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House Ag Committee Blasts Obama Financial Proposal

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By Daniel Wagner

Faced with the prospect of losing key oversight powers, members of the House Agriculture Committee and regulators on Tuesday blasted an Obama administration proposal to overhaul financial rules.

"It wasn't the futures markets that caused the financial meltdown this country experienced a little over a year ago," said Oklahoma's Frank Lucas, the committee's top Republican. "Why is there a rush to change how futures markets are regulated?"

Futures are financial instruments used to cushion users against price fluctuations. They are regulated by the Commodity Futures Trading Commission, which the committee oversees.

Under the administration proposal, the Federal Reserve would gain power. The Fed is overseen by the House Financial Services Committee, which spent Tuesday morning debating the administration proposal.

Agriculture Committee Chairman Collin Peterson says the Fed has no experience regulating futures and derivatives, financial instruments whose values are derived from the values of some underlying asset.

"Why are we even thinking about giving more power and authority to the Fed?" Peterson asked.

CFTC Chairman Gary Gensler told the committee that the bill could create gaps in oversight by establishing multiple regulators for entities currently overseen by his agency and the Securities and Exchange Commission.

For example, the Fed could set standards for securities exchanges like the New York Stock Exchange and Chicago Mercantile Exchange, even though they would continue answering to the SEC and CFTC.

"I think Congress would want to consider closely whether it's best to set up multiple regulators for some functions," Gensler said.

SEC Commissioner Elisse Walter warned that moving too quickly on proposed measures, especially expanding Fed power too much, could create dangerous unintended consequences.

"No one ... can perfectly forecast future events, and free markets can be faster and more informed than regulators," she said. "In an effort to craft a more stable system, policymakers might unintentionally foster a system that is unfair and unworkable."