Commodity Futures Trading Commission (CFTC)

Brief Introduction

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Commodity Futures Trading Commission (CFTC) Introduction

*Agency Background*

- Congress created the Commodity Futures Trading Commission (CFTC) in 1974 as an independent agency with the mandate to regulate commodity futures and option markets in the United States. The agency's mandate has been renewed and expanded several times since then, most recently by the Wall Street Reform and Consumer Protection Act (“Dodd – Frank”)
- The CFTC's mission is to protect market users and the public from fraud, manipulation, and abusive practices related to the sale of commodity and financial futures and options, and to foster open, competitive, and financially sound futures and option markets.
- Headquarters in Washington, D.C.; regional offices in New York City, Chicago, Kansas City
Commodity Futures Trading Commission (CFTC) Overview

Regulated Products – By Category

Tangible Commodities
• Energy: crude oil, natural gas, heating oil, ethanol etc.
• Agriculture: wheat; corn; soybeans; cattle etc.
• Metals: gold, silver, platinum, copper etc.

Financial Instruments
• Currencies: EURO/USD; CAD/USD; CAD/JPY etc.
• Interest Rates and Government Debt
• Stock Indices: E-mini S&P 500, NASDAQ 100, Technology etc.
• Single Stock Futures
• Swaps: interest rates; broad-based security indexes; foreign currencies; swaps based on non-security related events
Commodity Futures Contracts
- Futures contracts for physical delivery
- Futures contracts for cash settlement
- Options on the above types of contracts
- Typically involve energy, agriculture, metals, currencies, stock indices, interest rates and government debt

Financial Swaps
- Financial instrument involving an exchange of payment streams at specified intervals for a specified term
- 85% of swaps involve currency and interest rates

Off-exchange Leveraged Transactions
- Leveraged commodity investment vehicle tailored to retail investors
- Typically involve foreign exchange (“forex”) and metals
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Regulated Exchanges

**Exchanges**
CME Group (97% of U.S. Market)
- Chicago Mercantile Exchange (CME)
- Chicago Board of Trade (CBOT)
- New York Mercantile Exchange (NYMEX)
- COMEX

ICE Futures U.S.
Kansas City Board of Trade (KCBOT)
Minneapolis Grain Exchange
OneChicago

**Swap Exchange Facilities**

**Off-Exchange**
- Foreign Exchange (Forex)
- Metals
Regulated Entities and Individuals

- Participants
  - Hedgers
  - Speculators
- Futures Commission Merchants (FCMs)
- Introducing Brokers (IBs)
- Commodity Trading Advisors (CTAs)
- Commodity Pools/Commodity Pool Operators (CPOs)
- Associated Persons (APs)
- Retail Foreign Exchange Dealers (RFEDs)
- Floor Brokers
- Floor Traders
- Swap Dealers
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Market Overview

• U.S. Futures Industry
  - 266 million futures and options contracts traded (August 2010); 3.1 billion contracts traded in 2010
  - $39 trillion value
• Post Dodd-Frank
  - Over $300 Trillion swap market (domestic)
  - Over $600 Trillion swap market (domestic and international)
• 12% of total market volume is agriculture related
• Approximately 65,000 registered participants
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Conclusion

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