Congress of the United States
House of Representatives
Washington, DC 20515

February 29, 2012

Chairman Gary Gensler
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Dear Chairman Gensler:

Earlier this week, Wall Street trade groups once again went to the federal courts seeking to block implementation of a key rule designed to crack down on speculation in the energy markets. This comes as Congressional Republicans continue their assault on the new authority that Congress granted the Commodity Futures Trading Commission (CFTC) to oversee speculation and profiteering in oil futures trading through the Dodd–Frank Wall Street Reform and Consumer Protection Act (Wall Street Reform Act).

We are alarmed and outraged by these developments, especially in light of the runaway fear that has taken hold of the oil markets in the wake of Iran threatening to cut off the Strait of Hormuz. The CFTC must fully implement the rule as quickly as possible so that American businesses and consumers are spared any and all unnecessary financial pain caused by speculation in the market.

Since Iran threatened to block oil shipments through the Strait of Hormuz at the end of last December, international oil prices have risen by $17 per barrel and U.S. gas prices have risen by 46 cents per gallon. The average price of U.S. gasoline has risen 21 consecutive days. Yet total global oil supply remains essentially unchanged. The markets are clearly afraid that conflict in Iran could lead to a loss of global oil supplies. Speculators are able to take advantage of that market sentiment and drive oil prices ever higher.

This past Monday, representatives of the International Swaps and Derivatives Association and the Securities Industry and Financial Markets Association appeared at a federal court seeking an injunction against the CFTC rule, which would set limits on how much traders can buy. The rule is designed to prevent hedge funds and other speculators from owning huge pieces of the energy futures market and thus drive price swings. The same groups filed suit seeking to overturn the CFTC rule in December.

Meanwhile, Republicans in Congress have already introduced legislation in the House and Senate that would delay the Wall Street Reform Act rules. H.R. 1573, which has already passed the Agriculture Committee and the Financial Services Committee, explicitly prevents the CFTC from making any Wall Street Reform Act rules effective before October, 2012. Republicans have also sought to delay these rulemakings by starving the agency of funds. To allow for implementation of key rules mandated through the Wall Street Reform Act, the Obama administration requested a $106 million budget increase for the CFTC in fiscal year 2012. House Republicans instead proposed *cutting* the agency's budget by $30 million so that none of the new rule makings can be completed.

Yesterday, the CFTC Commissioner Bart Chilton, originally appointed by President George W. Bush, was quoted in a CNN/Money article estimating that Wall Street's "speculative premium" has raised the price to fill up a Honda Civic by $7.39. He went on to say, "You can't turn on the television or the radio without hearing about record high gas prices, and yet the CFTC has not yet been able to implement Congressionally mandated position limits to put the brakes on excessive speculation in oil and other commodity markets." Last week, traders set a record for the amount of money they bet on higher gasoline prices, according to Tom Kloza, chief oil analyst for the Oil Price Information Service.

We greatly appreciate the work that the CFTC, under your direction, has done in beginning to write and implement rules in the Wall Street Reform and Consumer Protection Act, especially those which would have an effect on speculation in oil markets. However, in order for us to better understand your views and plans with regard to this issue we request that you respond to the following questions:

1. Absent the legal challenges to the CFTC's position limit rules, what impact do you believe that those rules would have on gasoline prices?

2. What is your response to the claim by the Wall Street groups that the rule lacks economic basis and would harm markets?

3. What actions has the CFTC taken to defend its regulations in response to the lawsuit filed by the Wall Street trade groups?

4. What do you believe are the best estimates of how much more consumers are paying for gasoline because of the "speculative premium" referenced by Commissioner Chilton in the CNN/Money article?

5. How much of the currently trading oil futures contracts are owned and controlled by speculative interests?

6. Of those contracts held by speculators, what percentage are betting on an increase in the price of oil (i.e., long contracts) and how many are betting on a decrease in oil prices (i.e., short contracts)?

7. How large are the largest positions in oil futures contracts currently being taken by speculators?

8. What are the current margin requirements applicable to trading in energy futures and does the CFTC believe there is any need to increase margin limits in order to reduce the potential for excessive, leveraged speculation in oil markets at today's currently high and

volatile prices? If so, what action is the CFTC taking in this matter? If not, please explain why not.

Because of the urgency of this issue, we would like a response to this request within 30 days. Thank you for your assistance and hard work.

Sincerely,

Edward J. Markey
Ranking Member
Natural Resources Committee

Barney Frank
Ranking Member
Financial Services Committee

Henry A. Waxman
Ranking Member
Energy and Commerce Committee

Elijah E. Cummings
Ranking Member
Oversight and Government Reform Committee