U.S. COMMODITY FUTURES TRADING COMMISSION
ENSURING THE INTEGRITY OF THE FUTURES & OPTIONS MARKETS

SPEECHES & TESTIMONY

Opening Statement of Chairman Gary Gensler: Open Meeting to Consider Position Limits

November 5, 2013

Good morning. This meeting will come to order. This is a public meeting of the Commodity Futures Trading Commission (CFTC) to consider proposed rules under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

I'd like to welcome members of the public, market participants and members of the media, as well as those listening to the meeting on the phone or watching the webcast.

I would like to thank Commissioners Chilton, O'Malia and Wetjen for their significant contributions to the rule-writing process. I also want to thank the CFTC's hardworking staff.

Today we will consider two proposed rules on position limits. I support seeking public comment on each of these proposed rules.

The CFTC does not set or regulate prices. The Commission is charged with promoting the integrity of the futures and swaps markets. The Commission is charged with protecting the public from fraud, manipulation and other abuses.

Since the Commodity Exchange Act passed in 1936, position limits have been a tool to curb or prevent excessive speculation that may burden interstate commerce.

For a fuller understanding of this long history, I would like to include in the record and in the proposed rule's preamble the excellent testimony of our former General Counsel Dan Berkovitz from July of 2009 titled: "Position Limits and the Hedge Exemption, Brief Legislative History."

In the Dodd-Frank Act, Congress directed the Commission to impose limits on speculative positions in physical commodity futures and options contracts and economically equivalent swaps.

The CFTC finalized a rule in October 2011 that addressed Congress' direction to prevent any single trader from obtaining too large a share of the market to ensure that derivatives markets remain fair and competitive. Last fall, a federal court vacated the rule.

It is critically important, however, that these position limits be established as Congress required.

The agency has historically interpreted our obligations to promote market integrity to include ensuring that markets do not become too concentrated. When the CFTC set position limits in the past, it sought to ensure that the markets were made up of a broad group of participants with no one speculator having an outsized position. This promotes the integrity of the price discovery function in the market by limiting the size of any one speculator's footprint in the market.

Position limits further protect the markets and clearinghouses, as such limits diminish the possible burdens when any individual participant may need to sell or liquidate a position in times of individual stress.

Thus, position limits help to protect the markets both in times of clear skies and when there is a storm on the horizon.

With a strong proposal ready for the Commission's consideration today, we determined that the best path forward to expedite position limits implementation was to pursue the new rule and dismiss the appeal of the court's ruling, subject to the Commission's approval of this proposal.

Today's proposed rule is consistent with congressional intent. The rule would establish position limits in 28 referenced commodities in agricultural, energy and metals markets as part of a phased approach.

It would establish one position limits regime for the spot month and another for single-month and all-months-combined limits.

Today's proposed position limits rule builds on over four years of significant public input. In fact, this is the ninth public meeting during my tenure as Chairman to consider position limits.

We held three public meetings on this issue in the summer of 2009 and got a great deal of input from market participants and the broader public.

We also benefited from the more than 8,200 comments we received in response to the January 2010 proposed rulemaking to reestablish position limits in the energy markets.

We further benefited from input received from the public after a March 2010 meeting on the metals markets. In response to the January 2011 proposal, we received more than 15,100 comments.

Before we hear from the staff on the rulemakings that we will consider today, I will recognize my fellow Commissioners for their opening statements.

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