

**Testimony of Rostin Behnam**  
**Chairman, Commodity Futures Trading Commission**  
**“State of the CFTC”**  
**U.S. House of Representatives Committee on Agriculture**  
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*Introduction*

Good morning Chairman Scott, Ranking Member Thompson, and members of the Committee. I appreciate the opportunity to discuss the state of the Commodity Futures Trading Commission (the “CFTC” or “Agency”) and provide an overview of current priorities.

Before I begin, I would like to acknowledge my colleague and friend, Commissioner Dawn Stump for her tireless service and dedication to the CFTC and the markets we oversee. I also want to thank Agency staff; their dedication and expertise ensures our greatest success towards achieving our mission.

And finally, I wish to congratulate and welcome Christy Goldsmith Romero, Kristin Johnson, Summer Mersinger, and Caroline Pham whose nominations were confirmed by the Senate on Monday.

As the Agency continues transitioning away from and considering life after the pandemic, we are witnessing transformative change throughout our industry and the markets we oversee. During this time of transition, I am committed to collaboration and careful deliberation among our corps of new Commissioners, with stakeholders and our regulatory peers as we address new and emerging risks and opportunities. Under my leadership, the CFTC will exercise utmost care, patience, and diligence as we move forward on critical decision points.

However, this ongoing transformation will not distract the CFTC from staying true to its historic responsibilities, and ensuring America’s farmers, ranchers, manufacturers, and other commercial end-users continue to have cost-effective access to CFTC regulated markets to manage risk. To that end, I wish to acknowledge the key role that the National Futures Association, our designated registered futures association, and other industry self-regulatory organizations play in safeguarding the integrity of the derivatives markets by, among other things, ensuring that their members understand and meet their regulatory responsibilities.

The derivatives industry’s population is shifting, having increasingly emerged from the technology sector rather than traditional finance. We are also seeing an influx of retail participants empowered by information and technology. As a core purpose of the Commodity Exchange Act is the promotion of “responsible innovation and fair competition among boards of trade, other markets and market participants,”<sup>1</sup> the Agency will continue to provide a steady hand as we make decisions that will impact our markets and the larger economy in the years and decades to come.

Right now, a confluence of unique externalities is having consequential effects on markets and informing our most immediate decision-making. In all that we do, the CFTC will, as it always has, prioritize identifying, assessing, and evaluating risk. We will continue to establish appropriate tolerances and guardrails within our regulatory space to minimize disruption, maintain a level

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<sup>1</sup> 7 U.S.C. § 5(b).

playing field, and adhere to the letter and spirit of our mission and purpose under the Commodity Exchange Act.

### *Recent Events*

Before I move on to our key Agency priorities, I would like to take a moment to provide a high-level overview of the CFTC's response to and observations regarding the ongoing conflict in Ukraine. The CFTC is on heightened alert with respect to market functionality and resilience, and fortifying the agency against cyberattacks.

Prior to the invasion, and in anticipation of the possible implementation of sanctions, I worked with the Treasury Department to ensure that General Licenses would be available, where appropriate, and ready to be used to manage and address exposures to affected market participants. CFTC staff are in routine contact with exchanges as sanctions and related volatility may alter affected index, currency, and physical commodity settlements.

As the invasion became a reality, the ongoing tragedy in Ukraine has sparked extreme volatility, with key markets exhibiting 20% higher volatility as compared to that observed prior to the invasion. By and large, the U.S. futures markets have remained orderly through periods of high prices and extreme volatility, consistently demonstrating strong correlation between futures and cash prices, and good convergence towards contract expiration. To date, CFTC staff have observed a relative balance in buying and selling, indicating that trading has not been panic driven, and despite episodic spikes in trading volume by as much as two times normal levels, markets have been able to clear the volumes without significant market disruption.

CFTC surveillance staff are closely examining trading activity for manipulative, inappropriate or disruptive conduct. Commission staff in the divisions of Market Oversight (DMO), Clearing and Risk (DCR), and Market Participants (MPD) are actively monitoring compliance by exchanges, self-regulatory organizations, and intermediaries for trade processing, execution, and clearing.

CFTC staff are using every tool the agency has to ensure that commodity markets continue to fairly and transparently serve the intended price discovery and risk management function, and this includes monitoring for excessive speculation.

### *Current Agency Priorities*

With the benefit of hindsight and real-time market experience, a top priority of my Chairmanship will be the active review of the agency's Dodd-Frank rulemakings, ensuring they remain fit for purpose and as Congress intended.

The market turmoil related to the global pandemic tested the resilience of the derivatives markets and post-financial crisis reforms. In fact, volatility in the global financial markets during March and April 2020, and the current volatility linked to geopolitical issues, continue to raise challenges related to liquidity and margin requirements. This fuels active debate on the need for additional tools and resources to manage risks, including collateral management. Through all of these events, U.S. central counterparties (CCPs) remain among the strongest in the world.

Nonetheless, given the role of central clearing as a critical tool in mitigating systemic risk in global financial markets, the Commission expects to grow its stress testing program to help ensure resilience in absorbing both market and systemic shocks.

The interconnectedness of global financial markets requires persistent engagement towards maintaining resiliency and protecting the financial system and U.S. economy from future crises

and addressing any duplicative cross-border regulation. To that end, the Commission will continue working with our international counterparts, and participating in international standard setting bodies and bilateral and multi-lateral discussions. We will advance thoughtful policy, encourage a collaborative approach towards a cohesive cross-border regulatory framework that supports strong and transparent regulation, and preserves the primacy of home-country jurisdiction, while discouraging the appeal of racing to the regulatory bottom in individual jurisdictions.

As we have demonstrated these last several years with the LIBOR transition, safeguarding the stability of the U.S. and global financial system requires ongoing international coordination and collaboration. And while we can build consensus and identify and effectuate solutions, as with LIBOR, we must resist the pull of complacency and continue to remain responsive and vigilant to new risks as they emerge.

The effectiveness of the CFTC's Division of Enforcement (DOE) in holding individuals and institutions accountable promotes confidence in U.S. derivatives markets. DOE will prioritize the use of cutting edge investigative and analytical techniques, and assert the CFTC's fraud and manipulation jurisdiction where doing so preserves market integrity and protects the public.

A part of the enforcement program's success is rooted in its Whistleblower Program. I am grateful to this Committee's longstanding support of the Whistleblower Program, and continue to stand ready to ensure its long-term success.

The CFTC's enforcement program is only as good as the tools we have to identify bad actors. To further support DOE's efforts, I have directed our Division of Data to transform the agency's analytics toolkit to leverage the cloud architecture with advancements in AI, machine learning, and data analytics. This will provide our robust surveillance and monitoring capabilities with automated systems, helping to ensure our markets have the utmost integrity and transparency.

Recent market events highlight the increasing concerns for potential cyberattacks against American critical infrastructure, including U.S. financial markets. To that end, I have directed staff in the MPD to develop policy to address system safeguards for futures commission merchants (FCMs), swap dealers, and major swap participants, further fortifying CFTC markets from an attack. These policies, if enacted, would complement the suite of system safeguards currently in place for CFTC registered central counterparties (derivatives clearing organizations or "DCOs"), designated contract markets (DCMs), swap execution facilities (SEFs), and swap data repositories (SDRs).

The CFTC, along with the derivatives and larger financial industry, is accelerating our migration to cloud technologies to store, analyze, and ingest this data more cost-effectively and efficiently. We are also mindful of the potential risks as we look forward to exploring the benefits. We will continue to be vigilant in our own progress and ensure that our registrants instill and employ a high level of oversight and due diligence with respect to related resilience planning and operational risk management.

### *New & Emerging Risks*

President Biden's recent Executive Order on Ensuring Responsible Development of Digital Assets acknowledges that the growth and widespread adoption of digital assets presents novel issues for all regulators. Against this backdrop, the CFTC has actively used our existing statutory authority to deter fraud and manipulation in these emerging markets. The CFTC will continue its proactive approach in using our existing enforcement authority in the digital asset commodity space to

protect customers and markets from fraud and manipulation. I look forward to coordinating with fellow agencies as outlined in the Executive Order. Concurrently, I look forward to working with members of this Committee on these important issues.

Turning to another area of increasing coordination, just over a year ago, I announced the creation of the Climate Risk Unit (CRU) to focus on the role of derivatives in understanding, pricing, and mitigating climate-related risk, and supporting the orderly transition to a low-carbon economy through market-based initiatives. The CRU is primarily responsible for accelerating early CFTC engagement in support of market-driven processes in the climate space, and building resiliency from the effects of climate change.

Finally, I spent the last several years at the CFTC raising concerns regarding the lack of diversity, equity, inclusion and accessibility (DEIA). Earlier this year, as one of my first official actions as Chairman, I announced the hiring of the agency's first Chief Diversity Officer (CDO), to provide leadership and executive direction on the Commission's efforts to integrate DEIA into every aspect of our talent and business operations.

### *Conclusion*

Despite uncertain times and great market volatility, I am optimistic and confident that the CFTC will be able to meet the demands of the public and markets we serve, as we build our resources and staffing in critical areas to address new and emerging risks, cautiously shepherd innovation, and remain true to our core purpose in providing a means of managing and assuming price risks, discovering prices, and disseminating pricing information through trading in liquid, fair and transparent markets.

In closing, I wish to thank the Committee for its continued support of the CFTC. This year, as the Agency stands on the precipice of transformative change alongside our markets, we will inevitably face new challenges requiring new and perhaps novel solutions. We will always be judicious with resources, grateful for the privilege we have to serve, and request additional funds when needed to meet the growing demands of the Agency.

Thank you and I look forward to answering your questions.