

Reuters

Congressmen Oppose Making Fed Super-Regulator

November 17, 2009

By Charles Abbott

Congress ought to clarify if a proposed super-regulator of the U.S. financial system should be an overlapping overseer of securities and futures exchanges, the chief futures regulator said on Tuesday.

Chairman Gary Gensler of the Commodity Futures Trading Commission spoke to the House Agriculture Committee at the same time the Financial Services Committee was writing a bill to create a systemic risk regulator.

Agriculture Committee Chairman Collin Peterson said he was skeptical "and very much opposed" to giving the job to the Federal Reserve as proposed in a Financial Services Committee draft. Republican Congressman Frank Lucas said "no one can credibly argue" the Fed is qualified to be a market regulator.

Gensler pointed to possible duplication of authority under administration and congressional proposals and said Congress should "closely consider whether it's best to set up multiple regulators" of equities and futures markets.

He said the CFTC and the Securities and Exchange Commission ought to remain the sole regulators of clearinghouses affiliated with futures and equities exchanges.

Legislative proposals for a systemic risk regulator "may have unintentionally encompassed robustly regulated markets such as securities and futures exchanges," said Gensler. The systemic regulator could order SEC and CFTC to revise their rules or impose standards directly if agencies demur.

As an example, he said the Federal Reserve could include exchanges and intermediaries such as futures commission agents and commodity pool operators under the rubric of "identified financial holding companies" subject to heightened prudential standards.

"As these holding companies and their subsidiaries, such as the New York Stock Exchange or the Chicago Mercantile Exchange, are currently comprehensively regulated by the Securities and Exchange Commission and the CFTC, Congress may wish to clarify if they should be included in the Federal Reserve's prudential supervisory authority over holding companies," said Gensler.