



HOUSE COMMITTEE ON AGRICULTURE

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COMMITTEE CHAIRMAN

Opening Statement: Chairman K. Michael Conaway Dodd-Frank Turns Five: Assessing the Progress of Global Derivatives Reforms

JUL 29, 2015

Remarks as prepared for delivery:

Thank you all for joining us today and welcome to today's full committee hearing *Dodd-Frank Turns Five: Assessing the Progress of Global Derivatives Reforms*.

The 2008 financial crisis prompted global leaders to reevaluate the regulatory regime for derivatives. In Pittsburg and again in Cannes, global leaders set out five categories of reforms – clearing, margining, electronic execution, data reporting, and capital standards - they all agreed would make derivatives markets safer.

Perhaps most importantly though, the G-20 Leaders recognized the global nature of swaps markets and sought to ensure that national regulators coordinated these reform efforts. In 2008, at the close of the first G-20 Summit in Washington, the assembled Heads of State declared:

...our financial markets are global in scope, therefore, intensified international cooperation among regulators and strengthening of international standards, where necessary, and their consistent implementation is necessary to protect against adverse cross-border, regional and global developments affecting international financial stability. Regulators must ensure that their actions support market discipline, avoid potentially adverse impacts on other countries, including regulatory arbitrage, and support competition, dynamism and innovation in the marketplace.

G-20 leaders continued to push for cooperation and coordination between regulators at every subsequent G-20 meeting, including in the joint announcement following the 2013 St. Petersburg Summit, where the G-20 Leaders spoke about the importance of deferring to national regulators:

“We agree that jurisdictions and regulators should be able to defer to each other when it is justified by the quality of their respective regulatory and enforcement regimes, based on similar outcomes, in a non-discriminatory way, paying due respect to home country regulation regimes.”

As we mark the fifth anniversary of the Dodd-Frank Act, it is important that we take stock of where we were and where we were trying to get to by enacting this legislation. The G-20 laid out a roadmap that demanded international action to respond to an international crisis, but left it to national regulators to implement that vision.

Over the past several years, the Agriculture Committee has heard from market participants, CFTC Commissioners, and even foreign regulators about the struggles national regulators are having living up to the proclamations of the G-20. Today, the Committee is concerned that the lack of coordination and harmonization is jeopardizing the implementation of these promised and widely supported reforms to global swaps markets.

If we get these reforms wrong, we will permanently disrupt global financial markets, trapping liquidity behind regulatory barriers and preventing end-users from seeking out their best risk management counterparts. Splintering global financial markets through regulatory pride-of-authorship is not reform, it is bureaucratic hubris. If that is the ultimate outcome of the Dodd-Frank Act, regulators will have squandered the responsibility with which they have been entrusted.

Today, we'll begin to examine what progress global regulators have made with derivatives reforms, what work remains to be done, and where the pitfalls are for market participants. I look forward to the testimony of our witnesses.

In the background of this debate looms the continued inaction of Congress on the expired authorization the CFTC. I consider it a failure of our institution to allow federal agencies to operate outside of the traditional budget process of authorization, appropriation, and oversight. That is why I set an ambitious agenda this spring to reauthorize all of our expired or expiring programs and agencies. Together, we got our work done and we've moved four bills through this Committee and the House Floor reauthorizing everything within our jurisdiction that we need to this year.

For the CFTC, this Committee has done its work twice over the past two years and moved two bipartisan reauthorization packages through the House of Representatives, with no corresponding action in the Senate. Despite the lack of authorization, appropriations to the agency have increased from \$194 million at the end of FY2013 to \$250 million this year, an increase of 29% in two years.

To that end, I want to publicly state I am opposed to any increase in funding for the Commission until it is reauthorized. Both the House and Senate Appropriations Committees have proposed level funding for the agency, and I do not believe it is appropriate to have any conversation that moves that line while so many end-user and good-government issues remain outstanding and unresolved. This is not a position I take lightly, which I hope highlights the importance in which I hold the reauthorization of every agency or program under the jurisdiction of this committee.