



Commodity Futures Trading Commission

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Statement

Statement of Commissioner Bart Chilton Regarding Secretary Paulson's Treasury Department Blueprint on Regulatory Reform

March 28, 2008

It is my understanding that on Monday morning Secretary Paulson's Treasury Department Blueprint on Regulatory Reform will be released.

Self-evaluation and a willingness to adapt and change with one's environment is an essential element in sustaining long-term success. All efforts to evaluate our system and look for ways to improve should be applauded, particularly during these troubled economic times.

I am confident Secretary Paulson and Treasury officials agree that the innovative experiment with principles-based regulation that has been underway for the past five years at the CFTC has been a tremendous success. In fact, the numbers prove it. Since we began using the more flexible principles-based regulatory regime, the worldwide derivatives sector has increased two-fold. But in the US, it has more than tripled.

This 'not your father's' regulator approach' to government isn't merely novel, it has allowed industry to innovate. It has encouraged the derivatives sector to be nimble and quick and has fueled the economic engine of our democracy.

At the same time, the derivatives sector has been less impacted by the subprime crisis, and consumers have been protected from fraud, abuse and manipulation.

Short Term

As an immediate step, I am hopeful that Treasury agrees there needs to be more cooperation and coordination between all financial regulators. Last year, I called for a Memorandum of Understanding (MOU) between the CFTC and the SEC. Through the vigilant efforts of CFTC Chairman Lukken and SEC Chairman Cox, a far-reaching MOU was approved by both Commissions only two weeks ago. The new MOU calls for a permanent regulatory liaison structure to address communication and coordination on

the surveillance and enforcement fronts. Additionally, it will streamline approvals of dually-regulated new products (like options on foreign security indexes) and move the Commissions toward agreement on areas of mutual concern (like portfolio margining).

Together with regular public accountability sessions, the recently approved MOU can go a long way toward improving our financial regulatory structure. This can and should occur immediately.

Medium Term

For the medium term, it is perhaps time for more prescriptive regulatory agencies, like the SEC, to be granted the statutory authority needed to adopt a principles-based regulatory approach. While the SEC and others may be able to take baby steps in this regard using the rule-making process, there is no question in my mind that to achieve the desired results of a principles-based regulatory regime, Congress will have to act.

Long Term

In the long term, it may make sense to integrate the responsibilities and functions of myriad agencies into one financial service sector regulator. But form should follow function. Therefore, it is prudent to postpone agency merger planning and activity until after Congress approves a statutory overhaul, after those primary functions have been agreed to, after the approach has been prescribed, and after the financial regulators have implemented and adapted to the new regulatory approach.

Merging prior to reaching consensus on agency functions, critical processes and the appropriate regulatory approach would be premature, ill-advised and potentially result in an unmitigated disaster.

Summary

The Treasury Department's four month review and analysis contributes to an important dialogue at a critical time for our nation's economy. Several US agencies specialize in increasingly complex and interconnected financial sectors, therefore immediate and enhanced agency coordination is imperative. To stimulate innovation and to assure consumer protection, Congress should consider granting authority for regulatory agencies to adopt principles-based regulatory regimes.

It is my firm belief that merging financial regulatory agencies at this time could result in an unmitigated disaster given the vast differences in their diverse and often conflicting regulatory systems.