

COMMODITY MARKETS OVERSIGHT COALITION

Americans for Financial Reform

JOINT STATEMENT OF SHARED PRINCIPLES FOR NEEDED REFORMS IN THE FUTURES/DERIVATIVES MARKETS

AS REVISED AND AGREED TO AT THE JOINT MEETING
OF MEMBERS OF THE
COMMODITY MARKETS OVERSIGHT COALITION
AND THE
AMERICANS FOR FINANCIAL REFORM

January 7th, 2010

Members of the Commodity Markets Oversight Coalition and Americans for Financial Reform, agreeing that inadequate federal oversight and excessive speculation contributed significantly to the financial crises and commodity bubbles of the previous decade, believe that meaningful reform is essential in order to return stability, confidence and transparency to the futures/derivatives markets and the broader economy. Therefore, our coalitions urge federal lawmakers and regulators to consider the following principles for needed reforms in the futures/derivatives markets:

1. Federal regulators should be given full authority to set and enforce position limits, including across-market aggregate position limits. Where regulators do not currently have sufficient authority to impose such limits, that authority should be granted by the Congress.
2. Federal regulators should be given additional authorities needed to ensure transparency and accountability and to prevent fraud, manipulation and excessive speculation on foreign boards of trade that allow U.S. access or that trade derivatives on commodities destined for delivery in the U.S.
3. U.S. regulators must work closely with foreign and international regulators to harmonize regulations to share market and trading data and to prevent regulatory arbitrage.
4. Standardized futures, swaps and derivatives, or such contracts that can be standardized and traded or cleared through exchanges or clearinghouses should be required to do so.
5. Any exemptions from exchange trading or clearing should be restricted to *bona fide* commercial hedging of physical commodities by end-users and customized or specialized contracts that cannot be traded or cleared. Hedge funds, private equity funds, exchange traded or index funds, and other speculators should not fall under any end-user exemption.
6. Federal regulators should be required to review and report to Congress, with recommendations, all exemptions that exist in statute, rule, regulation or administrative action or decision.
7. The CFTC should be granted the same statutory enforcement authority as the FTC, SEC and FERC.
8. Federal regulators must have the authority to ban abusive swaps.

Additionally, most of our members strongly encourage the following reforms:

9. State insurance regulators should be permitted to regulate credit default swaps.
10. If statutory standards are not met in executing a derivative transaction, that trade should be voided under federal or state law.
11. The percentage ownership that financial firms can take of an exchange or clearinghouse should be limited.