systems has provided valuable insights into how this framework facilitates the new global mandate to expose more swap transactions to central clearing and increased transparency.

The circumstances of the recent financial crisis taught us that the derivatives markets are dynamic, ever changing, and constantly evolving which requires regulators to be nimble enough to respond accordingly. The environment that existed as recently as 2000 involved customized swaps that in less than 10 years took on standard terms making them ripe for entering a standardized market structure. We must be cognizant of the fact that another 10 years have passed since the onset of the crisis when we recognized the need for updating the regulatory structure for these swaps. During these past 10 years the swaps market has again undergone a tremendous transformation with 80 percent of such transactions being cleared today, as compared to only about 15 percent in 2007. The pace of change in the markets regulated by the CFTC will continue. To avoid complacency, we must be vigilant about reviewing and refining regulations so they are properly calibrated for the inevitable market evolution ahead.

In closing, I would like to note that the recently expanded portfolio of derivatives products and market participants under the CFTC's regulatory oversight requires the agency to expand its expertise, without losing sight of its legacy mission of ensuring that the futures markets are performing a price discovery function void of manipulation. My background is in agriculture and my professional experience extends to energy and financial futures. I am honored to be nominated alongside individuals with complimentary credentials in the areas of asset management, swap execution, and implementation oversight of the Dodd-Frank Act. I believe our collective knowledge will yield optimal coordination for better regulatory development and oversight.