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Joe Courtney

Congress of the United States

2nd District, Connecticut

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WASHINGTON OFFICE:

215 CANNON HOUSE OFFICE BUILDING

WASHINGTON, DC 20515

P (202) 225-2076

F (202) 225-4977

DISTRICT OFFICE:

101 WATER STREET, SUITE 301

NORWICH, CT 06360

P (860) 886-0139

F (860) 886-2974

77 HAZARD AVENUE, UNIT J

ENFIELD, CT 06082

P (860) 741-6011

F (860) 741-6036

Gary Gensler
Chairman
Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20581

Jill E. Sommers
Commissioner
Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20581

Scott D O'Malia
Commissioner
Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20581

Michael Dunn
Commissioner
Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20581

Bart Chilton
Commissioner
Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20581

Dear Commissioners,

Speculation in the commodity markets was one of the great harbingers of destruction to our financial markets that has left the nation battling record unemployment and economic uncertainty. That is why Congress targeted new regulations for the previously unregulated derivative markets in the Dodd-Frank Wall Street Reform and Consumer Protection Act. To this end, I ask the Commission move forward as soon as possible with a new rule imposing position limits that will add stability to the market.

The need for action is clear. Speculators outnumber those who use derivatives for hedging commodity prices four to one. High frequency trading analyzed through computerized algorithms account for one third of all trading in future markets and continues to grow. Most alarmingly, end users – those who actually use and sell the products – continue to face unfair uncertainty and instability in prices.

However, I believe that the overriding concern facing our nation today is the impact commodity markets have on the millions of Americans who are struggling to fill their gas tank and heat their homes. A week ago the average cost nationally of a gallon of gas surpassed \$3.00 a gallon for the first time since October 2008, and prices have reached \$3.26 per gallon in Connecticut. Likewise, as we enter the early weeks of winter home heating oil is 18 percent higher than it was

a year ago. While this is still below record high levels of just a few years ago, it is a troubling trend that will likely grow worse throughout the year. The need for action is clear.

Section 737 of the Dodd-Frank Act explicitly requires the Commission to establish position limits on swaps for each spot month, every other month, and the total number of positions for all months. The new authority in the law, combined with the transparency requirements of all derivatives, should provide the Commission with the necessary means to overcome the obstacles that prevented the establishment of position limits in the past. Completion of this rulemaking process is critical to ensuring that consumers in Connecticut and across the country finally receive needed protection against the speculative commodity trading that has driven up energy costs in recent years. Further, I strongly recommend that you not weaken the rule by raising position limits, which would only dilute the impact of this policy and, ultimately, the intent of Congress.

Again, I ask that you move forward and establish the necessary position limits on swaps while including exemptions only for bona fide hedgers. Thank you for your attention to this matter.

Sincerely,


JOE COURTNEY
Member of Congress