



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

September 18, 2008
(House)

STATEMENT OF ADMINISTRATION POLICY
H.R. 6604 - Commodity Markets Transparency and Accountability Act of 2008
(Rep. Peterson (D) Minnesota and 9 cosponsors)

The Administration is very concerned about the impact of high fuel and food prices on the American people. The Commodity Futures Trading Commission (CFTC) continues to monitor the U.S. futures markets closely, has taken significant steps to increase transparency, and continues to rigorously enforce laws governing U.S. futures markets. Many of these measures were outlined in the Statement of Administration Policy dated July 30, 2008.

The Administration remains strongly opposed to H.R. 6604, which offers poorly targeted short-term measures that do nothing to address the fundamentals of supply and demand that bear the primary responsibility for high energy prices. The bill will hurt the competitiveness of American futures markets and divert CFTC from its core mission of promoting fair and efficient futures markets. If the bill were presented to the President in its current form, his senior advisors would recommend that he veto it.

Since this legislation last failed to pass on the floor of the House, the CFTC on September 11 released a staff report on swap dealers and index traders. This report confirms that swap dealers and index traders are not driving high oil prices. The staff report found that in the first half of this year, while oil prices were increasing, the activity of commodity index traders in crude oil was declining. This evidence, compiled from the books of swap dealers and index traders, directly contradicts the assertions of this legislation's supporters. The CFTC report also concluded that the rise in the notional value of index traders' positions over this period was due to the rise in oil prices and was not driven by an increase in the size of positions held by these traders.

Since Congress last considered this legislation, several factors have combined to lead to a sharp decline in the cost of crude oil, including softening of worldwide oil demand. Just as there is no verifiable evidence to conclude that oil speculators were behind the rise in oil prices in the first half of the year, there is no verifiable evidence that speculators were behind its recent decline.

CFTC is continuing to monitor futures markets closely and is committed to using its existing resources to take immediate action to prevent market manipulation where necessary.

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