



Commodity Futures Trading Commission

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Speech

Remarks of Jill Sommers

Commissioner of the Commodity Futures Trading Commission

Before the

Futures Industry Association

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Thank you Ray. I am delighted to be back in Chicago today with my fellow newly appointed Commissioner, Bart Chilton. Having worked closely with the FIA over the years during my tenures with the Chicago Mercantile Exchange and ISDA, I see a lot of familiar faces in the room. This is a great opportunity for me to meet those of you I haven't gotten a chance to know yet, and I look forward to working with all of you from my new perspective as a Commissioner of the CFTC.

I was originally nominated by the President in December of 2006, and was re-nominated on May 3, 2007. I was confirmed by the U.S. Senate on August 1, 2007, and was sworn in as a Commissioner on August 8, 2007. I have been on the job for a little over two months and am overwhelmed by the innovations and evolution of this industry. I am grateful for this opportunity for public service and am especially appreciative of my fellow Commissioners and all of the supportive staff at the CFTC. Someone once said "If you love your job you will never have to work another day in your life." I've got to tell you, it's a pretty good feeling.

As some of you may know, I grew up in Fort Scott, Kansas, a small town about 60 miles south of Kansas City. My family has owned and operated an Ace Hardware store for 38 years. As a young girl, I worked in the store and learned the value of a dollar and the importance of good business decisions.

After graduating from the University of Kansas with a degree in Political Science, my career plan consisted of interning for a few months with Senator Bob Dole in Washington, D.C. I did not dream of staying in Washington, but life had a different path for me. I ended up working for Senator Dole, both in Washington and in Kansas, for almost five years. I left the Capitol to work for an agricultural consulting firm and became involved with futures issues. In 1998, I began working for the Chicago Mercantile Exchange in its Washington, D.C. office, where I was responsible for regulatory and legislative affairs. This gave me the unique opportunity to work closely with congressional staff on the Commodity Futures Modernization Act from the very beginning to the long awaited end. I left the CME in 2004, and most recently worked as Policy Director and Head of U.S. Government Affairs for ISDA.

While working for the CME on the CFMA, I met my husband Mike, who is a congressional staffer for Republican Leader John Boehner. We live in Alexandria, VA and have three children, ages five, four and three.

When Barbara asked me to speak to you today back in August, October seemed a long way off, but the time has flown by. I don't know whether that's a sign of getting older or because we've been so busy at the Commission, but I hope it's the latter. During the brief period of time since Bart and I were sworn in as Commissioners, the CFTC held a hearing to examine the interrelationship between energy trading on designated contract markets and exempt commercial markets and hosted a meeting of the Global Markets Advisory Committee to learn about the European Union's implementation of the Markets in Financial Instruments Directive and the new European Code of Conduct for Clearing and Settlement. We've also been involved in a highly publicized case filed by the Commission in the U.S. District Court for the Southern District of New York against Amaranth Advisors and its chief natural gas trader, Brian Hunter, alleging violations of the Commodity Exchange Act for attempting to manipulate the natural gas futures market price on the New York Mercantile Exchange. While there unfortunately is nothing unusual about traders attempting to manipulate energy prices, this case stands out because

Amaranth has asked the New York court to stay a parallel administrative proceeding filed by the Federal Energy Regulatory Commission alleging manipulation of the NYMEX futures market price under the Energy Policy Act of 2005. While I cannot comment substantively on this pending litigation, the motion raises important issues regarding the exclusive jurisdiction of the CFTC to police the futures markets. The FIA, joined by the Managed Funds Association, NYMEX, the CME Group and ISDA, recently filed an *amicus* brief in the case supporting the Commission's exclusive jurisdiction.

Also, within in the last few weeks, the House Agriculture Committee has picked up where everything left off in 2005 to again consider reauthorizing the Commission. On September 26th our authorizing subcommittee heard from the industry, including the FIA, on the issues it would like to have considered. One issue, which was raised by Bill Brodsky of the Chicago Board Options Exchange that is of particular interest to me, is portfolio margining of securities and futures positions. The securities industry advocates what is known as a "one pot" approach that would require all positions to be held in a securities account. I fully support the concept of portfolio margining whenever it can be achieved. It fosters the efficient use of capital, is good for customers, and is good for the economy. But the "one pot" approach raises legal, regulatory, operational, and supervisory issues that would, at the very least, require legislation to amend the Securities Investor Protection Act of 1970 to extend SIPC coverage to futures. A better approach, I believe, would be the "two pot" approach under which offsets are recognized through a cross-margining agreement at the clearinghouse level between securities held in a securities account and futures held in a futures account. This would eliminate the need for legislation and many, if not all, of the regulatory, operational, and supervisory issues. It would also allow greater capital efficiency by retaining the traditional risk-based calculations for the futures positions that are not yet available for securities positions.

The House has asked our Acting Chairman, Walt Lukken, to testify at a hearing next week, along with Orice Williams, the Director of Financial Markets and Community Investment for the Government Accounting Office, to continue its review of issues related to our reauthorization and the examination of exempt commercial markets. Since our ECM hearing on September 18th, CFTC staff has been working hard to prepare a report reviewing specific recommendations from the hearing participants. I think this report will be very helpful for Acting Chairman Lukken as the Commission analyzes the regulatory structure created by the CFMA.

In my opinion, the structure created in 2000 was properly vetted and entirely appropriate. Since that time, markets have evolved and grown at a dramatic pace. It is only prudent therefore, from a regulatory perspective, for us to examine the current framework to see if what made sense then makes sense now and to ensure a level playing field. The CFTC does an outstanding job of encouraging market growth and innovation while ensuring the integrity of the marketplace and protecting market users. As a Commissioner, I hope to play an important role in promoting strong oversight, fair and flexible regulation, and competition in the marketplace.

Thank you again for inviting me here today. I look forward to your input as we move forward with reauthorization and the many important issues facing the industry today and in the coming years.