Public Statements & Remarks

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Introduction

Good morning and thank you, Walt, for the kind introduction.[1] As I prepared these remarks, I reflected on my journey to this stage. I also reflected on the many changes this industry has navigated in the recent past. As the internet often takes you to unexpected places, I landed on a January, 2013 issue of Futures Industry (magazine).[2]

An advertisement for this conference, “BIG Things Happen at BOCA” featured a timeline of industry milestones. It began in 1976, with the first FIA International Futures Industry Conference in Innisbrook, and ended with the 2012 installation of Walt Lukken as President and CEO.[3] In between were a little over a dozen events covering the gamut from CBOT’s 1989 unveiling of “Aurora”, an electronic trading system designed to simulate pit trading on a trading screen, noting that “traders will use a pointing device known as a ‘mouse,’” to Federal Reserve Chairman Alan Greenspan’s initial 1999 address to this audience via satellite transmission—which would be reprised in 2007—and the 2011 announcement of FIA’s expanded mission to include cleared swaps.

Events highlighting the technology-driven evolution of our markets from localized futures pit trading to cash settled contracts and the expansion of electronic trading 24/7 around the world—with or without that new-fangled mouse contraption—are never in short supply. While the presence and perhaps prescience of financial market luminaries on the eve of 2000’s dot.com bubble burst, and 2008’s subprime and financial crisis emphasize the interconnectedness and influence of monetary policy on our markets. And of course, the expansion of our U.S. regulated markets to cover swaps reinforces that our market’s trajectory is fueled by momentous bursts of ingenuity distributed across a backdrop of regulatory reassurance.

It got me thinking as to whether today, with nearly all of us returning to events like Boca for the first time since the onset of the pandemic, is perhaps another milestone moment in the history of FIA. It is definitely a milestone for me.

It feels right to be here with you as we transition back to normal—even if we don’t yet quite know what our new normal is.

It’s okay though. Looking at that timeline, we’ve been here before—on the precipice of transformative change…

True, its unlike anything we've witnessed before in our markets. But then again, isn't that always the case? Until that point where we have connected the dots, identified the patterns, analyzed the data, applied the final layer of due diligence, and the ink has dried? It's only when we can define and address the latest breakthroughs or crises—and more critically, the risks—that we find ourselves most open to exploring and embracing new possibilities.

We have to find a way to either control the burst, or get comfortable with its fallout. In between the two, there can be a lot of ground to cover in evaluating what we can adapt, retain, refine, or even eliminate altogether in addressing risk. Though the course may feel uncharted, fortunately its markers are not entirely unfamiliar.

Getting back to that old Futures Industry magazine, Walt shared his "wish list" for 2013.[4] And, for the most part, he could have reissued it for 2022: there were new faces in the President's administration—check; the Commodity Exchange Act needed reauthorization—check; and our "new normal" was decidedly busy and demanding in light of the pace of change and degree of uncertainty in the industry—check and check. Walt also mentioned the need to lose the "Dodd-Frank Fifteen," which easily translates to the "Pandemic Twenty," so, check.

But, as the CFTC was nearing the end of finalizing many Dodd-Frank rules, Walt hoped we would be moving beyond the uncertainties of regulatory reform to focus energies on innovation, competition, and growth. Wishing for international coordination to prevent market fragmentation, Walt prioritized achieving cross-border harmonization. And he was optimistic that we could avoid political cliffs, and eschew analysis paralysis for pragmatic problem solving aimed at economic growth.

And here we are.

The Prescience of the Past

The issues that are top of mind and the focus of our energies in early 2022 are very much the same that we have dealt with before, but perhaps our demographics have changed. The industry's population is shifting, having increasingly emerged from the technology sector rather than being firmly rooted in the financial markets. We also have a massive influx of retail participants empowered by technology and an endless stream of information to pursue opportunities the moment any barrier to entry recedes. And then there are the exchanges, intermediaries, and innovators who are eager to meet demand for products and services through increasingly nontraditional models that both give us pause, and inspire us to engage and explore new possibilities for fitness within the regulatory fold.

As someone who entered the markets at a pivotal era in 2000, I feel like a CFTC Chairman sitting between the old guard and the new. I believe I have both the experience to be a steady hand, and the perspective and foresight to think long-term for the future of the industry through this next transformative era.

Drilling down a bit, three pivotal events early on in my career influenced my personal and professional trajectory. These events landed me here today with an approach towards policy, engagement, and risk that will always seek to address the impacts of monetary policy, technology, geopolitics, and interconnectedness. I believe the upshot from experiencing these milestone moments is a derivatives market regulator that is both resilient and responsive to change, with leadership committed to transparency, information-driven decision-making, and confidence that our policies and practices reflect thorough consideration of the globalization and interconnectedness of the derivatives markets and the larger economy.

A Monetary Policy Moment and Momentum

Today, we are facing the confluence of so many unique externalities that have whipsawing effects on markets. The Covid-19 pandemic and the subsequent monetary and fiscal policy shifts, geopolitical uncertainty, and technology disruption remind me of three events that occurred in a relatively short span of time in the earliest days of my career. These episodes undoubtedly shaped my thinking and carved a path that led me here today.

My first days at a trading desk coincided with the end of the debate over decimalization in U.S. equity markets. In June 2000, SEC Chairman Arthur Levitt testified before Congress on decimal pricing in the U.S. securities and options markets, which were the only major markets to not price stocks in decimals.[5]

To stay competitive globally, Levitt argued we needed to abandon a centuries-old convention that originated to facilitate the use of Spanish doubloons (a type of a coin) in trade[6] in an era long before calculators--no less computers--and adopt the internationally acceptable convention. The conversion, which ultimately took place on April 9, 2001, was the culmination of several years of coordinated effort aimed at ensuring a safe and orderly conversion.[7] As a relative newcomer to the trading floor, I hadn't yet had enough experience to properly gauge what change was afoot.

The anxiety was palpable. The feeling of the unknown coursed across the trading floor as if we were all about to fall off the precipice. But, as made clear by the SEC and relevant exchanges, the transition occurred. Markets not only adapted, but charged forward, paving the way for the rise of algorithmic trading.

On January 31, 2001, after a surprise half-point interest rate cut to the federal funds target rate on January 3rd, the Federal Open Market Committee further cut the rate by 50 basis points to *5.5 %*. At the same time, the Board of Governors approved an identical reduction to the discount rate, dropping it to *5*%. The aggressive move aimed to ward off recession, signaled that the Fed was hedging and could continue to cut rates further now that the door was open.[8] I observed markets absorb these tectonic monetary policy decisions in real-time, far quicker than anyone or anything in the world. Traders like myself, with screens flashing, were stuck—some happier than others—with the whipsaw of macroeconomic policy shaping the future of markets and our economy.

For everyone, including myself, and for so many reasons, the events of 9/11 were pivotal. For me, the reopening of trading on Monday, September 17th, demonstrates the epitome of American resilience and strength. Taking a moment of silence before markets opened, the rush to liquidate, cover, or take new positions in assets that had been frozen in time, for what felt like an eternity, but was only a few days. One of the most tragic events in American history halted markets, forcing all of us to reassess, reevaluate, and reprice. So here we are, 21 years later, witnessing the atrocities of a war that is so far away, yet also so close to all of us here in the United States for so many reasons. Again, forcing us to reassess, reevaluate, and reprice.

Monetary Policy, Technology, and Geopolitics

All of this cemented for me in those early years that monetary policy, technology, and geopolitics were among the key drivers, and if I was going to stay in financial markets, I would need to get off the trading floor. My journey is in my bio, but for your benefit here: I went to law school; worked within the CFTC's Division of Enforcement in New York City while studying; joined the New Jersey Bureau of Securities within the state's Office of the Attorney General; practiced law; and ultimately, worked as a Counsel in the U.S. Senate. It was that last job, which began in 2011, where my focus was the Dodd-Frank regulatory reform that Walt was so eager to move beyond in 2013, that cemented my future, firmly embedded at the intersection of policy and markets, and what got me here today.

Present Priorities

With that as background, let's get to the main event, what you've all been waiting for (I think): the CFTC's priorities and making it through this transformative time.

In my first remarks as CFTC Chairman, I stated that we can never assume our work is done.[9] Our priorities will always rest with our core markets. What defines them and what can threaten their ongoing strength, resilience, and integrity requires the CFTC's vigilance, and sometimes the public's patience, as we tread towards achieving regulatory certainty and the fail-safing of our markets.

In our fast-moving world, there are increasing pressures to be decisive, to not be the last mover. This latest burst, however, brings new entrants who exude confidence in the systems they've built, and in their ability to empower customers and consumers.

As CFTC Chairman, my role is to lead the agency in identifying, assessing, and evaluating the risks, and to ensure that we can establish appropriate tolerances and guardrails within our regulatory space to minimize disruption, maintain a level playing field, and avoid inadvertently undermining our own mission and purpose. A lengthy transition is not a reflection of doubt or distrust, but rather a recognition that the interconnections and relationships in our markets mean that shifting one piece can alter the landscape like a kaleidoscope.

Accordingly, as we walk through the current list of CFTC priorities, it may be helpful to keep in mind that big transition to decimalization: a thoughtful and steady approach does not foreclose the possibility for innovation and growth.

Recent Events

The ongoing tragedy in Ukraine has resulted in extreme volatility and, at the same time, record trading volume on global markets. For CFTC regulated markets, surveillance staff are surgically focused on their analysis of trading for any manipulative, inappropriate or disruptive conduct. Commission staff are actively monitoring compliance by exchanges, self-regulatory organizations, and intermediaries for trade processing, execution, and clearing. Where those obligations also include responsibility to maintain appropriate margin, customer segregation, and capitalization, compliance must unfailingly be maintained. Indeed, we must hold fast to our regulatory structures and resist the urge to make ad hoc decisions to avoid the natural outcomes of market forces.

At my direction, CFTC staff are using every tool the agency has to ensure that commodity markets continue to fairly and transparently serve the intended price discovery and risk management function. When markets function properly, American consumers can have the confidence they are not paying a penny extra at the pump, in their homes, or at the grocery store. I am in frequent and consistent communication with the administration, providing insight and sharing observations and market data. There is a lot of productive intergovernmental work across the financial regulators, and we are making sure that we are keeping the lines of communication open—both domestically and globally—to coordinate from a market resiliency and financial stability standpoint.

The layering of sanctions these last few weeks have domestic and global impacts and we have been engaging with the Treasury Department, and reaching out to market participants to make sure that general licenses issued by the Office of Foreign Assets Control are available and ready to be used to manage and address exposures to market participants on the sanctions list. CFTC staff are in routine contact with exchanges as sanctions and related volatility may alter affected index, currency, and physical commodity settlements. FIA has taken the lead in providing resources on their website to share up-to-date information from jurisdictions and individual exchanges and clearinghouses related to global sanctions.[10]

By and large, the markets are reacting and operating well and as anticipated given the challenging situation. There remain unknowns, especially in the derivatives space, as we hit upcoming delivery marks or if we have any number of supply constraints that could affect different products and asset classes. At the CFTC, under my direction, we are on heightened alert and we welcome your collaboration to the extent you can provide color as to what you are observing. I am committed to remaining flexible, where appropriate, as the situation continues to unfold.

An Inflection Point

Thus far, dealing with these challenges is a lot more manageable today than it was in 2013. The rulemakings set in motion by a financial crisis whose origins have been traced by some to those monetary policy decisions back in 2001,[11] ended in 2020 with the finalization of the capital rule for swap dealers and major swap participants. That coincided with the next crisis: a global pandemic that hit every aspect of our lives, and reminded us that black swans land with a burst.

The ripples were more predictable and maneuverable for the derivatives markets than they were a decade before. This is a testament to our resilience, reforms, and lessons learned from the crises of the past. Improved transparency, mitigation of systemic risk, and protecting against market abuse, while never losing sight of the overriding factors of continuing globalization are always front and center in our minds. And, in the words of the CFTC's report on the futures industry response to 9/11, "the critically important, but not always obvious interconnections" among entities[12] got us through this latest crisis, and is getting tested right now, as we pivot once again.

We are in a good position now because we have never assumed that our work is done. The derivatives industry prides itself on being forward thinking, and that keeps the CFTC equally nimble, though that may not always be associated with being quick. The last several years have seen the agency engage in some refining of the Dodd-Frank agenda, and we now have an opportunity to fine-tune elements of the ruleset that real-time market experience has given us some perspective.

In the next months and years, under my leadership, and with a new and complete cadre of commissioners and an exceptional staff, we will continue to monitor the reforms put in place in the wake of the financial crisis and evaluate whether they remain fit for purpose. We will address new and emerging issues and risks thoughtfully, deliberately, and through active engagement.

Central Counterparties' (CCPs) Critical Role and International Workstreams

I started my time at the CFTC back in 2017 by taking over sponsorship of the agency's Market Risk Advisory Committee (MRAC), one of five advisory committees created to seek input and make recommendations to the Commission on a variety of regulatory and market issues. Within the MRAC, a CCP Risk and Governance Subcommittee was formed in November 2019—just months before the pandemic hit the U.S.—to build consensus on matters related to the safety and soundness of CCPs. Based on recommendations of the Subcommittee as approved by the MRAC, [13] staff in the Division of Clearing and Risk (DCR) is putting the final touches on a proposed rulemaking addressing risk governance for derivatives clearing organizations (DCOs).

The market turmoil related to the global pandemic tested the resilience of the derivatives markets and the efficacy of post-financial crisis reforms. Today, U.S. CCPs remain among the strongest in the world. The volatility in the global financial markets during March and April 2020, and the current volatility linked to geopolitical issues continue to raise challenges such as increases in initial margin requirements and variation margin calls.[14] Collateral management becomes increasingly critical and continues to fuel active debate on the potential need for additional tools and resources to manage these risks. I will support additional tools that further strengthen our registered DCOs. Additionally, given the role of central clearing as a critical tool in mitigating systemic risk in the global financial markets, the Commission expects to grow its stress testing program to help ensure resilience in absorbing both market and systemic shocks.

Early 2020 hearkened back to 2008, reminding us that the interconnectedness of global financial markets requires persistent engagement towards maintaining resiliency and protecting the financial system and U.S. economy from future crises. As I have indicated in the past, the Commission will continue working with our international counterparts and participating in international standard setting bodies to advance thoughtful policy and discourage the appeal of racing to the regulatory bottom in individual jurisdictions. As we continue to monitor and manage the situation in the Ukraine, we will also continue to keep pace with emerging markets in the Middle East and Asia.

From Up in the Cloud

As the industry continues to migrate to the cloud, the agency is close behind. While we are accelerating our migration to cloud technologies to store, analyze, and ingest this data more cost-effectively and efficiently,[15] we are mindful of the potential risks as we look forward to exploring the benefits. I have directed our Division of Data to transform the agency's analytics toolkit to leverage the cloud architecture with advancements in AI, machine learning, and data analytics. This will provide our already robust surveillance, enforcement, and monitoring capabilities with automated systems helping them find the bad actors to ensure our markets have utmost integrity and transparency. The agency is also exploring ways to more efficiently accept certain filings such as registration applications. These technological advancements will not only advance the Commission's internal databases and analytic tools for the 21st century, but also improve the agency's ability to recruit and retain staff.

Along those lines, in addition to the benefits of cloud architecture come further risks. Our registrants will continue to be expected to instill and employ a high level of oversight and due diligence with respect to cybersecurity controls given that there is a strong connection between resilience planning and operational risk management.

Recent events also highlight the increasing concerns for potential cyber breaches whether they are from advanced threats or government actors. To that end, staff in the Market Participants Division (MPD) is developing policy to address system safeguards for futures commission merchants (FCMs), swap dealers, and major swap participants. Staff is considering amendments that would require the establishment and maintenance of a program of system safeguards and risk analysis with respect to each firm's operations and automated systems to ensure such systems are reliable, secure, and have adequate scalable capacity. Such policy could require registrants' programs to address information security, capacity and performance planning, systems operations, systems development and quality assurance, and physical security.

Any discussion of risks associated with cybersecurity requirements inevitably coincides with vendor risk. Even where firms have the resources to develop these functions in-house, many ultimately outsource implementation. MPD staff is considering guidance regarding the use of third-party service providers to satisfy compliance obligations, consistent with the National Futures Association's (NFA's) Interpretive Notice on Member's Use of Third-Party Service Providers.[16]

To Shaking the Ground—Disintermediation

From the comfort that innovations like cloud computing have brought our industry, to the groundbreaking of what could be the cornerstone for our latest era, today's disruptor comes in the form of disintermediation. While it would seem like DeFi would be the dominant disruptor of the day, it is more the harbinger of a global shift. DeFi moves us beyond the borders of the traditional derivatives markets and into the larger global economy, removing a central authority that has been the backbone of our financial systems for centuries and promising the greatest transparency, the most accurate records, and the fastest execution. It is the rogue to the regulated, touting immunity from regulation due to the power of an equalizing, peer-to-peer framework. It is the next great frontier, and as the regulators and legislature determine next steps in harnessing the wild horse of web 3.0, we find ourselves on familiar ground that's shaking beneath our feet.

Last week, the Commission issued for public comment a request for an amended order of registration as a derivatives clearing organization by an entity seeking to offer non-intermediated clearing of margined products to retail participants.[17] *If* approved, this would introduce a new model where a registered DCO offers margined products to retail participants without relying on an FCM intermediary.

In this process, the agency is taking a cue from the past, and like the SEC did with decimalization, we are being careful, patient, and deliberative with this request. The request represents an innovative proposal that deserves careful consideration, and I will say that it must abide by core principles that prioritize customer protections, market stability, and resilience, among other important safeguards.

As other registered entities have expressed interest in exploring similar models, and given the potential impact on clearing members and FCMs, who play a critically important risk management role and currently hold more than $456 billion in customer funds, it is paramount to be transparent and provide an opportunity to hear from the public. In addition to our duties above in preserving the intent, purpose, and spirit of our regulatory regime, we must ensure a level playing field. It has never been, nor should it ever be our job to choose winners or losers in the industry. Only the market and the customer can do that.

The desertion of fractions for decimals required more than the turn of a switch. The SEC adhered to process and its mission, recognizing that an immediate switch could threaten systems capacity and capabilities, and that adequate time was needed for planning and systems testing to avoid operational problems and investor harm. It was an unsaid bargain that the U.S. would evolve, but only if it could do so without unnecessary or unintended disruption.

Essential Enforcement

The Commission's exercise of its enforcement authorities to address misconduct that has a direct impact on CFTC jurisdictional markets, affects the larger economy, causes public harm, or interferes with market integrity is just one facet of our approach in innovation and the evolution of financial markets. To be clear, enforcement is just one feature of our system, and its effectiveness in holding individuals and institutions accountable promotes confidence in U.S. derivatives markets, which continue to be the premier mechanism for global price discovery and risk management.

I have always, and continue to believe, that regulation should not be enforcement driven. These glimpses into the power of social media, coupled with the ease and speed of access, to break down barriers and seemingly create market ecosystems out of thin air or actually, cyberspace, are inciting financial regulators into swift action.

To be clear, I believe in a strong, effective, thoughtful, and firm enforcement program. Where preservation of market integrity and protecting the public relies on deterrence, there is a strong case for ensuring that every matter we file, and public action we take, brings about greater compliance and makes the next violation less likely to occur. A market regulator's success is therefore inextricably linked to the professionalism, dedication, and commitment of its staff in honing their investigative and analytical craft, developing leads and forming relationships that bring conduct—good and bad—to the surface, expanding cooperative efforts, and providing more clarity and transparency to markets and market participants.

Recent market events have amplified the impact of an influx of new inputs, market entrants, and means of intermediation—or the absence thereof--and programmatic susceptibility to what seem like implausible reactions to increasingly diverse externalities. I am confident that our enforcement program is keeping pace, despite limited resources, and will prioritize the use of cutting edge investigative and analytical techniques, further development of leads and theories to address emerging issues, and support for asserting CFTC jurisdiction where doing so preserves market integrity and protects the public.

Inasmuch as the goal of enforcement is deterrence, the focus of our actions should not be solely motivated towards resolution. Rather, the focus should be to reduce the likelihood of misconduct by holding the right individuals accountable, clearly articulating findings and expectations through our speaking orders, and ensuring that penalties reflect the gravity of the harm to our markets and the public we protect. Regarding this last point, it may be that as we continue to work cooperatively and in parallel with criminal and fellow civil authorities at the federal and state level, there will be times when justice can only be achieved and our objectives met by individually asserting our interests.

I know that is a lot to digest and that what we are looking for on both sides of the proverbial enforcement docket is certainty. With structural concerns across the financial markets making headlines, the Commission is poised to make a lot of decisions that go beyond our historical remit as we engage in dialogue with new and varying market participants and sometimes, more casual contributors, to address the increasing expansion, transformation, and sometimes, gamification of our markets.

In responding to the latest issues, events, inquiries, and asks, I maintain that we should be reasonable but firm, and let enforcement guide us, but not always take the lead. Where our goal is to build trust and compliance, we must remember that a hyperbolic response may not bring about the certainty we are looking for.

What we are seeing now appears to be rooted in a lack of risk management or the absence of a structured compliance function. It may be that we need to assert our authority and regulatory oversight, tempered by the need to be clear in the boundaries of our authority, but firm enough to incite a culture of compliance.

I would be remiss if I moved on without highlighting the contributions of the CFTC's Whistleblower Program, created during the midpoint of the Dodd-Frank rulemaking endurance race. Since issuing its first award in 2014, the Commission has granted awards of over $300 million to whistleblowers, including the largest whistleblower award in U.S. history last year.[18]

Of the more than 600 whistleblower tips the CFTC has received since October, a large number allege cryptocurrency fraud, such as pump-and-dump schemes, refusals to honor requests to withdraw money, and romance scams. With greater focus during this time of great global uncertainty on the opportunities that the digital asset infrastructure may afford bad actors, including sanctioned individuals and institutions, to bypass the law and remain anonymous, the CFTC's Whistleblower Program becomes an increasingly important tool. This too highlights the urgency for a more unified global approach to regulation in the digital asset space.

Clamoring for News on Crypto

Last week, President Biden signed an Executive Order on Ensuring Responsible Development of Digital Assets.[19] It's a significant step towards ensuring greater cooperation and coordination between various cabinet-level agencies, independent market regulations, and prudential regulatory bodies. I am especially pleased that it calls upon FSOC (Financial Stability Oversight Council) to convene and provide insight into, and recommendations regarding, the specific financial stability risks and regulatory gaps posed by various types of digital assets. I have long advocated that more needed to be done to effectively capture the breadth and potential market impact of FinTech for safe and transparent public consumption.[20] In 2019, after reflecting on the past success of coordinated frameworks to address technological inflection points, I suggested that the FSOC specifically convene the U.S. financial regulators to propose a FinTech agenda. I am pleased we are getting that initiative started.

President Biden is correct in emphasizing the need for increased customer education and consumer protection, while combating illicit activity and safeguarding financial stability. As I have messaged repeatedly, most recently during Congressional testimony, "I believe [that the] unique characteristics [of digital assets], combined with the growing size and customer, operational, and potential future financial stability risks associated with the cash market necessitate a proactive federal regulatory approach to ensure that the standards that American investors have come to expect from our financial markets are equally present in digital markets." [21]

The Executive Order acknowledges that the growth and widespread adoption of digital assets presents many novel issues for all regulators. Against this backdrop, the CFTC has actively used our existing statutory authority to stop and deter fraud and manipulation in these emerging markets. Since 2014, the CFTC has been aggressive in using its limited fraud and manipulation authority in the digital asset space. The CFTC has brought 50 enforcement actions (24 of which alleged fraud), overseen an increasing number of registrants offering digital asset based derivative products, and established dedicated internal functions to stay abreast of the technical innovations fueling this market.

The CFTC will continue its proactive approach in using our existing enforcement authority to its fullest extent in the digital asset commodity space to protect customers and markets from fraud and manipulation. Concurrently, I will continue advocating for and supporting legislative authority for the CFTC to develop a regulatory framework for the *cash* digital asset commodity market. I look forward to cooperating and coordinating with our fellow agencies as outlined in the Executive Order.

Climate Crew on Deck

Turning to another area of increasing coordination, almost a year ago today, I announced the creation of the Climate Risk Unit (CRU) to support the agency's mission by focusing on the role of derivatives in understanding, pricing, and mitigating climate-related risk, and supporting the orderly transition to a low-carbon economy through market-based initiatives.[22] The CRU is a continuation of the work I initiated in the MRAC in 2019 with the creation of the 35-member Climate Related Financial Market Risk Subcommittee, resulting in the September 2020 publication of *Managing Climate Risk in the U.S. Financial System.*[23]

Climate change is a collective action problem, and as Chairman, I will view the solutions the CFTC may develop as a joint effort between the CFTC and market participants to create opportunities in the commodity and derivatives markets to tackle the climate crisis.[24]

The CRU is comprised of economists, risk analysts, market analysts, and attorneys from across the CFTC. The CRU is primarily responsible for accelerating early CFTC engagement in support of industry-led and market-driven processes in the climate—and the larger ESG—space, so please take the opportunity to reach out to the CRU. Your ideas, input, and feedback are welcome.

The passage of Article 6 at COP 26 provided a framework for international cooperation on emissions reductions, and there has been a heighted focus on voluntary carbon markets and carbon offset derivatives. Many countries have established nationally determined contributions, which embody efforts to reduce national emissions. I believe we can provide complimentary support through establishing strong public-private partnerships. That is why I have tasked the CRU with engaging with traditional market participants, offset registries, NGOs, and multilateral bodies to understand the role of the official sector regarding these markets and understanding how the derivative markets will be used to properly hedge the various aspects of physical and transition risk as they exist today, and as they may evolve in the future. I've also tasked the CRU with reviewing our regulations to identify challenges and opportunities for fostering the development of these markets.

For my part, recognizing that carbon emissions have no geographic boundaries, it's critical that regulators from around the world work together to ensure a thoughtful and harmonized approach to carbon allowances, carbon offsets, and the related derivatives. I am pleased to announce that I was recently appointed as the new co-chair of the IOSCO Sustainable Task Force's (STF) Carbon Markets Workstream. I look forward to working with my co-chair Verena Ross, the Chair of the European Securities and Markets Authority (ESMA), as we take stock of these markets and analyze potential recommendations for future approaches to these markets.

Dedication to DEIA

I spent the last several years at the CFTC raising concerns regarding the lack of diversity, equity, inclusion and accessibility (DEIA). The Commission needs to adopt new strategies to develop a workforce that reflects the diversity of the people we serve and the markets we oversee. The CFTC is striving to cultivate an inclusive and welcoming culture, where all employees feel valued, safe, empowered and respected. To that end, earlier this year, as one of my first official actions as Chairman, I announced the hiring of the agency's first Chief Diversity Officer (CDO), to provide leadership and executive direction on the Commission's efforts to integrate DEIA into every aspect of our talent and business operations.

This is our milestone moment and there is palpable anxiety as we rip off the band-aid and expose wounds that run deep. We must reassess, reevaluate, and reprice the values we hold true so as to operate as a Commission that is not only a good steward of taxpayer dollars, but is a genuine source of support for all of our team members.

A key piece in the overall strategy is ensuring the CFTC is a source of future leaders. Looking at our organizational chart, we are missing an entire population of entry level staff members. As an initial step towards resolving this imbalance, I have directed an agency-wide strategic approach to human capital management to better attract, develop, retain, and promote a diverse workforce whose expertise will serve as a hallmark in the derivatives industry for years to come.

From Milestones to Momentous Change: Concluding for Now…

We’ve walked through milestones to find that while history may not repeat itself, it rhymes--or maybe bounces with a bursting rhythm. The last several years, and now the last several weeks and days have sent vibrations throughout the world and our markets. I believe our collective dedication to being here today is a testament to our resilience as an industry and the industriousness with which we take our roles in the markets.

In the coming weeks and months, if the predictions hold true, the Commission will say good-bye to one commissioner and welcome four more. I will miss my friend and accomplished colleague, Commissioner Dawn Stump. Her incredible knowledge and ability to define and refine issues, and bring them to the forefront of our regulatory and policy agenda should be an inspiration to all who follow. You have intrepidly pursued achieving the correct balance in all that we do as a Commission, and thinking back to your swearing in alongside Wall Street’s Fearless Girl statue, you truly embody that ideal.

The confirmation and swearing in of the next four commissioners will be a milestone moment and the addition of their individual and collective views and experience will complete our structure and make our deliberative process stronger as we embark on this transformative change.

Getting back to Walt’s 2013 wish list, he did not forget to include the good and true things we must remember, especially now. Walt wished that we continue taking care of those less fortunate and spend less time working and more time with our loved ones enjoying the great outdoors together. That we educate our public and policymakers, and recognize and appreciate one another for our contributions to the industry, to customer protections, and the greater economy.

Adding only that post-pandemic, I am also looking forward to enjoying the great indoors with friends, family, and colleagues, these are all good things to reimagine for 2022.

Thank you for this milestone moment.

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[1] I appreciate the assistance of my Deputy Chief of Staff, Laura Gardy, in preparing these remarks.

[2] Futures Industry, V23. N1, Jan. 2013, issue-209.pdf (fia.org) (https://www.cftc.gov/Exit/index.htm?https://secure.fia.org/files/css/magazineIssues/issue-209.pdf).

[3] *Id. at 3.*

[4] *Id.* at 10.

[5] *Decimal Pricing in the Securities and Options Markets: Hearing Before the H. Subcomm. on Finance and Hazardous Materials,* 106th Cong. (June 2000) (Testimony of Arthur Levitt, Chairman, SEC), SEC Testimony: Decimal Pricing in the Securities and Options Markets (A. Levitt) (https://www.sec.gov/news/testimony/ts092000.htm).

[6] Mary Hall, *Why the NYSE Once Reported Prices in Fractions*, Investopedia (Sept. 22, 2019), Why did the New York Stock Exchange report prices in fractions before it switched to decimal reporting? (investopedia.com) (https://www.cftc.gov/Exit/index.htm?https://www.investopedia.com/ask/answers/why-nyse-switch-fractions-to-decimals/).

[7] *Id.*

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