



## **Commodity Futures Trading Commission**

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# **Statement**

## **Statement of Michael V. Dunn**

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I support the testimony being given today. Clearing has proven an efficient, effective method for addressing both counterparty and systemic risk. It provides greater transparency and accountability for financial risks. Clearing, however, is not enough. It does not address a central problem that is a significant cause of our current crisis, the lack of Federal authority to adopt regulations necessary to address financial risks related to swaps.

Our current crisis has laid bare the flaw at the heart of the Commodity Future Modernization Act of 2000's exclusion of swaps from the CFTC's jurisdiction. Current events have proven categorically that relying on investors and institutions to monitor their own counterparty risk as a method to guard against systemic financial risks for our country is not sufficient.

Congress must revisit its determination to exclude swaps markets from regulation and make sure that Federal regulators are in a position to see and assess systemic financial risks. The CFTC's model of principle-based regulation combined with rigorous market surveillance and stringent capital requirements has fostered innovation while at the same time ensuring market integrity.

The diversity and complexity of over-the-counter markets provides a serious regulatory challenge. How do you ensure that market participants have access to effective, efficient, innovative risk management tools while also ensuring those tools do not jeopardize market integrity?

Clearing swap transactions is central to managing systemic financial risk related to swaps. The larger and more standardized the markets, the more vital it is that those markets have centralized clearing.

No agency is in a position to extend oversight into the over-the-counter markets without additional resources, and the Commission is no different. But the costs of those additional resources are perhaps the best bargain the public will ever get in terms of the enhanced financial security they can provide.