

Commodity Exchange Act

“...to deter and prevent price manipulation or any other disruptions to market integrity; to ensure the financial integrity of all transactions subject to this Act and the avoidance of systemic risk; to protect all market participants from fraudulent or other abusive sales practices and misuses of customer assets...”

-- 7 U.S.C 5(b)

Exotic New Financial Tools

“At the plush holiday resort of Boca Raton ... about 80 JPMorgan bankers ... started to wonder if there was a way to create derivatives that could bet on whether bonds or loans would default.”

-- Gillian Tett, Financial Times Magazine
The \$12 Trillion Idea, March 24, 2006

After Deregulation

“All the fundamental templates that we learned from the Great Depression are needed to have markets function smoothly are gone.”

-- Michael Greenberger, University of Maryland
Frontline, October 2009

After Deregulation

“No transparency, no capital reserve requirements, no prohibition on fraud, no prohibition on manipulation, no regulation of intermediaries.”

-- Michael Greenberger, University of Maryland
Frontline, October 2009

After Deregulation

- “Dark” markets: no transparency
- No requirement to keep records
- No large trader reporting
- No speculation limits
- No capital behind speculative bets
- High risk for fraud, manipulation, and excessive speculation

OTC Derivative Market Explosion

\$700

(trillions)

\$600

\$500

Derivatives
Deregulated

\$400

\$300

\$200

\$100

\$0

1999

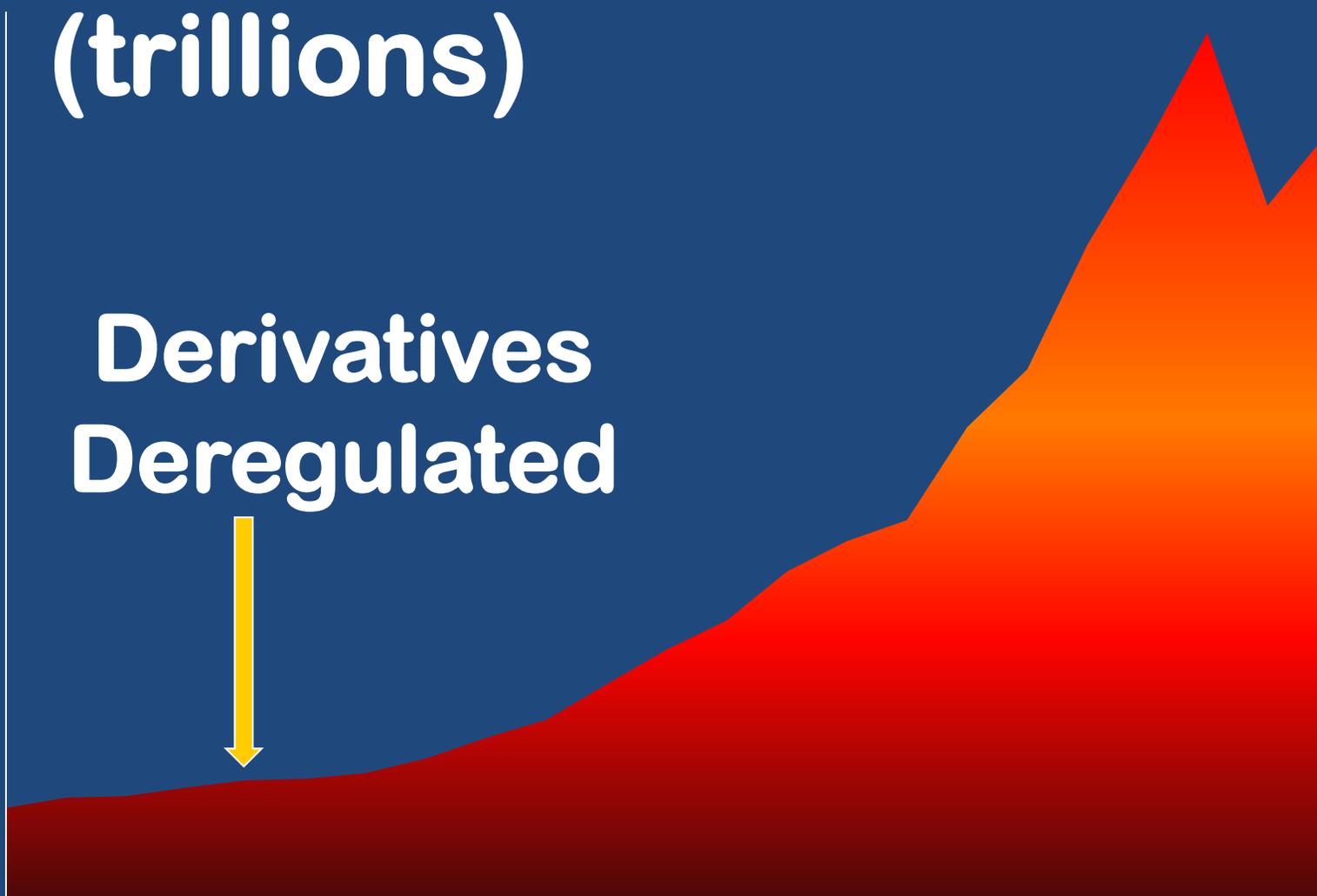
2001

2003

2005

2007

2009



Assets vs. Derivatives

(trillions)

Derivatives

Assets

\$200

\$160

\$120

\$80

\$40

\$0

1995

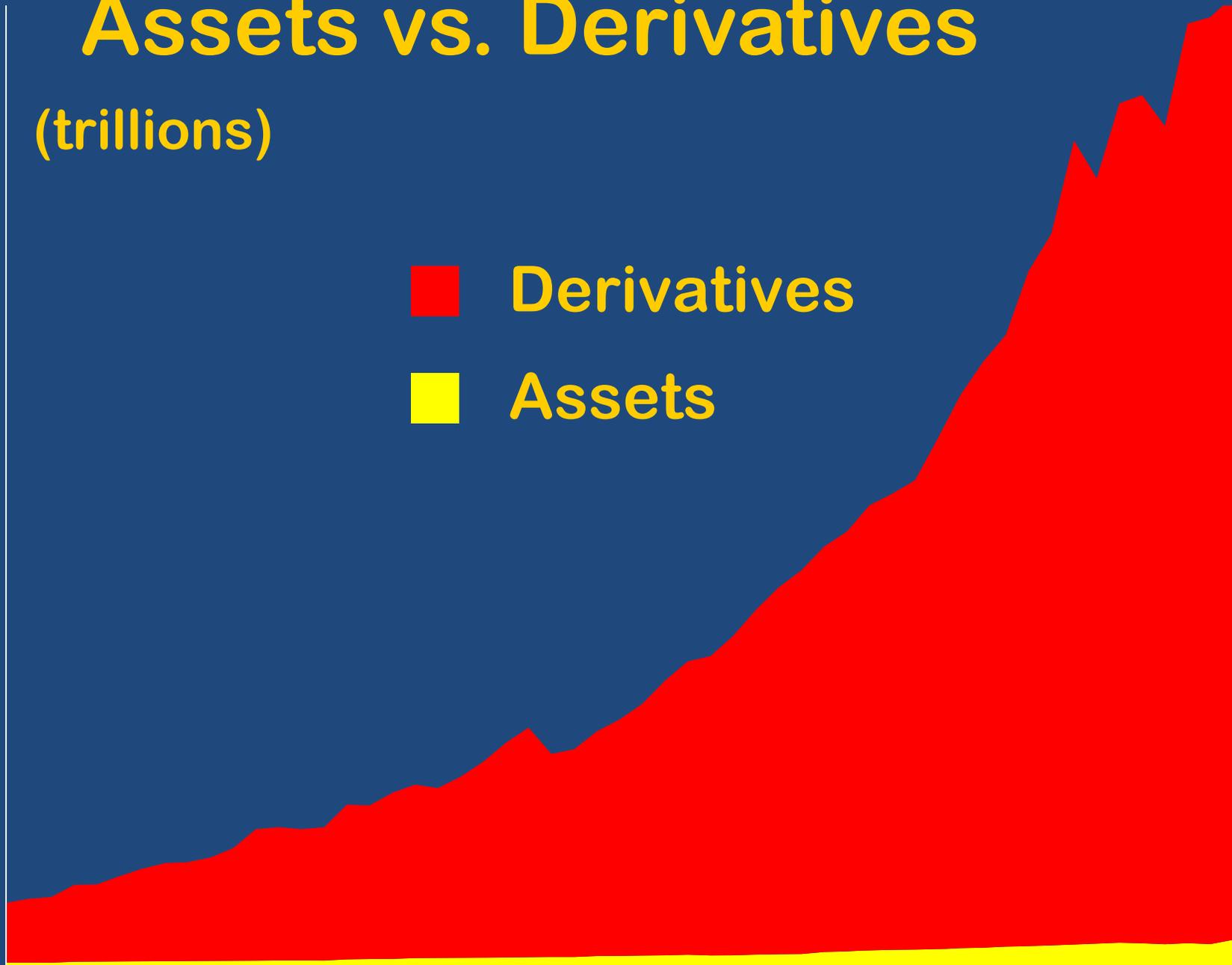
1998

2001

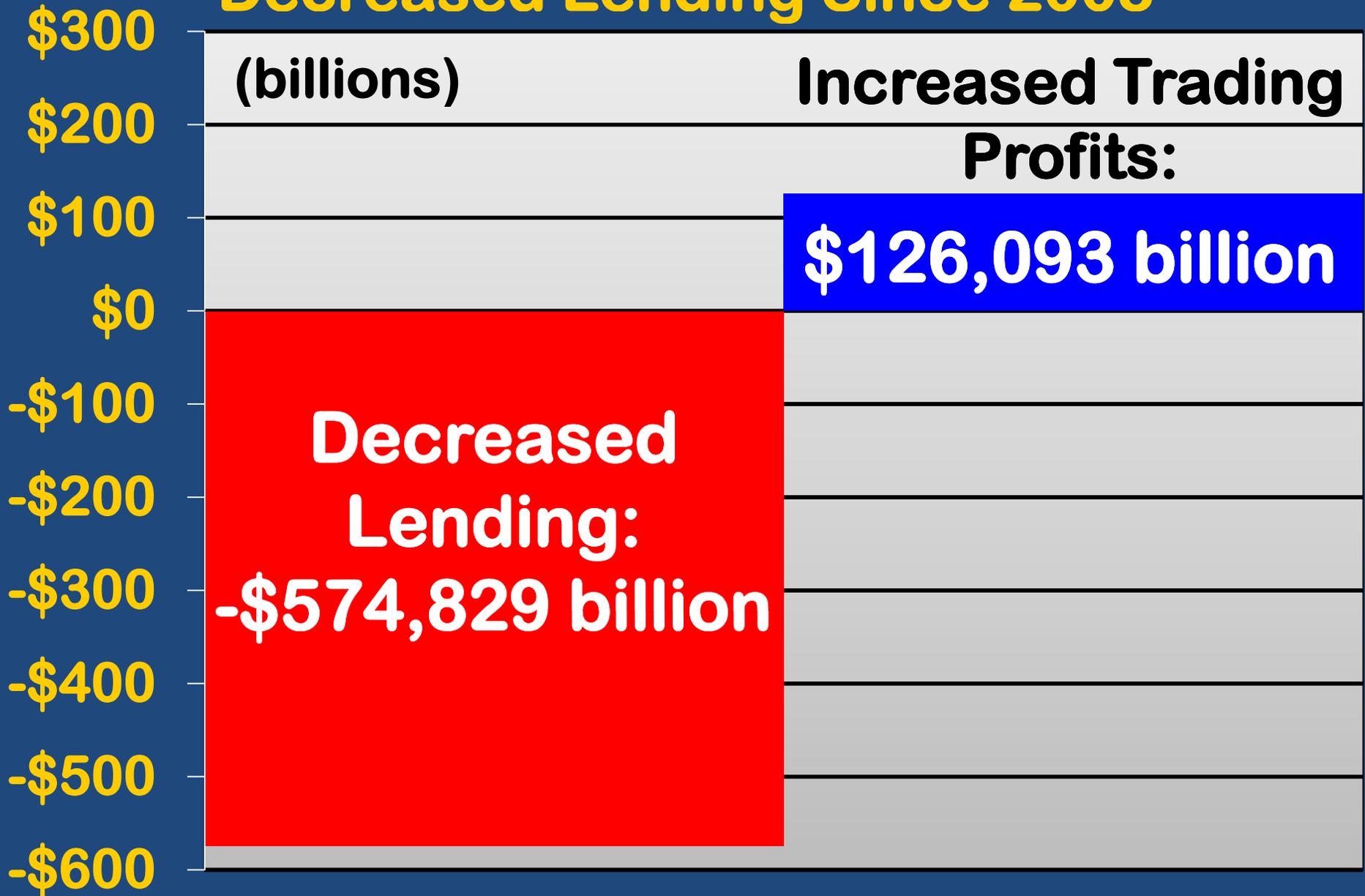
2004

2007

2009



Increased Trading Profits and Decreased Lending Since 2008



Unregulated Trading V. Exchange

	Unregulated Trading	Exchange Trading
Capital behind trades		
Transparent pricing		
Real-time trade monitoring		
Transparent valuation		
Speculation limits		
Public Transparency		

Unregulated Trading V. Clearing

	Unregulated Trading	Clearinghouse
Capital behind trades		
Transparent pricing		
Real-time trade monitoring		
Transparent valuation		
Speculation limits		
Public Transparency		

“End-User” Loophole

“If [end-users] are exempted, potentially trillions of dollars worth of transactions could avoid the exposure — and stability — that comes with exchange trading.”

-- New York Times, Editorial
October 7, 2009

Strong Derivatives Reform

“Strong derivatives reform is a matter of putting taxpayers first — ahead of the big banks and corporate America that are fighting hard for a return to risky business as usual.”

-- **New York Times, Editorial**
October 7, 2009