<u>Opening Statement</u>

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"Reauthorization of the Commodities Futures Trading Commission"
Committee on Agriculture, Nutrition and Forestry
July 17, 2013

Good morning Chairman Stabenow, Ranking Member Cochran and members of the Committee. Thank you for the invitation to Better Markets to testify today.

- Better Markets is an independent, nonprofit, nonpartisan organization that promotes the public interest in the domestic and global financial markets.

I have detailed my background and what Better Markets does in my written testimony and it is also available on our website (www.bettermarkets.com) and I will not repeat that here.

- But, I would like to say that it is a privilege and honor to return to the Senate to testify after having been a staffer for three Senators over the years and having worked with many of you during that time.

Let me make just a few quick points:

<u>**First**, the financial crash and its costs:</u> Everyone likes to talk about the 3 year anniversary of the Dodd Frank financial reform law,

- but too few even mention that, <u>**just**</u> 5 years ago, the US suffered the worst financial crash since 1929
- which inflicted the worse economy on the United States since the Great Depression.

Indeed, only massive taxpayer and government bailouts prevented a total collapse of the financial system and a **second** Great Depression.

The American people paid and are still paying a very high price for that, including

- slow to no growth,
- persistently high unemployment,
- tens of millions of homes underwater,
- massive deficits,
- unprecedented Fed policies like ZIRs and trillions in bond purchases,
- among so much more economic wreckage across our country.

Ultimately, that is going to cost the US more than $12.8 trillion, according to our study

As is well known, unregulated, non-transparent, over-the-counter derivatives and markets were at the heart of causing and spreading those financial and economic crises and costs.

- That is why derivatives regulation is vital not only to effective financial reform, but also to the protection of the American people, taxpayers, Treasury and our financial system.

Second, the Committee should avoid becoming another battleground in the war over financial reform and should not relitigate Dodd Frank.

- The responsibility of the CFTC was dramatically expanded from the $37 trillion notional futures market to include the $340 trillion notional US swaps markets.
- That was a monumental, transformative change for the agency **<u>and</u>** the markets where there are trillions of dollars at stake.

    - It was inevitable -- and no one should be surprised -- that whatever the CFTC did, it was going to be highly controversial and hotly contested and, unfortunately, re-contested.

Yet, the least funded, smallest financial regulatory agency, the CFTC, has taken the new law's mandate seriously and done an outstanding job of translating the financial reform law into a reality.

- They have not done a perfect job and we haven't agreed with all that they have done.

    - No one has,

- But, that doesn't mean the new law should be changed on a piecemeal basis, especially given that they are just now finalizing most of their rules and few have even been implemented.

The complaints being raised are almost entirely speculative and from special interests seeking to advance their narrow self-interest.

- That is their right, but it is no basis to start changing laws and public policy prematurely.

Given the historic changes being put in place, the CFTC must be allowed time to

- implement the rules,
- see how they work,
- determine if changes should be made, and
- given the opportunity to make them.

    - That would then be the appropriate time for considering whether statutory changes are necessary or appropriate.

    - Now is not the time and reauthorization is not the place. I urge you not to let this Committee become the latest battlefront in the war over financial reform.

Third, the CFTC is woefully underfunded and simply cannot do the job Congress asked it to do and the job the markets and investors need it to do.

- I have detailed this in my testimony and will only say that an agency with $200 or even a $300 million annual budget cannot properly regulate or oversee the futures and swaps markets with almost $400 trillion in notional trading.

The CFTC must have authority to impose fees and be self-funding in whole or in substantial part.

- If not, it is being set up for failure: asked to do so much that is so important but without the resources to do it.
    - That will be a gross disservice to not just investors, but the market participants themselves.

- This is truly this Committee’s most urgent task

<u>Fourth and last,</u> industry claims for so-called, innocent sounding “cost benefit analysis” is in fact little more than industry-cost-only analysis and must be seen for what they are: a backdoor attempt to kill or gut financial reform.

- The proposals would impose costly, onerous and almost-impossible-to-satisfy requirements, which prioritize industry costs over the public interest and everything else.

- Calls for cost benefit analysis sounds good in theory, but are often catastrophe in reality.

The CFTC has done economic analysis for decades as required by the CEA.

- Tellingly, there have been few if any complaints about their work until they began implementing financial reform.

    - That tells everyone what is really going on here.

Thank you and I look forward to your questions.