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June 14, 2016

The Honorable Timothy G. Massad
Chairman
U.S. Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20581

Dear Chairman Massad:

The House Committee on Agriculture is conducting oversight of research practices at the U.S. Commodity Futures Trading Commission's (CFTC) Office of the Chief Economist (OCE) based on a report published by the agency's Office of Inspector General (OIG). As part of this oversight initiative, the Committee requested documents and information related to the OIG's report and discovered the existence of a draft literature review on position limits that was never finalized or circulated to the full commission. I write to request that you direct CFTC staff to finalize and make public this report for use in the Commission's ongoing work on the position limits rulemaking.

On February 18, 2016, the OIG published a report following up on a 2014 review of OCE research programs. After interviewing OCE economists, the OIG decided to expand its review of OCE to include research topic selection due to allegations that the Chief Economist has refused to permit research on topics relevant to the agency's mission, including position limits, and economists have begun limiting their research proposals to non-controversial topics based on a perception that the Chief Economist will not permit research that may conflict with the official positions of the CFTC.

The OIG's findings were deeply troubling, and the Committee requested documents and communications related to the OIG's investigation for additional oversight. Among the documents the Committee received was a draft literature review summarizing and analyzing economic studies cited in comment letters on the position limits rulemaking that was sent to your office on June 30, 2015.¹ The version we have seen is labeled draft number 20, but does not appear to have been submitted for final review within OCE after it was shared with your office.

¹"Analysis of the Various Economic Studies Cited in Comment Letters in the Position Limits Rulemaking," Unpublished draft internal analysis, U.S. Commodity Futures Trading Commission, Office of the Chief Economist.

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I have reviewed the document, and I believe it presents a comprehensive overview of the current state of economic research on excessive speculation and an objective analysis of the potential utility of position limits. The report discusses in detail the ongoing and vigorous debate among economists about what constitutes excessive speculation and what, if any, impact it might have on prices and volatility in the commodity futures markets. The authors of this report raise important questions about whether position limits are an effective tool for limiting the effects of excessive speculation. They also highlight the market stabilizing effects of speculative activity and suggest that suppressing such activity may carry unintended risks, such as disruptions to liquidity and price discovery.

I appreciate your work on the recent supplement to the proposed position limits rulemaking. Your proposal takes steps towards addressing several of the concerns that have been raised before both this Committee and your agency. As stakeholders and market participants review the new language and file their comments, this report, which puts the best economic literature in context, may help clarify what can and cannot be accomplished in the final rule.

Position limits are a complex regulatory tool and their impact on markets is uncertain. Given the sweeping nature of this rulemaking and the intense debate it has provoked since its inception, this even-handed report prepared by the Commission's own economists should serve as an invaluable resource for the Commission and the public. Therefore, the Committee requests that you finalize this report before continuing with the next steps in the rulemaking process.

The Committee on Agriculture is the principal authorizing committee for all matters related to agriculture and commodity exchanges in the House of Representatives and "shall have general oversight responsibilities" as set forth in House Rule X.

Please respond to this request in writing on or before June 24, 2016. Your response should specify the date by which the literature review will be finalized and made public. If you have any questions about this request, please contact Emily Wong or Paul Balzano of the majority staff at 202-225-2171.

Sincerely,



K. Michael Conaway
Chairman

cc: The Honorable Collin Peterson, Ranking Minority Member