

Chairman Roberts Focuses on Market Liquidity, End-User Regulatory Issues in CFTC Reauthorization Hearing

Thursday, May 14, 2015

WASHINGTON, D.C. – U.S. Senator Pat Roberts, R-Kan., Chairman of the Senate Committee on Agriculture, Nutrition and Forestry, today held a hearing on Commodity Futures Trading Commission (CFTC) regulatory issues impacting end-users and market liquidity.

“July marks the five year anniversary of passage of the Dodd-Frank Act. Not too long after, this Committee began reviewing its impacts on farmers, ranchers, and end-users. We have had several hearings with numerous on-the-ground witnesses and have discovered that Dodd-Frank and its implementation placed many burdens on our end-users, farmers, and ranchers. And yet, the Congress has not sufficiently acted to address these hardships,” Chairman Roberts said.

“CFTC reauthorization is a priority. I intend to work with Senator Stabenow and the members of the Committee to come up with a bill that addresses end-user related concerns and fulfills our responsibility of reauthorizing the Commission.

“We must find solutions so that our U.S. markets remain transparent, remain competitive, and remain resilient.”

For witness info, testimonies, and to watch the hearing, [click here](#).

The following is Chairman Roberts’ opening statement as prepared for delivery:

Good Morning. I call this meeting of the Senate Committee on Agriculture, Nutrition and Forestry to order.

Welcome to our first hearing related to the Commodity Futures Trading Commission (CFTC).

July marks the five year anniversary of passage of the Dodd-Frank Act. Not too long after, this Committee began reviewing its impacts on farmers, ranchers, and end-users. We have had several hearings with numerous on-the-ground witnesses and have discovered that Dodd-Frank and its implementation placed many burdens on our end-users, farmers, and ranchers. And yet, the Congress has not sufficiently acted to address these hardships.

As a refresher for us all, the term “end-user” refers to those participants who use derivatives to hedge the commercial risks associated with their normal operations, such as a grain company buying a farmer’s wheat, or an electric co-operative providing power to rural homes.

End-users offset their normal operational risk by engaging in derivatives transactions. They did not cause the 2008 financial crisis, nor were they ever blamed for contributing to it. Because of this, Congress did not intend for them to be subject to Title VII of Dodd-Frank. However, these end-users have been captured by many rules and regulations stemming from the regulatory implementation of Dodd-Frank.

Today we will continue our focus on regulatory issues impacting end-users and market liquidity. We will discuss the concerns of and increased regulatory burdens on the end-user community over the last five years.

This hearing will help build the record for what Congress should address in legislation and what we are overdue in accomplishing, which is reauthorizing the CFTC.

CFTC reauthorization is a priority. I intend to work with Senator Stabenow and the members of the Committee to come up with a bill that addresses end-user related concerns and fulfills our responsibility of reauthorizing the Commission.

We need end-users and those who provide the platform for them to manage their risk to help us craft an appropriate pathway forward that protects the market from manipulation while not stifling commerce.

I intend to keep working on legislation that eases the burdens on those who provide the crucial services our farmers and ranchers need to effectively operate in our economy.

In that spirit, I, along with Senators Perdue and Cochran have introduced a bill that eases the regulatory requirements of certain transactions executed by centralized treasury units that manage the risks of end-users and its affiliates. This bill is based on bipartisan legislation offered in previous sessions, and we hope will be part of a bipartisan reauthorization package.

This Committee’s reauthorization process is the appropriate vehicle to address the regulatory concerns of our end-users, farmers and ranchers.

Another pertinent topic under review today is the fear of losing U.S. market liquidity.

Many participants are concerned with the current and future state of market liquidity and what that means for U.S. competitiveness compared to foreign markets.

For example: increased costs of clearing, lack of on-exchange swaps participation, Futures Commission Merchant consolidation or concentration, lack of mutual regulatory

recognition by foreign governments, and more liquidity moving to foreign jurisdictions, are all causes of concern.

We must find solutions so that our U.S. markets remain transparent, remain competitive, and remain resilient.

I appreciate our witnesses being here today. CFTC Chairman Massad will testify on our first panel. Since becoming Chairman, he has been busy addressing many end-user related concerns. I encourage him to continue his positive efforts and to keep up the good work to make sure that our U.S. markets remain the most competitive in the world.

I look forward to hearing from all of our witnesses on our second panel. The Committee appreciates you giving us your perspective on current regulatory issues and market liquidity.

I now turn to my colleague, Ranking Member Stabenow, for any opening remarks she may have.