

# COMMODITY MARKETS OVERSIGHT COALITION

An Alliance of Commodity Derivatives End-Users and Consumers

May 2, 2011

The Honorable Spencer Bachus, Chairman  
House Financial Services Committee  
2129 Rayburn House Office Building  
Washington, DC 20514

The Honorable Barney Frank, Ranking Member  
House Financial Services Committee  
2129 Rayburn House Office Building  
Washington, DC 20514

The Honorable Frank Lucas  
House Agriculture Committee  
1305 Longworth House Office Building  
Washington, DC 20515

The Honorable Collin Peterson  
House Agriculture Committee  
1305 Longworth House Office Building  
Washington, DC 20515

Dear Chairmen Bachus and Lucas, and Ranking Members Frank and Peterson:

The undersigned members of the Commodity Markets Oversight Coalition (CMOC) write you in opposition to H.R.1573, a bill that would delay implementation and enforcement of derivatives market reforms required under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (or the "Dodd-Frank Act," Pub.L.111-203).

The CMOC is an independent, non-partisan and non-profit alliance of groups that represent commodity-dependent industries, businesses and end-users, including American consumers, that rely commodity derivatives markets as a hedging and price discovery tool. The CMOC advocates in favor of government policies that promote transparent, stable commodities markets, that seek to prevent fraud, manipulation and excessive speculation, and that preserve the interests of *bona fide* hedgers and consumers.

Our coalition strongly supports reforms of the commodity derivatives markets provided under Title VII of last year's Dodd-Frank Act. These reforms, once implemented, will bring greater transparency and stability to the commodity derivatives markets, including energy and agricultural futures, options and swaps markets. The Dodd-Frank Act restricts disruptive trading practices, strengthens prohibitions on fraud and manipulation and prevents excessive speculation.

These reforms are increasingly vital, especially given extreme market volatility and the most recent surge in commodity prices despite the lack of any supply crisis or surge in consumer demand. The Commodity Futures Trading Commission (CFTC) has found that since June 2008 the number of contracts held by speculators has increased by 64 percent. According to a report by Goldman Sachs last month, the surge in speculative activity is responsible for at least twenty percent of the cost of a barrel of oil. Failure to address excessive speculation will have significant consequences for our national economic recovery.

Under the Dodd-Frank Act, the CFTC must implement commodity trading reforms by July 21, 2011. As introduced, H.R.1573 would postpone implementation until at least January 1, 2013. **Further delay in the implementation and enforcement of these reforms could greatly diminish market competitiveness, stability and confidence, and will preserve today's artificially high commodity prices caused by excessive speculation in the derivatives markets. Therefore we oppose H.R.1573.**

The CFTC is faced with a colossal task of implementing the most sweeping reforms of these markets in a generation. It will be responsible for oversight of about half of the roughly \$600 trillion (notional value) global over-the-counter derivatives marketplace. The CFTC has already fallen behind on some of the most important new rulemakings, including the imposition of speculative position limits on commodities trades, which were required by January 17, 2011 for energy and April 17, 2011 for agricultural commodities.

Several Commissioners, including Chairman Gary Gensler, have already stated that the existing statute provides the Commission with the needed flexibility to implement Title VII reforms on a timetable that is consistent with the requirements of the Act, that acknowledges funding and resources limitations, that preserves market integrity and that meets the needs of market participants, especially *bona fide* commercial hedgers of physical commodities.

Additionally, the expanded exemption authority provided to the CFTC by H.R.1573 is unwarranted and would undermine implementation and enforcement of the Dodd-Frank Act. The Commodity Exchange Act as modified already provides the CFTC with more than adequate authority to provide exemptions from regulation as necessary and appropriate.

As groups representing the interests of industries and businesses including farmers, commercial end-users and consumers that rely on these markets for risk mitigation and price discovery, we commend the CFTC for its commitment to timely implementation and vigorous enforcement of Title VII reforms. We believe that Congressional intervention in the form of H.R.1573 would erode the long overdue reforms to address the excessive speculation that is contributing to today's artificially high commodities prices.

Thank you for your consideration.

Sincerely,

Air Transport Association  
American Feed Industry Association  
American Trucking Associations  
Colorado Petroleum Marketers Association  
Consumer Federation of America  
Food & Water Watch  
Florida Petroleum Marketers Association  
Fuel Merchants Association of New Jersey  
Gasoline and Automotive Service Dealers of America  
Illinois Petroleum Marketers Association  
Independent Connecticut Petroleum Association  
Institute for Agriculture and Trade Policy  
Louisiana Oil Marketers & Convenience Store Association  
Maine Energy Marketers Association  
Massachusetts Oilheat Council  
Montana Petroleum Marketers & Convenience Store Association  
Municipal Gas Systems of Oklahoma  
NAFA Fleet Management Association  
National Association of Oilheating Service Managers  
National Association of Shell Marketers  
National Association of Truckstop Operators  
National Farmers Union  
The National Grange  
National Latino Farmers & Ranchers Trade Association  
New England Fuel Institute  
New Jersey Citizen Action Oil Group  
New Mexico Petroleum Marketers Association  
New York Oil Heating Association  
North Dakota Petroleum Marketers Association  
North Dakota Retail Association

Ohio Petroleum Marketers & Convenience Store Association  
Oil Heat Council of New Hampshire  
Oil Heat Institute of Long Island  
Oil Heat Institute of Rhode Island  
The Organization for Competitive Markets  
Petroleum Marketers & Convenience Store Association Kansas  
Petroleum Marketers & Convenience Stores of Iowa  
Petroleum Marketers Association of America  
Public Citizen  
R-CALF USA  
Utah Petroleum Marketers and Retailers Association  
Vermont Fuel Dealers Association  
Washington Oil Marketers Association  
West Virginia Oil Marketers and Grocers Association  
Wyoming Petroleum Marketers Association

cc: The Hon. Scott Garrett, Chairman, House Financial Services Subcommittee on Capital Markets and Government Sponsored Enterprises  
The Hon. Maxine Waters, Ranking Member, House Financial Services Subcommittee on Capital Markets and Government Sponsored Enterprises  
The Hon. K. Michael Conaway, Chairman, House Agriculture Subcommittee on General Farm Commodities and Risk Management  
The Hon. Leonard Boswell, Ranking Member, House Agriculture Subcommittee on General Farm Commodities and Risk Management