



Americans for Financial Reform
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March 7, 2013

Dear Representative:

We are writing on behalf of Americans for Financial Reform to urge you to stand for consumers, businesses, and the public by providing adequate funding to the Commodity Futures Trading Commission.¹ The current agency request of \$315 million is minuscule in comparison to the \$340 trillion in notional value of the commodity and derivatives markets supervised by the CFTC. Funding the CFTC at the requested level is vitally important to enabling it to do its job: protecting the US and global economy through effective oversight of some of the most critical and central areas of our financial markets.

The CFTC's role in regulating commodity markets is vital to businesses that use commodity markets to hedge risks, vital to the economic well-being of American families who rely on affordable prices for products like gasoline and food, and vital to overall financial stability. Yet the CFTC's current funding level of \$206 million is inadequate to perform the core functions of the agency. A further sequestration cut of \$11 million will only compound this problem.

Currently, the CFTC's full time staff level barely exceeds that prevailing in the mid-1990s. But the volume of commodity futures trading has grown five-fold since that time. Without an effective CFTC role in policing commodity markets, consumers, families, and businesses will be vulnerable to price manipulation of everyday products, costing the economy many billions of dollars. In addition, as the example of MF Global shows, commodity market customers will be vulnerable to loss of their funds. Currently, CFTC-regulated entities hold over \$200 billion in customer funds.

Beyond the CFTC's traditional role of overseeing commodity markets, its duties were greatly expanded by the Dodd-Frank Wall Street Reform Act. With the passage of that legislation in 2010, Congress made the CFTC responsible for much of the oversight of the unregulated derivatives markets that helped crash the world economy during the 2008 financial crisis. The CFTC is now responsible for approximately \$300 trillion in previously unregulated swaps markets -- an 8-fold increase in the notional value of the market the CFTC must supervise. Regulating swaps is a key step in preventing future financial catastrophes.

¹ Americans for Financial Reform is an unprecedented coalition of more than 250 national, state and local groups who have come together to reform the financial industry. Members of our coalition include consumer, civil rights, investor, retiree, community, labor, faith based and business groups.

The agency is currently requesting \$315 million - an increase of a bit more than \$110 million over current funding level. As stated above, this funding is minuscule compared to the nearly \$340 trillion in notional value of markets that are supervised by the CFTC. It is even smaller in comparison to the costs of financial crises. Far from saving money, underfunding the CFTC undermines effective oversight of our financial markets and creates the potential for far greater economic damage. The General Accounting Office recently found that the financial crisis of 2008-09 cost the American economy somewhere between five trillion and over ten trillion dollars. The crisis led to the loss of millions of jobs, a decline of almost 40 percent in the net worth of the typical American family, and a massive increase in government debt.

This funding request does represent a significant percentage increase over the agency's budget at its low point in 2007. However, 2007 represents a period of woefully lax oversight of the markets now under the CFTC's jurisdiction. The derivatives markets - a key driver of the financial crisis - were almost completely unregulated at that time. The years 2007 and 2008 also saw an unprecedented increase in oil and gas prices, due in significant degree to rampant and uncontrolled speculation in commodity derivatives markets. The increase in funding requested by the CFTC is necessary to correct the recent lack of oversight of central parts of our financial markets.

If Congress is concerned about protecting taxpayers it has the option of adopting for the CFTC the same fee-based funding mechanism the SEC already enjoys. Given that this option is available, it is difficult to understand a refusal to adequately fund the agency as anything other than a move to block effective regulation. Raising the additional \$110 million through a fee on CFTC-supervised markets would require a fee of less than one penny per thirty thousand dollars in notional transaction value. It is hard to believe that such a fee would impose any real burden on market participants.

Over the past few years, the CFTC has also demonstrated that it uses its funding effectively. The agency has completed some 80 percent of its derivatives rules, putting it far ahead of larger, better funded agencies in moving toward implementation of the Dodd-Frank Act and bringing certainty to market participants. The CFTC played a critical leadership role in revealing large-scale manipulation of LIBOR interest rates, one of the most significant cases of financial market manipulation in modern history. Settlements in the LIBOR case alone have brought \$2 billion to the U.S. Treasury, with more to come. In addition, much of the funding requested by the agency is slated to be used for purposes strongly supported by Congress. For example, the agency request includes additional funding for international harmonization of derivatives rules, economic analysis of new rules, and better oversight to prevent another MF Global disaster.

Full funding for the CFTC is a necessity for effective financial market oversight and for the safety of our financial system. We urge you to take a stand for effective oversight of our financial system and fully fund this agency.

Sincerely,

Americans for Financial Reform

Following are the partners of Americans for Financial Reform.

All the organizations support the overall principles of AFR and are working for an accountable, fair and secure financial system. Not all of these organizations work on all of the issues covered by the coalition or have signed on to every statement.

- A New Way Forward
- AFL-CIO
- AFSCME
- Alliance For Justice
- American Income Life Insurance
- American Sustainable Business Council
- Americans for Democratic Action, Inc
- Americans United for Change
- Campaign for America's Future
- Campaign Money
- Center for Digital Democracy
- Center for Economic and Policy Research
- Center for Economic Progress
- Center for Media and Democracy
- Center for Responsible Lending
- Center for Justice and Democracy
- Center of Concern
- Change to Win
- Clean Yield Asset Management
- Coastal Enterprises Inc.
- Color of Change
- Common Cause
- Communications Workers of America
- Community Development Transportation Lending Services
- Consumer Action
- Consumer Association Council
- Consumers for Auto Safety and Reliability
- Consumer Federation of America
- Consumer Watchdog
- Consumers Union
- Corporation for Enterprise Development
- CREDO Mobile
- CTW Investment Group
- Demos
- Economic Policy Institute
- Essential Action
- Greenlining Institute
- Good Business International
- HNMA Funding Company

- Home Actions
- Housing Counseling Services
- Home Defender's League
- Information Press
- Institute for Global Communications
- Institute for Policy Studies: Global Economy Project
- International Brotherhood of Teamsters
- Institute of Women's Policy Research
- Krull & Company
- Laborers' International Union of North America
- Lake Research Partners
- Lawyers' Committee for Civil Rights Under Law
- Move On
- NAACP
- NASCAT
- National Association of Consumer Advocates
- National Association of Neighborhoods
- National Community Reinvestment Coalition
- National Consumer Law Center (on behalf of its low-income clients)
- National Consumers League
- National Council of La Raza
- National Council of Women's Organizations
- National Fair Housing Alliance
- National Federation of Community Development Credit Unions
- National Housing Resource Center
- National Housing Trust
- National Housing Trust Community Development Fund
- National NeighborWorks Association
- National Nurses United
- National People's Action
- National Urban League
- Next Step
- OMB Watch
- OpenTheGovernment.org
- Opportunity Finance Network
- Partners for the Common Good
- PICO National Network
- Progress Now Action
- Progressive States Network
- Poverty and Race Research Action Council
- Public Citizen
- Sargent Shriver Center on Poverty Law
- SEIU
- State Voices
- Taxpayer's for Common Sense
- The Association for Housing and Neighborhood Development
- The Fuel Savers Club
- The Leadership Conference on Civil and Human Rights

- The Seminal
- TICAS
- U.S. Public Interest Research Group
- UNITE HERE
- United Food and Commercial Workers
- United States Student Association
- USAction
- Veris Wealth Partners
- Western States Center
- We the People Now
- Woodstock Institute
- World Privacy Forum
- UNET
- Union Plus
- Unitarian Universalist for a Just Economic Community

List of State and Local Affiliates

- Alaska PIRG
- Arizona PIRG
- Arizona Advocacy Network
- Arizonans For Responsible Lending
- Association for Neighborhood and Housing Development NY
- Audubon Partnership for Economic Development LDC, New York NY
- BAC Funding Consortium Inc., Miami FL
- Beech Capital Venture Corporation, Philadelphia PA
- California PIRG
- California Reinvestment Coalition
- Century Housing Corporation, Culver City CA
- CHANGER NY
- Chautauqua Home Rehabilitation and Improvement Corporation (NY)
- Chicago Community Loan Fund, Chicago IL
- Chicago Community Ventures, Chicago IL
- Chicago Consumer Coalition
- Citizen Potawatomi CDC, Shawnee OK
- Colorado PIRG
- Coalition on Homeless Housing in Ohio
- Community Capital Fund, Bridgeport CT
- Community Capital of Maryland, Baltimore MD
- Community Development Financial Institution of the Tohono O'odham Nation, Sells AZ
- Community Redevelopment Loan and Investment Fund, Atlanta GA
- Community Reinvestment Association of North Carolina
- Community Resource Group, Fayetteville A
- Connecticut PIRG
- Consumer Assistance Council
- Cooper Square Committee (NYC)
- Cooperative Fund of New England, Wilmington NC
- Corporacion de Desarrollo Economico de Ceiba, Ceiba PR

- Delta Foundation, Inc., Greenville MS
- Economic Opportunity Fund (EOF), Philadelphia PA
- Empire Justice Center NY
- Empowering and Strengthening Ohio's People (ESOP), Cleveland OH
- Enterprises, Inc., Berea KY
- Fair Housing Contact Service OH
- Federation of Appalachian Housing
- Fitness and Praise Youth Development, Inc., Baton Rouge LA
- Florida Consumer Action Network
- Florida PIRG
- Funding Partners for Housing Solutions, Ft. Collins CO
- Georgia PIRG
- Grow Iowa Foundation, Greenfield IA
- Homewise, Inc., Santa Fe NM
- Idaho Nevada CDFI, Pocatello ID
- Idaho Chapter, National Association of Social Workers
- Illinois PIRG
- Impact Capital, Seattle WA
- Indiana PIRG
- Iowa PIRG
- Iowa Citizens for Community Improvement
- JobStart Chautauqua, Inc., Mayville NY
- La Casa Federal Credit Union, Newark NJ
- Low Income Investment Fund, San Francisco CA
- Long Island Housing Services NY
- MaineStream Finance, Bangor ME
- Maryland PIRG
- Massachusetts Consumers' Coalition
- MASSPIRG
- Massachusetts Fair Housing Center
- Michigan PIRG
- Midland Community Development Corporation, Midland TX
- Midwest Minnesota Community Development Corporation, Detroit Lakes MN
- Mile High Community Loan Fund, Denver CO
- Missouri PIRG
- Mortgage Recovery Service Center of L.A.
- Montana Community Development Corporation, Missoula MT
- Montana PIRG
- Neighborhood Economic Development Advocacy Project
- New Hampshire PIRG
- New Jersey Community Capital, Trenton NJ
- New Jersey Citizen Action
- New Jersey PIRG
- New Mexico PIRG
- New York PIRG
- New York City Aids Housing Network
- New Yorkers for Responsible Lending
- NOAH Community Development Fund, Inc., Boston MA

- Nonprofit Finance Fund, New York NY
- Nonprofits Assistance Fund, Minneapolis M
- North Carolina PIRG
- Northside Community Development Fund, Pittsburgh PA
- Ohio Capital Corporation for Housing, Columbus OH
- Ohio PIRG
- OligarchyUSA
- Oregon State PIRG
- Our Oregon
- PennPIRG
- Piedmont Housing Alliance, Charlottesville VA
- Michigan PIRG
- Rocky Mountain Peace and Justice Center, CO
- Rhode Island PIRG
- Rural Community Assistance Corporation, West Sacramento CA
- Rural Organizing Project OR
- San Francisco Municipal Transportation Authority
- Seattle Economic Development Fund
- Community Capital Development
- TexPIRG
- The Fair Housing Council of Central New York
- The Loan Fund, Albuquerque NM
- Third Reconstruction Institute NC
- Vermont PIRG
- Village Capital Corporation, Cleveland OH
- Virginia Citizens Consumer Council
- Virginia Poverty Law Center
- War on Poverty - Florida
- WashPIRG
- Westchester Residential Opportunities Inc.
- Wigamig Owners Loan Fund, Inc., Lac du Flambeau WI
- WISPIRG

Small Businesses

- Blu
- Bowden-Gill Environmental
- Community MedPAC
- Diversified Environmental Planning
- Hayden & Craig, PLLC
- Mid City Animal Hospital, Pheonix AZ
- The Holographic Repatterning Institute at Austin
- UNET

