

Testimony of Mark Wetjen
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Before the U.S. House Committee on Agriculture
Subcommittee on General Farm Commodities and Risk Management
Washington, DC
July 23, 2013

Good morning Chairman Conaway, Ranking Member Scott, and members of the subcommittee. Thank you for inviting me to testify this morning and share some of my perspectives on the future of the Commodity Futures Trading Commission. It is a pleasure to be here.

I want to personally thank Chairman Conaway for his open dialogue with me since I joined the commission. I have found our discussions to be useful and hopefully mutually beneficial.

I also want to acknowledge my friend, Commissioner O'Malia, who is beside me today. I have admired his skills in analyzing and bringing attention to important issues raised by our rules or other market developments. I hope he would agree that we have developed a good working partnership at the agency.

For a host of reasons, now is a very good time for not only this subcommittee, but all stakeholders in the CFTC, to reflect on what the future might bring for this agency. Allow me to mention a few.

First, and most obviously, Congress must address the expiring authorization for the agency, which is the primary reason for the hearing today and of course will require a congressional response. I appreciate this subcommittee's efforts to work toward making that response an informed one that seeks to solve any inadequacies or other problems related to the Commodity Exchange Act or the work of the commission.

It is my hope and belief that many of the issues raised by CFTC rulemakings in the past three years that eventually became the subject of congressional legislation have been resolved or adequately addressed in our final rules or through other relief granted by the agency. With or without additional direction from Congress through CFTC re-authorization, it is important that the agency and its staff continue to find ways to address problems that are still in need of a solution.

Second, the commission's implementation of Title VII of Dodd-Frank is for the most part finished. We have almost 80 swap dealers now registered with the CFTC, clearing mandates in place for a broad swath of the swap market, and new reporting obligations for market participants. The commission also just completed its cross-border guidance, informing market participants and other regulators how the commission's rules will be applied to activities and entities overseas.

Looking ahead through the lens of what already has been done, the commission and all stakeholders will need to closely monitor and, if appropriate, address the inevitable challenges that that will come with implementing the new regulatory framework under Dodd-Frank.

Third, while most of the commission's work to implement Dodd-Frank is complete, there remain important rulemakings and administrative matters in the months ahead. Perhaps most importantly, the commission, along with the Federal Reserve, the OCC, the FDIC, and the SEC, must finalize its rulemaking on the so-called "Volcker Rule."

The agency also must undertake “substituted compliance” determinations under the recently finalized cross-border guidance. This will involve a review of swap-regulatory regimes in other nations to determine whether they are “comparable and comprehensive” or “essentially identical” to U.S. law.

The commission also must finalize its rulemaking on capital-and-margin requirements for un-cleared swaps. And there are two very important rulemakings related to the international harmonization of risk-management requirements on clearing houses, which dovetails with the substituted-compliance determinations.

Another critical rulemaking, albeit not directly related to Dodd-Frank, is the commission’s customer-protection rule that seeks to improve risk-management practices at futures commission merchants.

Finally, given that the U.S. has nearly delivered on its G20 commitments to derivatives reform, and the European Union is close behind, all of us can spend more time focusing on the developing market structure for swaps on a more global scale. The commission already has authorized new trading platforms for swaps, and Europe is about to do the same. We anticipate that with these developments many swaps will be executed on regulated and transparent marketplaces located both here and abroad, facilitating global liquidity formation and risk management. Consistent with this result, I believe the commission’s cross-border guidance reversed a developing trend toward market and risk-management fragmentation that would have been counterproductive to the goals of Dodd-Frank as well as the G20 commitments.

But we all must wait and see to a greater degree what developments will take shape outside of the U.S. and Europe. Other jurisdictions that host a substantial market for swap activity are still working on their reforms, and certainly will be informed by our work. All of us will need to monitor those developments closely, with an eye toward how they could separate those jurisdictions from the fabric we – along with our European partners – stitched together in last week’s accord.

In other words, the commission must remain vigilant in monitoring, identifying, and addressing risk, and continually prioritize so we are focused on the greatest threats. Indeed, another threat identified by the Treasury Secretary last week must be part of this global monitoring: the cyber-security threat. As marketplaces and systems continue to rely more and more on technology, the need to better understand and protect against cyber-security threats to the markets the commission regulates increases. There are multiple task forces and coalitions formed of domestic and international partners that the commission will need to work with to ensure success on this front.

Thank you again for inviting me today. I would be happy to answer any questions from the panel.