

## Michaud Votes to Crack Down on Energy Speculators

Thursday, September 18 2008

WASHINGTON, DC

- Today, Congressman Mike Michaud voted to pass H.R. 6604, the Commodity Market Transparency and Accountability Act. The bill would take crucial steps to curb excessive speculation in the energy futures markets. H.R. 6604 contains language similar to provisions of H.R. 6330, the "Prevent Unfair Manipulation of Prices" (PUMP) Act of 2008, of which Michaud is a cosponsor.

WASHINGTON, DC

- Today, Congressman Mike Michaud voted to pass H.R. 6604, the Commodity Market Transparency and Accountability Act. The bill would take crucial steps to curb excessive speculation in the energy futures markets. H.R. 6604 contains language similar to provisions of H.R. 6330, the "Prevent Unfair Manipulation of Prices" (PUMP) Act of 2008, of which Michaud is a cosponsor.

"Without effective oversight, there is no way to know whether energy speculators are basing trades on market realities, or are instead gaming the system to make money at the expense of consumers," said Michaud. "We need to be doing everything that we can to help protect American consumers and ensure that they are not paying inflated prices. Passing this bill is an important step forward. By closing all of the existing loopholes, regulators would be better able to monitor trades to prevent market manipulation and help eliminate the unreasonable inflation of energy prices."

More information on H.R. 6604 can be found below.

###

H.R. 6604, the Commodity  
Market Transparency and Accountability Act

### Curbing Excessive Speculation

- Overseeing Off-shore Trading - Makes offshore markets trading in the U.S. follow the same rules as U.S. exchanges -- by requiring foreign boards of trade to share trading data and adopt limits on the number of futures contracts an investor can own similar to U.S.-regulated exchanges. Foreign boards of trade that offer electronic access to U.S. traders for energy or agricultural commodities to be delivered in the U.S. are not currently subjected to the same position limits traders are subject to on domestic exchanges. About 30 percent of U.S. oil futures trades fly below the regulatory radar because they are transacted on a U.S. exchange that works through a subsidiary in London.

- Position Limits -- Requires the Commodity Futures Trading Commission (CFTC) to set position limits - the size of the stake that each speculative investor can hold in a given market -- for all agricultural and energy commodities on the designated contract markets, such as the New York Mercantile Exchange. This will limit

traders' ability to amass huge positions that would otherwise allow them to distort the market.

- Over the Counter Trading -- Provides the Commodity Futures Trading Commission (CFTC) with new authority to impose position limits on the \$9 trillion unchecked over-the-counter trading market. Over-the-counter trades - often negotiated privately by large financial entities - are less transparent than those that happen on fully regulated futures exchanges.

Under the bill, the CFTC can only impose position limits if it finds disruption in over-the-counter markets for an energy or agricultural commodity. The Commission must also study the effectiveness of establishing position limits in over-the-counter markets. It also requires mandatory reporting for over-the-counter trading in agricultural and energy contracts, similar to on-exchange contracts.

- Limit eligibility for hedge exemptions to bona-fide hedgers -

Reforms the process for granting hedge exemptions from trading limits in order to shut down a loophole that has allowed institutional investors to take, through a series of trades, larger positions, than they would be able to take if they traded on the exchanges directly.

#### Bringing Greater Transparency in the Market

- Requires the CFTC to get a complete picture of the swaps markets by defining and classifying index traders and swap dealers, and subjecting them to strict reporting and recordkeeping requirements.

- The Commission will also disaggregate and publicly provide data to examine the true extent of index fund and other passive fund participation in futures markets for energy and agricultural products.

#### Strengthening Enforcement to Prevent Market Manipulation

- Calls for a minimum of 100 full-time CFTC employees to strengthen enforcement, to prevent manipulation and to prosecute fraud. Despite record trading volume in the futures markets, increasing 8000 percent, CFTC staffing is at its lowest level since the agency was created in 1974.

Â