



Commodity Futures Trading Commission

Office of External Affairs

Three Lafayette Centre

1155 21st Street, NW

Washington, DC 20581

202.418.5080

Remarks

Remarks of Commissioner Michael V. Dunn

Hearing to Examine Trading on Regulated Exchanges and Exempt Commercial Markets September 18, 2007

Thank you Mr. Chairman for calling today's hearing. I commend you for taking a needed look at this complex issue.

Over the past two years I have had the opportunity to meet with a wide range of audiences regarding regulation of derivatives markets. I have been struck that the basic thing people desire, is simple. They want to have confidence that the game is not rigged.

Events such as the recent alleged manipulation by Amaranth of the natural gas markets, the alleged manipulation of propane markets by BP, and the proven manipulations of Enron, have led the public to question the integrity of derivatives markets, and to ask, "Who is in charge?"

Well, when it comes to energy derivative markets, the answer seems, at times, no one. We have people on tape and in e-mails boasting that they can get away with gaming the markets because no one is watching them.

While the Commission aggressively pursues market manipulations that come to its attention, in the absence of a regulatory structure based on accountability and transparency, manipulative behavior may go undetected.

The central problem is that the CFMA seems to have placed large swaths of the energy derivatives markets beyond key elements of the CFTC's jurisdiction. We have to consider today whether this makes sense, and what tools are necessary to safeguard energy market we regulate from fraud and manipulation.

Recent hearings and past legislative battles on Capitol Hill have shown there are significant concerns among Members of Congress and the general public regarding Exempt Commercial Markets. I know there are a lot of different legislative proposals for fixing the problems potentially created by 2(h)(3).

I think the question that we need to explore is whether, and how, 2(h)(3) is flawed. I think we need to think carefully about how it fits within the larger structure of the CEA. And, most importantly, I think we need to consider how to best provide the openness and transparency the public demands and deserves when it comes to energy futures markets.

Once again, Mr. Chairman, I thank you for calling today's hearing.