

PUBLIC STATEMENTS & REMARKS

Statement of Chairman Heath P. Tarbert Before the Energy and Environmental Markets Advisory Committee Meeting

March 24, 2020

I first want to recognize the hard work of our staff and market participants in the face of immense economic and personal difficulties around the country. Each of us recognizes that we have responsibilities based on our positions, including the responsibility to help the American economy continue to operate. The firms that use U.S. derivatives markets are drivers of the American and global economy. Only with functioning derivatives markets can our country overcome the challenges we are facing and jump start an economic recovery.

Despite the unprecedented turbulence wracking global markets, the American derivatives markets are so far showing resilience. Margin calls are being met by all our major clearing members. Sellers can find buyers, and buyers can find sellers. This continued functioning of the derivatives markets is thanks to all the dedicated women and men throughout this industry.

The American energy sector has been hit particularly hard in the past month by both the coronavirus and the crude oil standoff between Saudi Arabia and Russia. This double dose of volatility reinforces the importance of derivatives markets in allowing participants on every side of the market to mitigate and manage their price risks. Without functioning derivatives markets, the impact on energy producers would be far greater.

The CFTC has engaged all its resources to monitor and address developments in the markets. Through data received from exchanges, clearinghouses, clearing members, and swaps participants, we are able to identify issues as they develop. Using this information, we are able to coordinate responses better with our fellow regulators, our market operators, and our market participants.

The CFTC is also providing targeted regulatory relief, where appropriate, to address the unanticipated challenges facing industry. Last week, the agency issued a series of no-action letters to facilitate working remotely in light of social distancing. With respect to the energy industry, the CFTC also issued no-action relief to a bank active in lending to domestic oil and gas exploration and production companies. This targeted relief will help the bank continue its vital lending activities to this sector—and offsetting that risk in the derivatives markets—without triggering registration as a major swap participant, a registration class largely intended to capture large speculative swaps traders such as hedge funds.

At the same time, while we are laser focused on the turbulence in our market, the agency must continue pursuing its broader mandate. The current turbulence in the markets will eventually subside and we will take stock of the system's resiliency. In the meantime, we must push forward with all the vital issues we were called to address even during normal times. To that end, I am looking forward to comment letters on our position limits proposal by the close of the comment period on April 29, 2020. While we cannot entertain in-person meetings with Commissioners or staff on this or other open proposals, I highly recommend that members of the public arrange telephonic meetings with our dutiful staff.

Like workplaces around the country, the CFTC has had to adjust the way it operates. However, we remain open for business and will carry on with our important oversight duties. We do not take our positions for granted and will continue to provide the high level of professionalism the American people rightly expect of us.