



Foster Responsible Markets

As an organization representing the interests of futures and option exchanges and their participants, the Commodity Markets Council's objective is to ensure fair and efficient markets that work effectively for everyone – end users, market participants, exchanges, the general public, and regulators. The current market crisis shows there are gaps in the regulatory framework of U.S. financial markets.

Enhanced Market Transparency

Exchange-traded markets are transparent and regulated. The reform measures, such as requiring additional transparency through reporting and clearing, should target less transparent markets. Additional transparency will provide useful information and allow regulators to effectively police commodities markets.

Expand Detailed Reporting & Disaggregation of Market Data:

Detailed reporting is necessary for greater market transparency and accountability. CMC was the industry's leading advocate to disaggregate the data relative to index funds in the agricultural markets on the CFTC's *Commitment of Traders Report*. We support the extension of disaggregating data of futures positions into all physical futures markets.

- **Create Greater Transparency & Recordkeeping of OTC Transactions:** CMC believes increased reporting of certain OTC transactions could improve the CFTC's ability to see the full market and we will gladly work with the CFTC to identify these transactions.
- **Bolstering International Cooperation Through Increased Transparency:** CMC supports efforts to promote coordination and information sharing among international regulators. We believe this is an important step toward greater international regulatory cooperation in an industry that is global in nature.

Increasing CFTC Resources

CMC believes Congress should ensure that the CFTC has adequate resources and is fully staffed. Increasing the Commission's resources would represent a significant step in strengthening the CFTC oversight of regulated exchanges and linked markets.

- **An Ounce Of Prevention Is Worth A Pound Of Cure:** Through enhanced data collection, Commission staff will have a clearer picture of the market and its participants. Coupled with the Commission's existing authority this expanded view of the market will better position the agency to detect and deter market abuses.
- **Expanded Monitoring and Surveillance:** Increasing the CFTC's surveillance capabilities advances public interest by preventing situations from causing harm to the markets, their users, and the public.

Preserving Deep and Liquid Commodity Markets and Reliable Price Discovery

The businesses of all CMC members depend on efficient and properly functioning markets. Effective market oversight and greater transparency will ensure market confidence and participation, important components to deep and liquid markets. US markets must continue to serve as global benchmarks for world commodities markets.



- **Liquidity Facilitates Price Discovery:** One of the fundamental purposes of a futures market is price discovery and liquidity is essential to efficient price discovery. Futures markets grew immensely in the last decade because of the relevance of their products to the commercial hedging, financial hedging, and general international and domestic trading communities – including institutional investors. This increase in volume boosts liquidity, aids in price discovery, and enhances market efficiency.
- **Market Speculators Provide Needed Liquidity:** Speculators serve an important purpose in commodity markets. Their willingness to participate provides the liquidity necessary for efficient market operation.
- **Institutional Investors Are Legitimate Financial Hedgers:** The investment activity of institutional investors and index funds as legitimate “financial hedging.” Fund investment contributed to the overall success experienced by the commodity industry over the last decade, and CMC believes the CFTC and lawmakers should cautiously consider measures that discourage such participation in the markets.
- **Setting Speculative Position Limits:** We believe the exchanges in conjunction with the CFTC should have frontline authority to evaluate and set position and accountability limits.
- **Defining Bona Fide Hedge:** CMC supports a review and evaluation of the definition of bona fide hedging by the CFTC.

Create A Systemic View Of The Market

It is important to create a systemic view of the market to protect the entire financial system against broad risks. Such oversight should include the ability to create a comprehensive view of institutional risk portfolios in securities, commodities, futures, credit instruments, OTC traded and other exchange traded instruments. We also believe the CFTC, SEC, and banking regulators should continue to have front-line responsibility to take necessary and appropriate action.