

## Public Statements & Remarks

### Opening Statement of Chairman Heath P. Tarbert Regarding the CFTC's Further Response to the Coronavirus Pandemic

May 28, 2020

Over the past few months, the CFTC has been focused on responding to the tremendous impact of the coronavirus on the markets we regulate.<sup>[1]</sup> I would like to highlight some of the additional steps the agency has taken since our last open meeting in April to help address the spread of the coronavirus and its impact on the derivatives markets.

#### *Prioritizing Agricultural and Energy Markets*

First, the agency has continued to *monitor closely and prioritize agricultural and energy markets*, which have witnessed significant volatility in the wake of the coronavirus pandemic.

As is well-known among the followers of our agency's work, the CFTC traces its heritage back to the Grain Futures Act of 1922, which focused on regulating various kinds of agricultural commodity contracts—among the nation's first derivatives products. Given our roots, these markets—and the agricultural community more broadly—are always top of mind for me as the CFTC's Chairman and Chief Executive. We continue to monitor these markets closely, particularly with respect to certain livestock contracts where there have been wide spreads between cash and futures prices. A dedicated *Livestock Markets Taskforce* consisting of staff from the Division of Enforcement and the Division of Market Oversight is paying special attention to ensure these markets are functioning properly and without misconduct.

We are also showing our commitment to American agriculture in other ways. For example, the CFTC has for the first time appointed an *official liaison with the U.S. Department of Agriculture*. I am pleased to announce that Christa Lachenmayr, a senior agricultural economist in the Division of Market Oversight, will be the first CFTC staff member to hold this position. The timing could not be better, with the CFTC and USDA working closely together to understand coronavirus-related factors that have a direct impact on market fundamentals. I am also pleased to announce Darryl Blakey has joined the CFTC from the National Cattlemen's Beef Association as Associate Director of the Office of Legislative and Intergovernmental Affairs. The deep agricultural backgrounds of Christa and Darryl will be critical for our efforts moving forward.

We are also focusing on the nation's energy markets. Last month, we saw a historic drop in the May futures contract for West Texas Intermediate Crude, which briefly traded at negative prices for the first time ever. Clearly, there were unique macroeconomic factors at play: a historically high supply of oil, a fight between Saudi Arabia and Russia for market share, and a simultaneous drop in demand that was unprecedented in both speed and severity due to the coronavirus. The markets were digesting a lot of information and it happened to coincide with the expiration of a futures contract.

While this event was not a surprise for the CFTC, which for weeks had been in regular contact with exchanges in anticipation of negative futures prices, we nevertheless issued a *joint Staff Advisory* to remind DCMs, FCMs, and DCOs of their responsibility to prepare for the prospect that certain contracts may continue to experience extreme market volatility, low liquidity, and possibly negative pricing. The CFTC has also been in close contact with the U.S. Department of Energy to ensure we have the most current information impacting those markets, including on-the-ground details that impact the natural gas and crude oil futures markets. Secretary Brouillette and I have discussed these markets as well, and we are committed to continue working together in order to maintain orderly markets and a secure supply chain for these important sources of energy.

### *Granting Additional Targeted, Temporary Relief*

Second, we have issued additional *targeted, temporary relief to market participants*. This includes relief to registrants listing new principals and to applicants for registration as associated persons from the requirement to submit a fingerprint card for those individuals.<sup>[2]</sup> I am proud of how the CFTC has risen to this occasion, acting on a bipartisan basis to approve more than a dozen temporary relief measures since this crisis began.

### *Protecting Customers*

Third, we have also continued to bolster the CFTC's *customer education efforts*. Times such as these unfortunately create new opportunities for fraud, and we have increased our efforts to arm the public with information so they can detect and avoid these illegal schemes. Most recently, we issued a Customer Advisory informing the public about the unique risks associated with certain trading vehicles that use futures contracts or other commodity interests as they make investment decisions during the COVID-19 pandemic. This is the third Customer Advisory the CFTC has issued in response to the pandemic and is a joint product of the Office of Customer Education and Outreach and the Division of Swap Dealer and Intermediary Oversight. We have also begun publishing a series of web articles that examine frauds and other scenarios in detail so customers can be aware of them. All these customer education materials, along with all official coronavirus-related CFTC actions, can be found at [cftc.gov/coronavirus](https://www.cftc.gov/coronavirus).

### *Gaining Insight through Our Advisory Committees*

Finally, the CFTC's *advisory committees* have been hard at work and enabling our Commission to gain valuable insight from external stakeholders.

- The Global Markets Advisory Committee (GMAC), sponsored by Commissioner Dawn Stump, held a public meeting on Tuesday, May 19, 2020.<sup>[3]</sup> During the meeting, the GMAC discussed (1) the international coordination efforts in the time of COVID-19, and (2) its Subcommittee on Margin Requirements for Non-Cleared Swaps' report and recommendations regarding the implementation of initial margin requirements for non-cleared swaps.
- The Agricultural Advisory Committee (AAC), which I sponsor, held a public meeting on Wednesday, April 22, 2020.<sup>[4]</sup> The meeting focused primarily on the COVID-19 pandemic and its impact on our nation's farmers and ranchers. We were delighted to host U.S. Secretary of Agriculture Sonny Perdue as our special guest.
- The Market Risk Advisory Committee (MRAC), sponsored by Commissioner Rostin Behnam, invited public comment on topics and issues being addressed by its Climate-Related Market Risk Subcommittee.<sup>[5]</sup>
- The Energy and Environmental Markets Advisory Committee (EEMAC), sponsored by Commissioner Dan Berkovitz, held a public meeting on Thursday, May 7, 2020, to hear remarks on the Commission's Position Limits for Derivatives proposed rule, as approved on January 30, 2020.<sup>[6]</sup>

### *Conclusion*

As pleased as I am with these efforts by the Commission and our staff, I know that our work is not done responding to coronavirus-related market disruptions. As we continue to address the impact of the pandemic on the markets we regulate, the CFTC will not lose sight of our broader mission to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation. We owe the American people, who are sacrificing greatly at this time, nothing less.

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[1] See Heath P. Tarbert, Chairman, CFTC, "Message from the Chairman on Coronavirus Response" (Mar. 17, 2020), <https://www.cftc.gov/coronavirus>.

[2] No-Action Position in Response to the COVID-19 Pandemic for Persons Required to Submit Fingerprints in Connection with Applying for Registration as an Associated Person or Being Listed as a Principal of a Registrant (Apr. 24, 2020), available at: <https://www.cftc.gov/PressRoom/PressReleases/8158-20>.

[3] Global Markets Advisory Committee, 85 Fed. Reg. 22724 (Apr. 23, 2020), available here: <https://www.cftc.gov/sites/default/files/2020/04/2020-08608a.pdf>.

[4] Agricultural Advisory Committee Meeting, 85 Fed. Reg. 22151 (Apr. 21, 2020), available here: <https://www.cftc.gov/sites/default/files/2020/04/2020-08313a.pdf>.

[5] Climate-Related Market Risk Subcommittee Under the Market Risk Advisory Committee, 85 Fed. Reg. 20678 (Apr. 14, 2020), available at: <https://www.cftc.gov/sites/default/files/2020/04/2020-07860a.pdf>.

[6] Energy and Environmental Markets Advisory Committee, 85 Fed. Reg. 21820 (Apr. 20, 2020), available here: <https://www.cftc.gov/sites/default/files/2020/04/2020-08347a.pdf>.

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